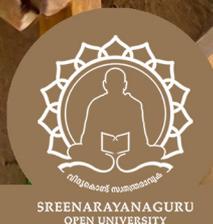


Agricultural and Rural Marketing

COURSE CODE: M21CM11DE

**Master of Commerce
Discipline Specific Elective Course
Self Learning Material**



SREENARAYANAGURU
OPEN UNIVERSITY

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The State University for Education, Training and Research in Blended Format, Kerala

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To increase access of potential learners of all categories to higher education, research and training, and ensure equity through delivery of high quality processes and outcomes fostering inclusive educational empowerment for social advancement.

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Agricultural and Rural Marketing

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Semester - III

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AGRICULTURAL AND RURAL MARKETING

Course Code: M21CM11DE

Semester- III

Discipline Specific Elective Course

Master of Commerce

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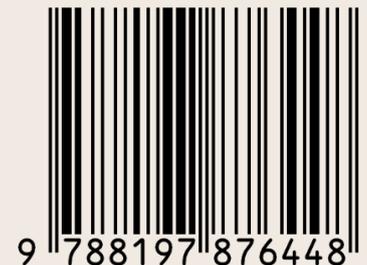


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MESSAGE FROM VICE CHANCELLOR

Dear learner,

I extend my heartfelt greetings and profound enthusiasm as I warmly welcome you to Sreenarayanaguru Open University. Established in September 2020 as a state-led endeavour to promote higher education through open and distance learning modes, our institution was shaped by the guiding principle that access and quality are the cornerstones of equity. We have firmly resolved to uphold the highest standards of education, setting the benchmark and charting the course.

The courses offered by the Sreenarayanaguru Open University aim to strike a quality balance, ensuring students are equipped for both personal growth and professional excellence. The University embraces the widely acclaimed “blended format,” a practical framework that harmoniously integrates Self-Learning Materials, Classroom Counseling, and Virtual modes, fostering a dynamic and enriching experience for both learners and instructors.

The University aims to offer you an engaging and thought-provoking educational journey. This learning material titled Business Policies and Strategic Management offered for MCom programme builds on the knowledge gained in undergraduate studies. It takes the basic understanding of business concepts and expands on them. The course combines theory and real-world practices to give learners a complete picture. We use case studies and examples to help explain complex ideas. Throughout the Blocks, learners will develop their analytical and decision-making skills, which are crucial for managing businesses effectively. The Self-Learning Material has been meticulously crafted, incorporating relevant examples to facilitate better comprehension.

Rest assured, the university’s student support services will be at your disposal throughout your academic journey, readily available to address any concerns or grievances you may encounter. We encourage you to reach out to us freely regarding any matter about your academic programme. It is our sincere wish that you achieve the utmost success.



Warm regards.
Dr. Jagathy Raj V.P.

01-01-2025

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01 BLOCK

Structure of Agriculture and Agriculture Marketing

Block Content

- Unit - 1 Agriculture Sector
- Unit - 2 Economic Reforms and Indian Agriculture
- Unit - 3 Agricultural Marketing



Unit 1

Agriculture Sector

Learning Outcomes

After completing this unit, learners will be able to:

- ◆ comprehend the basic features of agriculture
- ◆ examine the role of agriculture in the national economy
- ◆ identify the problems of the agricultural sector in India
- ◆ know the components of agribusiness
- ◆ learn about the linkages among sub-sectors of agribusiness

Background

Agriculture is one of the most fundamental and enduring activities that support human existence by providing food, raw materials, and livelihoods for a significant portion of the population. The basic features of agriculture encompass its seasonal nature, dependency on climatic conditions, reliance on natural resources, and significant role in rural development and sustenance. It serves as the backbone of rural economies and plays a central role in food security and the ecological balance.

In India, agriculture has historically been the primary source of livelihood for the majority of the population and remains a cornerstone of the national economy. Contributing significantly to GDP, employment, and exports, it supports allied industries such as food processing, textiles, and retail. However, the sector faces several challenges, including low productivity, outdated technology, inadequate infrastructure, fragmented landholdings, and vulnerability to climate change, all requiring urgent attention.

Agribusiness has emerged as a key domain to address these challenges and add value across the agricultural supply chain. It includes components like farming, processing, storage, distribution, and marketing, linking the agricultural sector to industrial and service sectors. Understanding these linkages is crucial for fostering integration and efficiency among sub-sectors, ultimately improving the viability and profitability of agriculture.

This unit gives the foundation for comprehending agriculture's multifaceted role,

examining its contribution to the economy, identifying its core challenges, and exploring the dynamics of agribusiness and its interconnected sub-sectors to drive sustainable growth and development.

Keywords

Agriculture, National Economy, Agricultural Sector, Agribusiness, Sub-Sectors

Discussion

1.1.1 Definition of Agriculture

The word "Agriculture" originates from two Latin terms: "ager" or "agri," which means soil, and "culture," which means cultivation. It is an applied science that covers various aspects of crop production, such as horticulture, livestock farming, fisheries, and forestry. Agriculture can be described as the art, science, and business of cultivating crops and raising livestock for economic gain.

◆ Applied science

As a business, traditional agriculture ties production to consumption as part of rural life. However, modern agriculture focuses on achieving maximum net returns by efficiently managing land, labour, water, and capital, leveraging scientific knowledge to produce food, feed, fibre, and fuel. Agriculture has recently been increasingly commercialized and mechanized, transforming into a thriving business model.

◆ Business

According to the Agriculture Act of 1947, agriculture encompasses activities such as horticulture, fruit and seed cultivation, dairy farming, livestock breeding and keeping, land use for grazing, meadows, osier cultivation, market gardening, nursery grounds, and woodlands, provided these are linked to agricultural purposes.

◆ Farming

1.1.2 Meaning of the Agriculture Sector

The agriculture sector includes all activities in producing crops, livestock, other agricultural goods, and related services such as food processing and storage. It plays a vital role in the primary sector of the economy by providing food, raw materials

◆ Core area of economy



for industries, and employment opportunities to a large portion of the population, particularly in developing nations.

◆ Economic progress

Key components of the agriculture sector encompass crop cultivation, livestock farming, fisheries, forestry, agricultural services, and the supply of essential inputs like seeds, fertilizers, and pesticides. This sector is fundamental to ensuring food security, driving economic growth, creating jobs, supplying raw materials, and generating export revenue through agricultural products.

◆ Natural resource sector

In India's economy, agriculture is the primary sector, focusing on cultivating crops and rearing livestock. It encompasses diverse activities, including crop farming, animal husbandry, fisheries, and forestry, collectively producing food, fibre, and various raw materials. This sector holds significant importance by impacting national income, generating employment, and ensuring food security.

1.1.3 Evolution of Indian Agriculture

Ancient and Medieval Periods

Agriculture in India has deep historical roots, dating back to the Indus Valley Civilization around 2500 years Before the Common Era (BCE), where advanced irrigation systems and organized farming practices were developed. The Vedic period (1500–500 BCE) emphasized agriculture as the foundation of rural life, referencing crop cultivation and livestock management in ancient texts. During the medieval era, particularly under the Delhi Sultanate and Mughal Empire (1206–1857), improved irrigation techniques, including canal construction, supported agricultural expansion. Crops such as wheat, rice, sugarcane, and cotton flourished, while rulers encouraged agrarian reforms to enhance productivity. The introduction of Persian wheel irrigation and land revenue systems shaped agricultural practices, making farming a central aspect of India's economy and social structure.

Colonial Era (1858–1947)

During the Colonial Era (1858–1947), British rule significantly shaped India's agricultural landscape, prioritizing commercial crops like tea, indigo, and jute for export while neglecting food security. Exploitative land revenue systems, such as the Zamindari and Ryotwari systems, burdened farmers with high taxes, leading to widespread debt and poverty. While some modern agricultural techniques were introduced, they primarily served British economic interests rather than improving domestic farm-

ing conditions. The period also saw frequent famines due to inadequate food production and distribution policies, exacerbating rural distress. Despite these challenges, Indian agriculture remained a crucial part of the economy, setting the stage for post-independence reforms aimed at self-sufficiency and food security.

Post-Independence Developments

Following India's independence in 1947, agriculture underwent significant transformations to address food security and economic stability. The Green Revolution (1960s–1970s) introduced high-yielding crop varieties, chemical fertilizers, and modern irrigation techniques, drastically increasing wheat and rice production. Land reforms aimed at redistributing land ownership, while government initiatives like the Five-Year Plans focused on rural development and agricultural modernization. The White Revolution boosted dairy production, making India the largest milk producer. Economic liberalization in the 1990s further integrated agribusiness with global markets, encouraging private investment and technological advancements. Despite climate change and resource constraints, India's agricultural sector continues to evolve, balancing traditional practices with innovation.

◆ Historical perspective

1.1.4 Features of the Agriculture Sector in India

Agriculture in India possesses several defining features:

1. **Subsistence Farming:** This form of agriculture focuses on producing crops for personal consumption rather than market sale, leaving little to no surplus for trade.

Example:- The maize cultivation in sub-Saharan Africa, where smallholder farmers grow maize primarily for household consumption. These farmers rely on traditional farming methods, minimal irrigation, and local seed varieties, producing enough to sustain their families. Any surplus is often traded within local communities, but the primary focus remains self-sufficiency rather than commercial production.

2. **Commercial Farming:** India also engages in commercial agriculture, evident in tea cultivation in Assam, coffee farming in Karnataka, and coconut plantations in Kerala. This type involves large-scale crop production aimed at generating profits through market sales. However, the country's limited land resources and growing population add significant pressure to these activities.



Example:- The tea plantations in Assam, India, where large-scale tea estates cultivate tea for domestic consumption and export. These plantations use mechanized processes, irrigation systems, and skilled labour to ensure high yields and quality production. Commercial farming like this focuses on profitability, market demand, and efficient resource utilization.

- 3. Agricultural Mechanization:** Following the Green Revolution, India has witnessed a rise in the use of machinery in farming operations, promoting mechanized agriculture. Key regions benefiting from mechanization include Punjab, Haryana, Western Uttar Pradesh, Andhra River valleys, and Tamil Nadu.

Example:- The use of combine harvesters in large-scale wheat farming efficiently perform multiple tasks such as reaping, threshing, and winnowing, reducing labour costs and increasing productivity. Countries like the United States, Canada, and India widely use combined harvesters to streamline grain production and improve efficiency in modern agriculture.

◆ Attributes of Cultivation

- 4. Monsoon Dependence:** Approximately two-thirds of Indian agriculture relies heavily on monsoon rainfall due to inadequate irrigation facilities.

Example:- The best example of monsoon dependence is rice farming in India, where the southwest monsoon provides nearly 75–80% of the annual rainfall. Farmers rely on timely monsoon rains for sowing and irrigation, particularly in regions with limited access to artificial irrigation systems. A delayed or weak monsoon can lead to droughts, reduced yields, and food shortages, affecting rural livelihoods and the economy.

- 5. Crop Diversity:** India produces many crops thanks to its varied topography, soil types (such as Alluvial, Red, and Black cotton soil), and climate conditions. For instance, tea thrives in hilly regions, while plains are well-suited for rice cultivation.

Example: The intercropping method in Indian agriculture is used when farmers grow crops like maize, legumes, and millet in the same field. This practice enhances soil fertility, reduces pest infestations, and improves resilience against climate variations. Farmers ensure better food security and sustainable land use by cultivating various crops.

6. Emphasis on Food Crops: Predominantly driven by subsistence farming, Indian agriculture prioritizes food crop cultivation to address the nation's immense food security needs. The country follows three primary cropping seasons: Kharif, Rabi, and Zaid.

Example:- India's Green Revolution prioritized high-yielding varieties of wheat and rice to enhance food security. This initiative, launched in the 1960s, introduced modern agricultural techniques, irrigation improvements, and chemical fertilizers to boost staple crop production. As a result, India significantly increased its grain output, reducing dependence on food imports and ensuring self-sufficiency in staple food production.

1.1.5 Role of Agriculture in the National Economy

Agriculture continues to be the cornerstone of the Indian economy, even after 55 years of substantial industrialization. It contributes approximately 16% to the national income, employs around 46.1% of the working population, and significantly earns foreign exchange for the country. Agriculture sustains the large population of 125 crore by supplying food grains and raw materials to various industries. Consequently, the nation's economic framework is heavily reliant on agriculture.

a. Contribution to National Income

Agriculture accounted for about two-thirds of India's national income during the First World War. Historical data from the National Income Committee and the Central Statistical Organisation illustrate a decline over the decades: agriculture contributed about 56% to the national income in 1950-51, which dropped to 32% by 1990-91 and further to 16% in 2024-2025. Notably, agricultural income remained above 50% during the two decades following 1950-51.

The gradual decrease in agriculture's contribution over the years is attributed to the rapid growth in industrial and service sector outputs. Comparing India's share of agriculture in the national income with other developed countries highlights its significance: in 1983, agriculture contributed just 2%, 3%, 4%, and 5% to the national income in the UK, USA, Canada, and Australia, respectively. This trend underscores that, in advanced economies, agriculture plays a minor role in national income, highlighting India's developing economic status.

◆ Economic Output



b. Contribution to Employment

◆ Enhancing productivity

Agriculture remains the primary source of livelihood for the majority of India's population, either directly or indirectly. Census data reveals that approximately 70% of the population depended on agriculture in 1988-89, which declined to around 64% by 1999. According to FAO statistics, in 2021, 39.2% of the Indian population was still engaged in agricultural activities. Most of these workers are in cultivation, while fewer are employed in related fields such as livestock, fisheries, and forestry.

◆ Workforce development

c. Contribution of Manpower to Industry

The rural and agricultural sectors have been key labour suppliers to industries. Reports from the Commission on Labour suggest that nearly all factory workers in India have migrated from rural areas. This ongoing migration is driven by limited employment and income opportunities in rural regions, alongside the appeal of better-paying jobs and urban amenities.

◆ Enhancement of FX reserves

d. Contribution to Foreign Exchange Resources

Agricultural products, both primary produce and goods processed from agricultural raw materials, play a vital role in India's exports. Commodities such as raw cotton, jute, unprocessed tobacco, oilseeds, spices, tea, and coffee contributed about 49% of the total export value in 1988-89. This significantly bolstered the country's foreign exchange reserves. However, the share of agricultural exports steadily decreased from 41% in 1950-51 to 36.8% in 1970-71 and 34% in 1980-81. Due to rising domestic demand, insufficient production growth, or a combination of both factors, this share further dropped to 18% in 1999-2000, 14.22% in 2001-02, 12.65% in 2003-04, 12.85% in 2011-12 and 11.90% in 2021-22.

e. Interdependence Between Agriculture and Industry

Agriculture and industry are closely interconnected in various ways. Agriculture supplies raw materials and essential inputs to industry, while industry, in turn, provides inputs and products necessary for agricultural activities. Additionally, agriculture supplies wages to the industrial workforce and provides basic consumption goods to the rural population. It also contributes materials needed for developing social and economic infrastructure in the agricultural sector.

As economies grow, the link between agriculture and industry becomes even stronger. Scientific and technological advancements in agriculture inspire innovations in industrial products used for farming. Industrial goods such as fertilizers, pesticides,

◆ Mutual dependence

machinery like tractors and tillers, pumps, and electric motors are vital for modern farming. At the same time, industries that process agricultural produce, such as sugar, jute, cotton textiles, and tobacco, heavily depend on agriculture. Moreover, industries focused on processing agricultural products, including canned fruits, dairy, and meat products, are expanding significantly.

f. Contribution to Capital Formation

The rate at which productive assets grow essentially determines the pace of development. Before independence, Indian agriculture faced low capital formation due to outdated technology, an inequitable land tenure system, and the exploitation of rural communities. Capital formation in agriculture involves investments in land improvement, housing construction, and related activities.

◆ Net investment

Since independence, investment in agriculture has increased significantly from the public and private sectors. The creation of physical assets has focused on land development, irrigation systems, farm buildings, agricultural equipment and machinery, road networks, warehouses, cold storage facilities, and market yards, contributing to sustainable agricultural growth.

◆ Buying power

g. Contribution to the Purchasing Power of People

Agriculture contributes significantly to the purchasing power of those directly involved in farming and individuals working in industries and services. When farmers earn higher incomes, they tend to spend more, which helps create new markets and opportunities. This supports various professions such as blacksmiths, carpenters, masons, weavers, potters, leather workers, utensil makers, tailors, cotton ginners, oil pressers, transporters, etc. Consequently, numerous industries rely on the agricultural community's purchasing power for prosperity and employment.

Agriculture also plays a vital role in purchasing food for non-agricultural workers and supplying raw materials to consumer industries. It also drives the demand for new industries, promoting well-paying employment opportunities.

The importance of agriculture in India's economy underlines the necessity of maximizing its development. The prosperity of agriculture is closely linked to the prosperity of the overall economy. Development in agriculture is, therefore, a fundamental requirement for national economic growth.

1.1.6 Agriculture in Kerala Scenario

Agriculture and its allied sectors are essential for food securi-

◆ Rural development

ty, poverty alleviation, employment generation, and overall economic growth, contributing 18.2% to India's GDP and supporting 42.3% of the population, per the 2023–24 Economic Survey. To achieve inclusive growth, agricultural activities must align with Sustainable Development Goals (SDGs). Kerala's agriculture stands out due to its small landholdings and diverse agro-climatic conditions, enabling the cultivation of plantation crops, spices, and food crops. However, climate change, erratic rainfall, frequent floods, limited crop diversification, urbanization, labour shortages, and migration to non-agricultural jobs have hindered progress in the past decade. The 14th Five-Year Plan aims to revitalize agriculture by enhancing crop productivity, promoting integrated farming systems, and adopting a farm plan-based development approach to ensure sustainable growth.

◆ Sector dynamics

Over the past decade, the share of agriculture and allied sectors in India's Gross Value Added (GVA) has steadily declined, dropping from 16.5% in 2014–15 to 14.5% in 2023–24. Kerala has experienced a similar trend, with its share decreasing from 11.9% to 8.3% during the same period. The annual change at the national level decreased from 15.3% in 2022–23 to 14.5% in 2023–24, while Kerala's share fell from 8.51% to 8.3%. Despite this decline, Kerala's agricultural sector has demonstrated resilience, particularly in the post-COVID-19 years, recording a notable growth rate of 4.65% in 2023–24, reflecting efforts to revitalize agricultural productivity amid economic shifts.

Table 1.1.1. Share of agriculture and allied sectors in GVA/ GSVa National and State-level, at constant prices of 2011-12

Year	Share of agriculture and allied sectors in Total GVA (India) (%)	Share of agriculture and allied sectors in GSVa (Kerala) (%)
2014-15	16.5	11.92
2015-16	15.4	10.74
2016-17	15.2	9.96
2017-18	15.3	9.61
2018-19	14.8	9.03
2019-20	15.1	8.55
2020-21	16.3	9.64
2021-22	15.6	8.92
2022-23	15.3	8.51(P)
2023-24	14.5(P)	8.30(Q)

Note: (P) Provisional, (Q) Quick

Source: National Accounts Statistics 2024, Go I

Directorate of Economics and Statistics, Go K

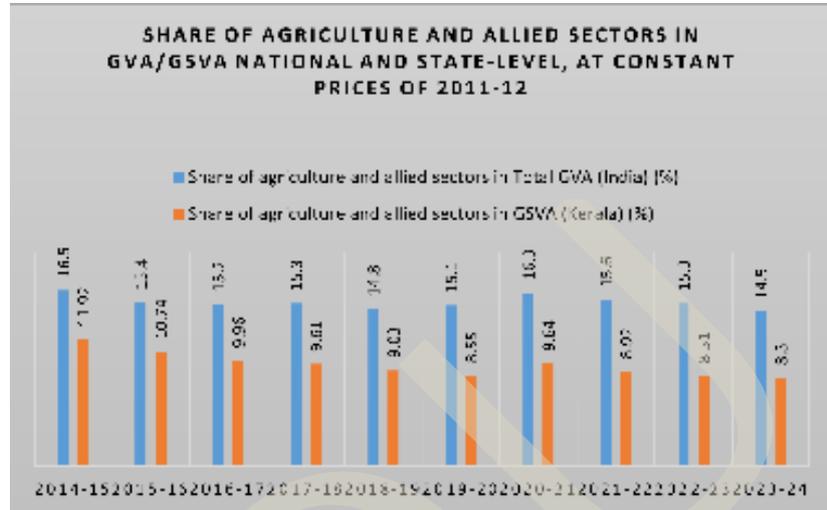


Fig. 1.1.1 Share of agriculture and allied sectors in GVA/ GSVA National and State-level, at constant prices of 2011-12

Table 1.1.2 Growth rate per annum in Gross Value Added in agriculture and allied sectors in Kerala, 2014-15 to 2023-24

Year	Growth rate per annum in Kerala (%)
2014-15	0.02
2015-16	-5.1
2016-17	-0.65
2017-18	2.1
2018-19	-2.09
2019-20	-2.56
2020-21	1.58
2021-22	4.12
2022-23	0.47(P)
2023-24	4.65(Q)

Note: (P) Provisional (Q) Quick

Source: Directorate of Economics and Statistics, GoK

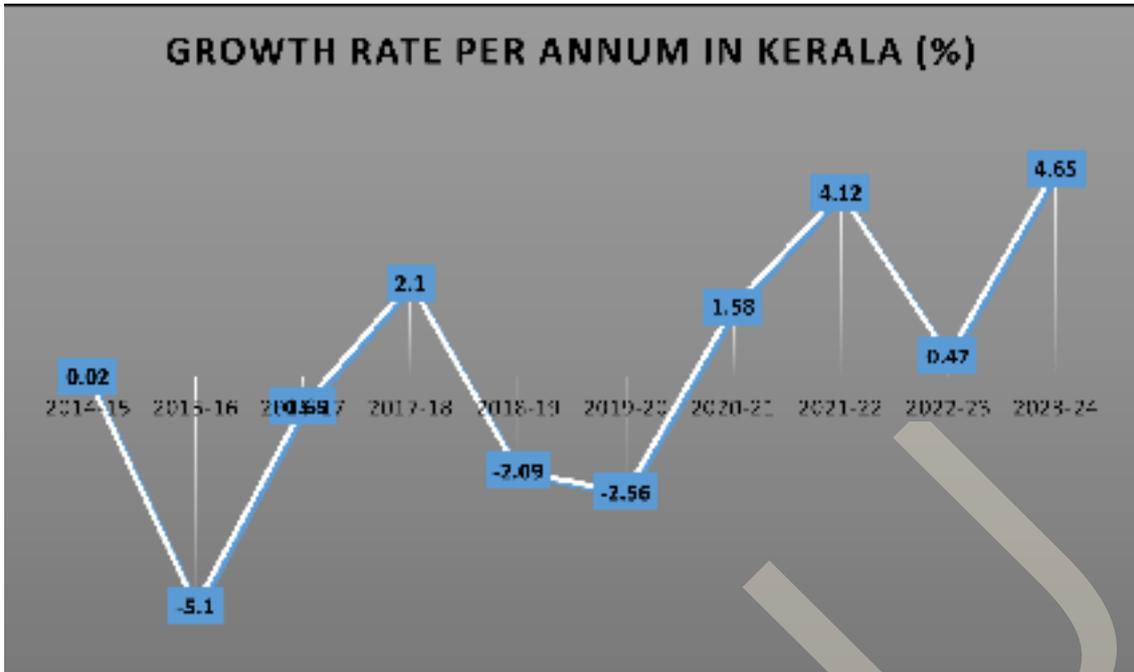


Fig. 1.1.2 Growth rate per annum in Gross Value Added in agriculture and allied sectors in Kerala, 2014-15 to 2023-24

1.1.7 Problems Faced by the Agricultural Sector in India

Despite achieving self-sufficiency in food grain production and becoming food exporters, India still lags in agricultural productivity. The sector continues to face several challenges:

Irrigation Issues

Agriculture in India heavily depends on monsoon rains due to insufficient irrigation infrastructure, such as tube wells and canals, which are essential for efficient crop irrigation. The lack of arrangements to redirect excess water from flood-prone areas to regions with water scarcity often leads to crop losses at both local and national levels caused by droughts or floods.

◆ Water scarcity

Low Investment Levels

Government and private sector investment in agriculture remains inadequate, resulting in insufficient infrastructure for improving the sector's performance. For instance, inadequate storage and cold storage facilities lead to significant harvested crop losses. Improperly stored produce is susceptible to pests, rain, or moisture, causing economic losses.

◆ Limited contribution

Private sector investment in agriculture is minimal, mainly due to uncertainties in returns on investment. These uncertainties arise from yield variability and price fluctuations in the international market, particularly in the post-reform era. The unre-

dictability of returns has discouraged private investors, further contributing to the low investment levels in Indian agriculture.

Low Investment in Agricultural Research

Despite the critical importance of agriculture to the economy, investment in agricultural research has grown marginally over the years, rising from 0.25% of GDP during 1981–83 to just 0.5% during 2012–14 and 0.64% in 2024–25. The low expenditure on research and development significantly contributes to India's low crop productivity. Without adequate research-based insights, farmers lack essential knowledge about soil compatibility for specific crops and appropriate ratios of inputs like fertilizers, pesticides, and weedicides to boost agricultural output without harming the environment. This lack of investment has resulted in negligible innovation in agriculture. Consequently, the absence of scientific farming practices limits agricultural productivity, preventing the utilization of available resources.

◆ Stagnant research spending

Fragmented Landholdings

Land ownership in India is highly uneven, with large estates concentrated in the hands of a few households, while most rural families either lack land or own less than two acres. Over time, family divisions have caused landholdings to fragment, making them unsuitable for scientific farming, even for families with medium or large landholdings. As per the 2021-22 Agricultural Census, 68.65% of landholdings were classified as marginal (less than one hectare), 22.66% as small (one to two hectares), and only 0.13% as large (over ten hectares). This fragmentation restricts efficient cultivation methods and hampers agricultural productivity.

◆ Disaggregated land

Absence of Proper Training and Finance

Many farmers in India lack education and training in modern, scientific farming techniques, leading to low crop productivity. Although the government mandates that banks allocate 40% of their total credit to the primary sector and has introduced initiatives like the Kisan Credit Card (KCC) scheme, which provides short-term loans at a 4% interest rate, small and marginal farmers often fail to benefit. This is mainly because they are illiterate and unable to meet banks' collateral or documentation requirements. Consequently, they rely on local moneylenders for loans due to convenience but face exorbitant interest rates. In cases of crop failure, such farmers often fall into debt traps, adding to their financial burdens.

◆ Limited expertise and monetary backing



Marketing Challenges

- ◆ Competitive obstacles

While the government sets Minimum Support Prices (MSP) for specific crops and organizes Mandis (markets) through Agricultural Produce Marketing Committees (APMCs), many small and marginal farmers are unable to access these facilities. They end up selling their produce in local markets without knowledge of fair market prices, often leading to "distress sales", where their harvest is sold at prices lower than the cost of production.

- ◆ Land degradation

Soil Erosion

Deforestation has exacerbated soil erosion caused by floods and wind, reducing the fertile land available for cultivation. This issue can be mitigated by adopting scientific deforestation and afforestation practices to preserve and restore soil health.

- ◆ Unregulated chemical usage

Excessive Use of Fertilizers and Pesticides

Overuse of chemical fertilizers and pesticides has led to the depletion of soil fertility, causing a decline in crop productivity. The productivity of Indian crops is often below the global average. Promoting the use of organic manures can help enhance and maintain soil health while improving agricultural output sustainably.

1.1.8 Agribusiness

The term "agribusiness" was introduced by John H. Davis from Harvard University in 1955. During the 1980s, it was interpreted in three ways: as synonymous with agriculture, equivalent to agricultural economics, and as a revised concept of agriculture that excluded farming while focusing on off-farm aspects.

Currently, agribusiness refers to all business activities related to selling products or services to farmers, traders, or consumers. These transactions may involve agricultural inputs, outputs, or facilitative services.

Agribusiness encompasses:

- ◆ Farm – sector commerce

- ◆ **Productive Resources:** Items like feed, seeds, fertilizers, equipment, energy, pesticides, machinery, and more.
- ◆ **Agricultural Commodities:** Both raw and processed goods related to food and fibre.
- ◆ **Facilitative Services:** These include credit, insurance, marketing, storage, processing, transportation, packaging, distribution, consultancy, and soil testing.

1.1.9 Agribusiness in India

1. India's diverse agro-climatic conditions enable cultivating of temperate, subtropical, and tropical crops.
2. There is an increasing demand for agricultural inputs, including feed, fodder, inorganic fertilizers, and bio-fertilizers.
3. Biotechnology holds immense potential in agriculture for producing seeds, bio-control agents, and industrial uses like microbial applications in bakery products.
4. Exports present a significant economic opportunity. As a member of the World Trade Organization, India can strengthen its global position in raw and processed agricultural goods trade. Key product categories include cereals, pulses, oilseeds, oils, spices, fruits, vegetables, flowers, medicinal plants, essential oils, meat, dairy products, fish, forest-based products, and agricultural services and tools.
5. Currently, most processing is limited to primary levels. However, the improving living standards create opportunities for advanced (secondary and tertiary) processing of agricultural products.
6. India's extensive coastline and waterways offer vast potential for marine and inland fish production, with ornamental fish farming gaining popularity for its aesthetic appeal.
7. The rich livestock population provides opportunities for meat, milk, poultry, and related products.
8. Forest resources can be effectively utilized to develop forestry by-products.
9. Beekeeping and large-scale apiary operations have great potential in India.
10. Mushroom production, both for domestic markets and export, can be enhanced with advancements in production techniques.
11. Organic farming has enormous potential in India, given its relatively low use of pesticides and chemical fertilizers compared to industrialized nations. Educating and encouraging farmers to adopt organic practices could further enhance this potential.
12. There is considerable scope for developing and promoting bio-pesticides and bio-control agents for crop protection.

◆ Indian agricultural trade

13. Hybrid seeds and genetically modified crops offer significant future potential as productivity from existing high-yielding varieties has plateaued.
14. Micro-irrigation systems and labour-saving agricultural tools are becoming increasingly important due to declining groundwater levels and labour shortages for operations like weeding, transplanting, and harvesting.
15. Producing vegetables and flowers in greenhouse conditions could tap into export markets.
16. Agricultural extension systems supported by trained agriculture and allied sciences professionals will become increasingly essential as government resources for extension services diminish.
17. Increased agricultural output creates numerous employment opportunities for marketing, transportation, cold storage, warehousing, credit, insurance, and logistics.

1.1.10 Agribusiness Sector

The agribusiness sector exemplifies how collaboration between science and free enterprise benefits consumers. Agriculture quietly undertakes the essential task of feeding the world's population, and its advancements play a crucial role in driving a country's economic growth. In India, for instance, a 1% growth in agriculture can lead to a three to fourfold increase in overall GDP. Numerous industries rely on agriculture for raw materials, and higher farm sector incomes stimulate significant demand for various goods and services.

Modern agriculture results from substantial economic and technological progress, particularly since the mid-1960s, when agricultural development accelerated. As technology advanced and agriculture expanded, new industries emerged. Traditional farming has grown larger and more specialized in developed and developing nations. Historically, even in countries like the United States, most families lived on or worked farms, producing just enough food to support their households. In 1850, an average American farmer could only feed themselves and four others, leading to a self-sufficient lifestyle with minimal surplus for sale.

Land ownership has long been associated with power and prosperity, making it a highly sought-after resource. Initially, abundant land fostered thriving agriculture. However, population growth, labour shortages, emerging production technologies, and shrinking landholdings significantly changed cultiva-

◆ Agricultural economic synergy

◆ Agricultural technological evolution

◆ Agricultural commercial transformation

tion methods. Farmers began using inputs to boost yields and adopting labour-saving techniques, while some family members sought employment outside agriculture. Surpluses started to grow, transitioning agriculture from subsistence-based to commercial operations. This shift spurred the development of businesses connected to agriculture, marking the emergence of the agribusiness sector.

◆ Agricultural enterprise

The agribusiness sector comprises more than just farmers. It includes firms that produce and supply agricultural inputs and services, companies that handle or process farm outputs, and those involved in marketing agricultural inputs and outputs. Additionally, government policies, research initiatives, and extension programs focused on agriculture and agribusiness firms are integral to this sector.

1.1.11 Components of Agribusiness

The agribusiness sector is composed of six key sub-sectors that collectively ensure its efficient functioning:

1. Government Policies and Programs establish regulatory frameworks, financial aids, and incentives to support and enhance agricultural and agribusiness activities.
2. Government Research and Extension Programs: These initiatives drive innovation by improving productivity, encouraging sustainability, and promoting modern agriculture technologies.
3. Suppliers of Farm Inputs: This includes companies that provide essential agricultural inputs like seeds, fertilizers, machinery, and other tools required for farming.
4. Agricultural Production Sector: This sector focuses on all activities related to crop cultivation and livestock farming, forming the core of the agribusiness framework.
5. Agro-Processing or Manufacturing Sector: Industries process raw agricultural produce into value-added products or finished goods.
6. Marketing and Distribution of Agricultural Products: This sub-sector oversees the transportation, sale, and distribution of agricultural goods, ensuring they reach consumers and markets efficiently.

◆ Agricultural industry framework

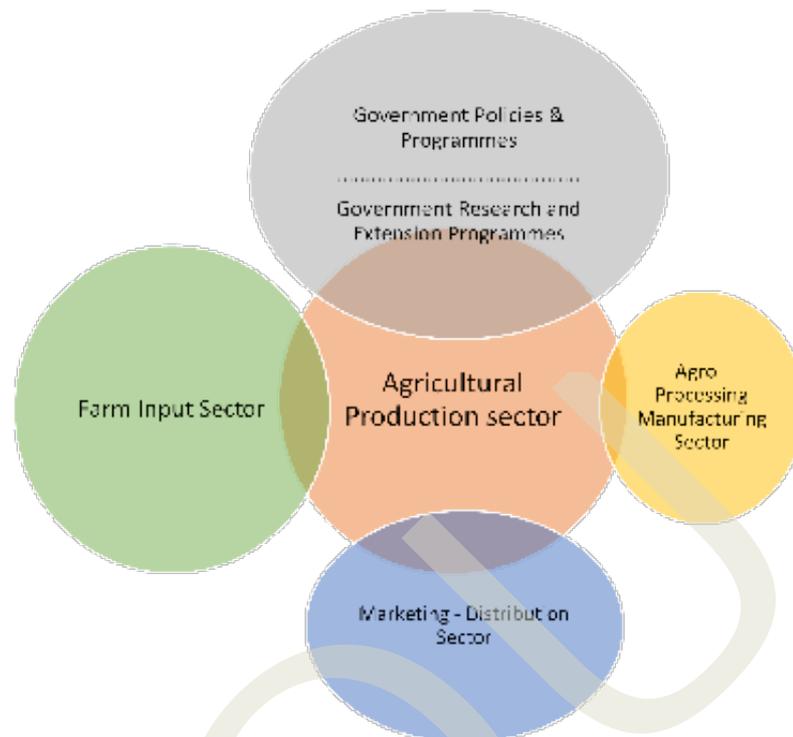


Fig. 1.1.3 The Components of the Agribusiness Sector

The agribusiness sector consists of several interconnected components, summarized as follows:

1. **Government Policies and Programs:** - These policies support agricultural activities, including crop production, livestock, poultry, and fisheries, forming a vital part of the agribusiness framework.
2. **Research and Extension Programs:-** India's agricultural research network includes central and state agricultural universities, research centres, and institutes under the Indian Council of Agricultural Research (ICAR). These institutions work on advancing technologies for crop production and post-harvest management. Industrial research organizations, technical colleges, and institutes also contribute to developing production techniques, machinery, and equipment. The government has created an extension sector to ensure these innovations reach the farming community.
3. **Farm Inputs Suppliers:** - This sector manufactures and distributes essential inputs such as fertilizers, plant protection chemicals, seeds, feed, and farming machinery. It accounts for approximately 75% of inputs used in agricultural production. This sector's growth in developing countries often surpasses other agribusiness areas due to increasing reliance on purchased inputs.

♦ Agricultural business framework model

4. **Agricultural Production Sector:** - At the core of agribusiness, this sector focuses on efficient farming practices, with farmers increasingly using yield-enhancing inputs. Agriculture is becoming more commercialized, and farm outputs are frequently transferred to manufacturing-processing industries for sale in domestic and international markets. Diversification trends include shifting from high-volume, low-value crops to low-volume, high-value crops.
5. **Agro-Processing and Manufacturing Sector:** - This sector transforms raw agricultural commodities into value-added products, such as converting wheat into flour or milk into pasteurized products. It caters to consumer demands for processed food, with multinational companies like Pepsi, Coca-Cola, Nestle, and Hindustan Unilever significantly involved.
6. **Distribution and Marketing Sector:** - This sector plays a pivotal role across the agribusiness supply chain, from supplying farm inputs to ensuring processed goods reach end consumers. It includes packaging, transport, warehousing, advertising, insurance, wholesale, and retail operations.

1.1.12 Linkages Among Sub-Sectors of Agribusiness Sector

◆ Agricultural network

The sub-sectors of the agribusiness sector are interconnected to meet the daily consumer demand for agricultural, food, and fibre products at convenient locations. Ensuring the availability and efficiency of processing and distribution to cater to geographically dispersed and diverse consumers requires significant effort.

◆ Agricultural supply chain

The agribusiness sector begins with the farm supply sector, which provides essential inputs and services to farmers. It then progresses through the marketing, processing, and distribution chain to meet consumer needs. As agricultural production becomes more complex and specialized, the farm supply sector evolves to address these new challenges. Rising consumer incomes lead to increased demand for services associated with purchased food products, further expanding the agribusiness sector's role. This, in turn, leads to the development of additional sub-sectors within the sector to ensure a smooth flow of products and services from farms to consumers.

Today, agriculture affects every economic sector more than ever before. The agribusiness sector operates as a dynamic network of diverse commercial enterprises, relying on inputs like

labour, materials, capital, and technology. The food and fibre sector, being vast and intricate, constantly adapts to meet shifting consumer demands and caters to both domestic and international markets.

♦ Agricultural business interconnected network

Agribusiness includes agricultural input providers, farm production activities, processing industries, and distribution and marketing sectors. These sub-sectors are logically interconnected, facilitating the efficient operation of the agribusiness framework. These linkages ensure seamless integration and functionality throughout the sector.

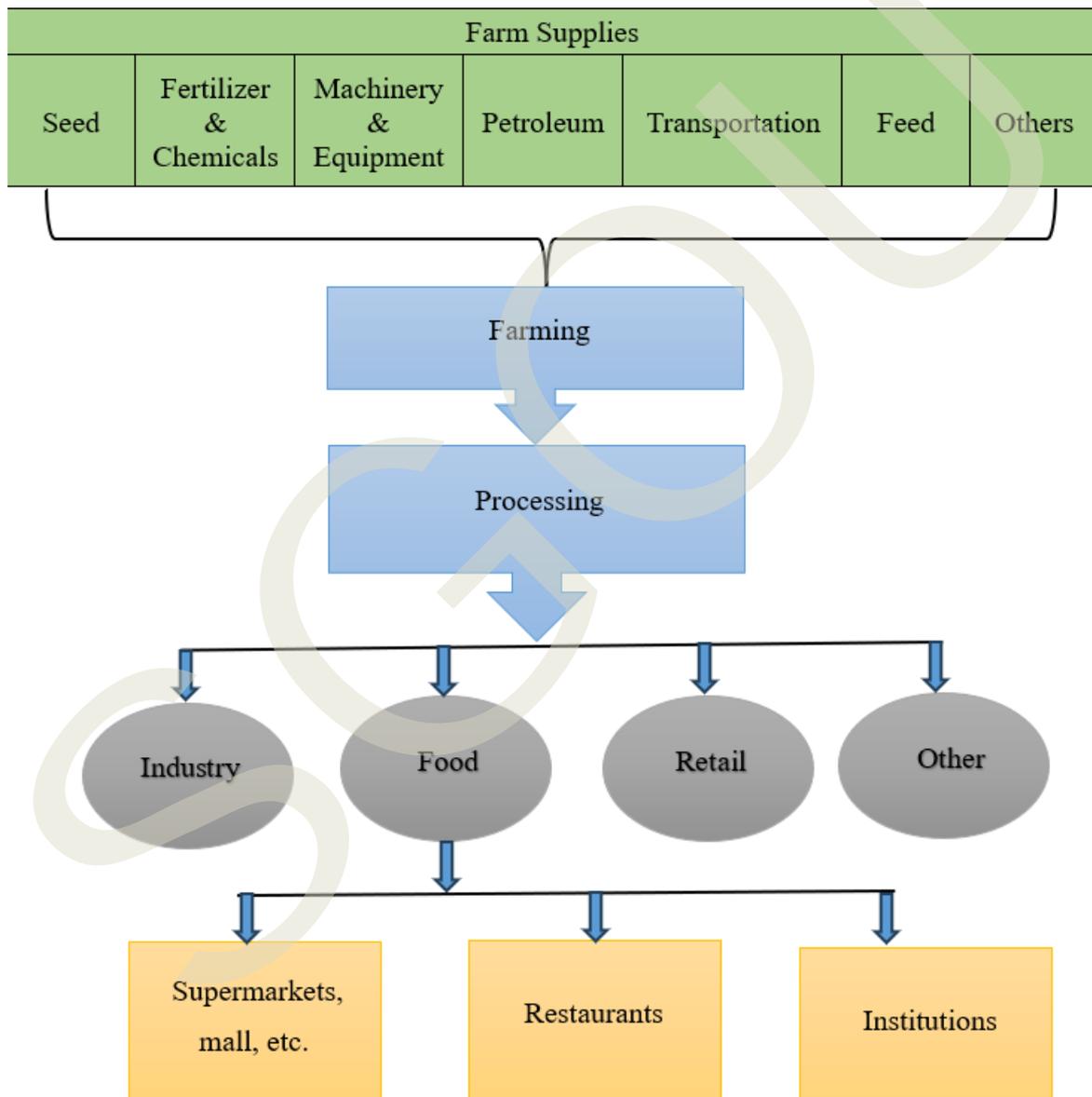


Fig. 1.1.4 Linkages among Subsectors of Agribusiness Sector

Farm supplies such as feed, seeds, fertilizers, agrochemicals, machinery, equipment, fuel, and transportation are provided to farmers by firms within the input supply sector. This sector ensures timely availability, appropriate location, and adequate quantity of inputs for effectiveness. Farmers utilize these supplies during agricultural production, where advanced technologies should be employed to maximize output from available resources. The resulting farm produce is then processed to make it suitable for consumption. The marketing and distribution sub-sectors facilitate the movement of agricultural products to end consumers through supermarkets, restaurants, wholesalers, and retailers.

Agribusiness relies on various skills and knowledge across its sub-sectors. These competencies include:

- ◆ Agricultural production involves the growth and propagation of animals, animal products, plants, forests, and related products.
- ◆ Service provision connected to agricultural production, such as manufacturing and distributing essential supplies.
- ◆ Engineering skills for designing, installing, repairing, operating, and maintaining agricultural machinery, equipment, power sources, and structures.
- ◆ Activities related to processing and marketing agricultural goods and their primary by-products.
- ◆ Horticultural practices, including greenhouse management, nurseries, landscaping, and ornamental operations.
- ◆ Resource conservation focuses on the propagation, improvement, and utilization of renewable natural resources.
- ◆ Forestry encompasses the multiple uses of forestlands and resources.

◆ Agricultural business expertise network

These interconnected components and specialized knowledge ensure the seamless functioning of the agribusiness sector, catering to both agricultural production and consumer demand.

Summarised Overview

Agriculture, the science, art, and business of cultivating crops and livestock, has played a foundational role in India's economy and society. Over time, the Indian agricultural sector has evolved from traditional practices in the Indus Valley Civilization and the Vedic era to the technological advancements in the Green Revolution. Characterized by dependence on monsoons, labour-intensive methods, and diverse crop patterns, agriculture is a major contributor to GDP, employment, and food security. However, challenges such as low productivity, fragmented landholdings, irrigation issues, and market instability persist. Agribusiness, encompassing agriculture-related commercial activities, has emerged as a vital sector, integrating various components like farming, processing, storage, transportation, and retail. In India, agribusiness is expanding with government support, improving value chains and strengthening connections between agricultural inputs, production, processing, logistics, and market access. Understanding the linkages among these sub-sectors helps optimize the overall efficiency of agricultural enterprises, ensuring better economic and social outcomes.

Self-Assessment Question

1. Define the agriculture sector and explain its significance in the Indian economy.
2. Discuss the key features of the agriculture sector, highlighting its role in rural development.
3. Explain the role of agriculture in India and Kerala economy.
4. Discuss how agriculture influences economic growth and employment generation in India.
5. Mention the important challenges faced by the agricultural sector in India.
6. Describe the importance of agribusiness in India.
7. Explain the components of agribusiness.
8. Explain the interconnections between different sub-sectors of agribusiness, such as input suppliers, processing industries, and marketing channels.

Assignments

1. Visit a local farm or agricultural community and document farmers' key challenges. How do they address these issues, and what additional support do they need?
2. Analyze agricultural GDP data for India over the past decade. How has the sector's contribution to the economy changed, and what factors influenced this shift?
3. Identify a successful agribusiness company in India and evaluate its business model. What strategies have contributed to its success, and how does it impact farmers and consumers?

Suggested Reading

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2. Barnard, F. L., Akridge, J. T., Dooley, F. J., & Foltz, J. C. (2012). *Agribusiness Management*. Routledge.
3. Nag, S. K., & Verma, P. K. (2021). *Fundamentals of Agricultural Economics*. Jaya Publishing House.
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1. Panda, D. D. (2013). *Essentials of Agribusiness: Issues and Challenges*. Cyber Tech Publications.
2. Vyas, A. K., & Raj, R. (2014). *An Introduction to Agriculture*. Jain Brothers Publications.
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4. Prakash, B. A., & Alwin, J. (2018). *Kerala's Economic Development: Emerging Issues and Challenges*. Sage Publications.
5. Katyayan, A. (2016). *Fundamentals of Agriculture*. Kushal Publications.



6. Leake, M. (1993). *The Foundations of Indian Agriculture*. Discovery Publishing House.
7. Kerala State Planning Board. (2025). *Economic Review 2024*. Government of Kerala.

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.



Unit 2

Economic Reforms and Indian Agriculture

Learning Outcomes

After completing this unit, learners will be able to:

- ◆ gain insights on economic reforms in India
- ◆ know the role of liberalisation, privatisation and globalisation strategy in the agricultural sector of India
- ◆ comprehend the nature of agribusiness
- ◆ identify the evolving divisions of agribusiness in India
- ◆ learn about the non-conventional forms of agribusiness

Background

The historical background of economic reforms in India traces back to the early 1990s when the country faced a severe balance of payments crisis. In response, the government introduced the Liberalisation, Privatisation, and Globalisation (LPG) strategy under economic liberalisation policies initiated in 1991. These reforms marked a significant shift from a state-controlled economy to a market-oriented system, promoting foreign investment, reducing trade barriers, and privatising public enterprises. The agricultural sector also underwent notable transformations, with modernised techniques, institutional reforms, and enhanced market integration shaping its progress. Agribusiness traditionally focused on primary farming activities, expanded to include various sectors such as food processing, agritech, and supply chain management, fostering new digitalisation and sustainable agriculture trends. Over time, emerging branches such as precision farming and organic agribusiness gained momentum alongside non-conventional forms like cooperative agribusiness models. This unit encompasses the economic reforms in India, LPG strategy, agribusiness expansion, and unconventional forms of agribusiness.

Keywords

Economic reforms, Liberalisation, Privatisation, Globalisation, Agribusiness

Discussion

1.2.1 Economic Reforms

During the initial four decades of planned economic development in India (1950–1990), the economy was heavily controlled, with strategies focusing on developing the public sector for heavy and basic industries, achieving self-reliance, implementing import substitution, promoting nationalisation, and enforcing state intervention. This approach established major industries such as SAIL, ONGC, IOC, and BHEL. However, it also hindered private sector growth, suppressed private business plans, and resulted in bureaucracy-driven corruption, inefficiency in public enterprises, worsening trade deficits, and an economic crisis in the early 1990s.

◆ Regulated economic framework

To address these challenges, India sought assistance from the International Monetary Fund (IMF), agreeing to their conditions, including stabilisation programs, structural reforms, reducing trade barriers, revising fiscal and monetary policies, promoting market-oriented approaches, and integrating India's economy with the global market. The reforms revolved around three key pillars: liberalisation, privatisation, and globalisation, collectively known as the LPG strategy.

◆ Economic reform strategy

1.2.2 Significant Features of Economic Reforms

The New Economic Policy (NEP), implemented during India's economic reform period, embraced neo-liberal ideals. The Industrial Policy 1991 laid the foundation for these reforms, following the principle of "continuity with change." The primary objectives included:

◆ Economic modernization

1. **Eliminating excessive bureaucratic controls** will provide the Indian industrial economy with greater autonomy.
2. **Introducing liberalisation** to align India's economy with global markets.

3. **Easing restrictions on Foreign Direct Investment (FDI)** and relaxing provisions of the Monopolies and Restrictive Trade Practices (MRTP) Act to support domestic entrepreneurs.
4. **Reducing public sector monopolies** and encouraging competition through private sector participation.

1.2.3 LPG Strategy in India

The LPG strategy, which encompasses liberalisation, privatisation, and globalisation, was introduced as part of India's 1991 economic reforms to tackle economic stagnation, inefficiency, and the balance-of-payments crisis.

◆ Economic integration

- ◆ **Liberalisation** aimed to reduce government regulations in industries and trade by simplifying processes, easing business restrictions, lowering import tariffs, and fostering a free-market economy to enhance efficiency, attract investments, and boost growth.
- ◆ **Privatisation** involves transferring ownership or management of public sector enterprises to private entities, aiming to address inefficiencies in state-run enterprises, promote competition, and improve service quality through private sector expertise.
- ◆ **Globalisation** sought to integrate India's economy with global markets by facilitating foreign direct investment (FDI), strengthening trade relations, removing trade barriers, and adopting policies to make Indian businesses competitive internationally. It emphasised global connectivity and access to advanced technologies.

1.2.4 Role of LPG Strategy in India's Agriculture Sector

The LPG strategy, Liberalisation, Privatisation, and Globalisation have significantly influenced India's agricultural sector, shaping its development and integration with the global economy. Here is how each component applies to agriculture:

◆ Market deregulation

1. **Liberalisation:** This involved reducing government controls and regulations in the agricultural sector. It opened markets, allowing farmers and agribusinesses to access domestic and international markets. For example, removing restrictions on exporting agricultural products like basmati rice and spices enabled Indian farmers to benefit from global demand. Liberalisation also encouraged the adoption of

modern farming techniques, such as precision agriculture and advanced irrigation systems, to improve productivity. For instance, India became one of the leading exporters of cotton, benefiting from global demand. Additionally, liberalisation facilitated the entry of private players into agricultural technology, such as Mahindra's introduction of advanced tractors and farming equipment, which improved efficiency and productivity for farmers.

◆ Private agriculture

2. Privatisation: Privatisation increased private sector participation in agriculture, particularly food processing, storage, and distribution. Companies like ITC, through initiatives like e-Choupal, connected farmers directly to markets, reducing dependency on intermediaries and ensuring better prices for their produce. Private cold storage and logistics investments also helped reduce post-harvest losses, especially for perishable goods. Privatisation led to the establishment of private agro-processing units, such as Nestlé India's dairy and food processing facilities. These units provided farmers with assured markets for their produce, improving their income stability. Another example is the growth of private seed companies like Nuziveedu Seeds, which supplied high-quality seeds to farmers, enhancing crop yields and profitability.

◆ Global agricultural integration

3. Globalisation: Globalisation integrated India's agricultural sector with the global market, fostering innovation and access to advanced technologies. Foreign Direct Investment (FDI) in agriculture introduced modern practices and resources, enhancing productivity. For instance, multinational companies introduced genetically modified seeds, which increased crop yields. Additionally, globalisation boosted the export of Indian agricultural products, such as mangoes and tea, to international markets, enhancing revenue. Globalisation boosted the export of processed agricultural products, such as ready-to-eat meals and packaged spices, with companies like MTR Foods gaining international recognition. It also facilitated the introduction of advanced irrigation technologies by global firms like Netafim, which helped Indian farmers adopt efficient water management practices. However, globalisation also exposed farmers to competition from subsidised agricultural products from developed countries, such as wheat and dairy, impacting their profitability.

While the LPG strategy brought modernisation and growth to agriculture, it also posed challenges, such as exposing small-scale farmers to global competition and reducing focus on tradi-

tional farming practices. Balancing these reforms with policies to support small farmers and ensure sustainability remains crucial.

1.2.5 Impact of Liberalisation, Privatisation, and Globalisation on the Agribusiness Sector

The Liberalisation, Privatisation, and Globalisation (LPG) reforms significantly influenced India's agribusiness sector, bringing both opportunities and challenges:

1. **Enhanced Market Access:** Liberalisation opened up domestic and international markets, enabling agribusinesses to expand their reach and benefit from competitive pricing.
2. **Technological Advancements:** The reforms encouraged the adoption of modern technologies in agriculture, such as improved irrigation systems, high-yield seeds, and advanced machinery, boosting productivity.
3. **Private Sector Involvement:** Privatisation led to increased participation of private companies in food processing, storage, and distribution, improving efficiency and infrastructure.
4. **Global Integration:** Globalisation facilitated foreign direct investment (FDI) in agribusiness, fostering innovation and access to global markets.
5. **Challenges for Small Farmers:** The exposure to global competition made it difficult for small-scale farmers to compete, highlighting the need for supportive policies.
6. **Shift in Focus:** The emphasis on industrial and service sectors sometimes overshadowed agriculture, affecting investment and rural development.

◆ Agribusiness reform impact

1.2.6 Agribusiness: Concept and Definition

Human sustenance relies on various raw and processed food products. Ensure these food and fibre products are available in the right place and the desired form. At the appropriate time, numerous individuals and businesses must efficiently perform functions related to farm production, input supply, food processing, marketing, and distribution. This interconnected system is collectively known as agribusiness.



Fig. 1.2.1 Agribusiness

◆ Agricultural commerce

Over time, agribusiness has shifted from solely a food and fibre production system to a more comprehensive, market-focused approach. It now delivers diverse farm produce and processed agricultural goods to meet evolving consumer preferences.

The term "agribusiness" was introduced in 1955 by John H. Davis during a speech on 'Business Responsibility and the Market for Farm Products' in Boston, USA (Fleet, 2016). Initially, Davis referred to agribusiness as the "total of all operations involved in the production and distribution of farm commodities." In 1957, Davis and Ray A. Goldberg broadened this definition in their book *A Concept of Agribusiness*, describing it as "the totality of operations covering the manufacture and distribution of farm supplies, farming activities, and the storage, processing, and distribution of farm products."

As agriculture evolved from small-scale family operations to larger commercial enterprises, the definition of agribusiness also expanded. By 1987, Downey and Ericson described it as "all business and management activities by firms providing farm inputs, producing farm products, and processing, transporting, financing, handling, or marketing these products." This definition emphasised the application of management principles in agricultural operations.

◆ Agricultural business operational framework

In 2005, Edwards and Schultz refined the concept by presenting agribusiness as a broad, dynamic system that caters to global and local consumers through innovations and manages multiple value chains. This involves coordinating sustainable food, fibre, and natural resources to deliver valuable goods and services.

In essence, agribusiness can be summarised as the collective operations involving manufacturing and distributing farm supplies, farming processes, and agricultural product storage, processing, and marketing.

1.2.7 Agri-Business Sectors

Agri-business is broadly divided into three key sectors:



Fig. 1.2.2 Agribusiness sectors

- ◆ **Input Sector:** This sector focuses on providing farmers with the necessary inputs, both consumable and durable, to support the production of crops, livestock, and allied activities. Examples include seeds, fertilisers, pesticides, machinery, and fuel.
- ◆ **Farm Sector:** This sector is responsible for the cultivation and production of crops, livestock, fish, and forestry products.
- ◆ **Product Marketing and Services Sector:** This sector encompasses businesses involved in transforming raw products, storing and warehousing, transporting, wholesaling, retailing, and marketing finished goods to cater to the changing needs and preferences of consumers.

◆ Agricultural industry sector components

1.2.8 Scope of Agribusiness

1. Agribusiness encompasses all activities that ensure the availability of food and fibre products in the right place, form, quantity, and at the right time. It includes sectors such as input supply, farm production, food processing, logistics, and marketing of food and fibre products.
2. India's diverse agro-climatic conditions, ranging from sub-tropical to temperate zones, combined with varying soil types, support the cultivation of numerous crops and the rearing of animals for food and fibre production.
3. Consumer preferences in India are rapidly evolving, espe-



cially toward processed food products. The agribusiness sector dynamically adapts to meet the changing demands of both domestic and international markets.

4. This has increased demand for agricultural inputs like improved seeds, feed, fodder, inorganic fertilisers, bio-fertilisers, and plant protection chemicals.
5. The agribusiness sector hosts various enterprises, including manufacturing, financial and technical services, processing, and marketing. This diversity creates employment opportunities and involves various resources such as labour, materials, capital, and technology.
6. Agribusiness establishments enhance infrastructure, expand credit availability, provide opportunities for raw material suppliers, encourage the adoption of modern agricultural technologies, and facilitate organised marketing for agricultural and food products.
7. These enterprises contribute to economic growth by creating backward linkages (input supply, credit, production technologies, farm services) and forward linkages (storage, processing, transportation, marketing).
8. Agribusiness fosters employment generation and increases value addition to agricultural products, boosting profits for producers and sellers.

1.2.9 Nature of Agribusiness

1. The management style in agribusiness varies depending on the type of business and the roles of stakeholders, including producers, brokers, wholesalers, processors, packagers, manufacturers, warehouse owners, transporters, retailers, and others.
2. Agribusiness is vast and intricate, handling diverse products through multiple marketing channels from producers to consumers.
3. The size of agribusiness operations varies significantly, ranging from large organisations to small, family-run enterprises.
4. Many agribusinesses in farm production are conservative, subsistence-oriented, and family-driven.
5. The seasonal nature of farming impacts many production and processing activities. Furthermore, agriculture and

◆ Agribusiness structural framework

agribusiness are vulnerable to natural uncertainties.

6. Agribusiness is inherently market-focused, adapting to consumer demands and market conditions.
7. Agribusiness enterprises are often vertically integrated, with some degree of horizontal integration and conglomeration also evident.
8. Government programs directly influence the performance and output of agribusiness enterprises.

1.2.10 New Trends in Agribusiness

Agribusiness in India has evolved beyond traditional crop cultivation and local sales, developing into a sophisticated system that integrates farmers, businesses, consumers, and markets in more efficient and innovative ways. With shifting consumer preferences, environmental challenges, and rapid digital advancements, new trends are reshaping agribusiness, directly influencing agricultural marketing strategies. These trends determine how farm products are priced, branded, distributed, and sold in a fast-evolving marketplace.

A significant transformation in agribusiness is the emergence of digital platforms and agrarian startups, which leverage technology to address long-standing agricultural issues. Companies such as Ninjacart and DeHaat enable farmers to sell directly to major buyers like supermarkets and restaurants, eliminating intermediaries and ensuring better earnings for producers. Ninjacart, for instance, manages an extensive supply chain that swiftly delivers fresh produce, enhancing marketing by ensuring that products reach the appropriate buyers in optimal condition and at the right time.

◆ Market transformation

The demand for organic and health-conscious food is rising, particularly in urban areas, as consumers increasingly prefer chemical-free and sustainably grown produce. This shift has led to the expansion of the organic food market, with states like Sikkim fully embracing organic farming and regions like Uttarakhand and Kerala following suit. Farmers engaged in organic agriculture often market their products through online platforms such as BigBasket or local farmer markets, emphasising health, trust, and purity to attract modern consumers.

◆ Organic expansion

Another key development is the growth of contract farming, where large corporations collaborate with farmers to cultivate specific crops under predetermined conditions. For instance, PepsiCo partners with farmers in Punjab and West Bengal to



produce high-quality potatoes for Lay's chips, supplying seeds, technical expertise, and fixed pricing to ensure consistent output. This model provides financial stability for farmers and enhances agricultural marketing efficiency through a structured supply chain, improved branding, and stringent quality control.

Farmer Producer Organizations (FPOs) have emerged as a vital mechanism for small farmers to strengthen their market position and secure better prices. FPOs like Sahaja Samrudha in Karnataka enable members to procure inputs affordably and sell their produce to larger buyers by pooling resources and negotiating collectively. This shift empowers farmers, reduces intermediary dependency, and enhances agricultural marketing efficiency.

◆ Farmer co-operatives

Additionally, digital platforms are revolutionising how agricultural products are sold. The government's e-NAM (National Agriculture Market) allows farmers to trade across states without visiting physical markets, expanding their customer base. Private platforms like Amazon and Flipkart also facilitate direct sales of essential staples like rice, lentils, and spices, giving farmers broader market access.

◆ Cold preservation

Efficient cold storage, warehousing, and logistics have become critical trends in agribusiness, addressing past challenges where poor storage and transportation led to significant losses for farmers. Organisations like NCML now offer specialised cold chain solutions to maintain the quality of perishable goods, ensuring they reach markets in optimal condition. This development directly impacts agricultural marketing, as product value depends on timely delivery and preservation.

◆ Market adaptation

The evolving trends in agribusiness indicate a shift toward greater efficiency, speed, and market responsiveness. Farmers are increasingly integrated into a broader business network rather than operating independently. These advancements enhance farm revenues and redefine agricultural marketing strategies in India. For students, grasping these developments is essential, as they highlight the interconnected nature of production, processing, marketing, and technology in contemporary agribusiness.

1.2.11 Emerging Branches of Agribusiness in India

India's agribusiness sector is evolving rapidly, with several emerging branches transforming traditional agricultural practices. Here are some key areas:

1. **Precision Agriculture:** This branch uses advanced tech-

◆ Agricultural innovations

nologies like GPS, drones, and IoT devices to optimise crop yields and resource utilisation. For example, farmers can monitor soil health and moisture levels in real-time, ensuring efficient use of water and fertilisers.

Example:- For instance, Kissan Drone, developed by Garuda Aerospace, is used for automated pesticide spraying in fields, significantly reducing labour costs and ensuring uniform application. The Indian government has also promoted precision farming through initiatives like PM-KISAN and subsidies for drone purchases. These innovations improve efficiency, minimise resource wastage, and support sustainable farming practices, making agriculture more data-driven and productive.

- 2. Organic Farming:** With a growing demand for environmentally friendly and chemical-free produce, organic farming has gained popularity. It focuses on sustainable practices, such as crop rotation and natural pest control, to maintain soil health and biodiversity.

Example: - Sikkim became the country's first fully organic state in 2016. The state government promoted sustainable agriculture by banning chemical fertilisers and pesticides encouraging farmers to adopt natural methods such as composting, green manure, and biological pest control. As a result, Sikkim's organic produce, including cardamom, ginger, and turmeric, gained strong domestic and international demand, creating new market opportunities for local farmers.

- 3. Agri-Tech Innovations:** Integrating technology in agriculture, including AI, robotics, and big data analytics, is revolutionising farming methods. Startups are developing automated irrigation systems and smart sensors to enhance productivity.

Example:- Cropin, an AI-driven platform, helps farmers with data analytics for better decision-making, while Fasal utilises IoT-based precision farming to monitor crop health and optimise water usage.

- 4. Vertical Farming and Hydroponics:** These modern farming techniques involve growing crops in controlled environments without soil, using nutrient-rich water solutions. They are ideal for urban areas with limited space and are gaining traction in India.

Example:- UrbanKisaan, a startup that utilises hydroponic technology to grow fresh produce in urban areas. Their

farms use 90% less water than traditional agriculture and provide pesticide-free vegetables through a controlled environment. This innovation is helping address food security challenges while promoting sustainable farming practices in densely populated cities.

5. **Agroforestry:** Combining agriculture and forestry, this branch promotes sustainable land use by integrating trees and crops. It helps improve soil fertility, reduce erosion, and provide additional income sources.

Example: The Alley Cropping System is practised in Africa and Latin America. It involves planting rows of trees or shrubs alongside crops to improve soil fertility, reduce erosion, and provide additional income through timber or fruit production. It enhances biodiversity and sustainability while supporting farmers with multiple revenue streams.

6. **Agri-Biotechnology** involves genetic engineering and biotechnology to develop high-yield, pest-resistant, and climate-resilient crops. Companies like Mahyco have been pioneers in introducing genetically modified seeds in India.

Example 1:- Golden Rice, a genetically modified variety enriched with Vitamin A to combat malnutrition, particularly in developing countries.

Example 2:- Bt Cotton, widely adopted in the U.S., India, and China, contains a gene from *Bacillus thuringiensis* to resist pests and reduce pesticide use.

Example 3:- CRISPR gene-editing technology is being used to develop drought-resistant crops, enhancing food security in regions affected by climate change.

7. **Agricultural Drone Technology:** Drones are increasingly used for aerial imaging, crop monitoring, and precision spraying of fertilisers and pesticides. This technology helps in efficient farm management and reduces resource wastage.

Example:- XAG, a Chinese company that has deployed autonomous drones for precision spraying and crop monitoring. XAG's drones use AI-powered mapping and variable-rate spraying to optimise pesticide and fertiliser application, reducing waste and environmental impact. These drones are widely used in China, Southeast Asia, and Australia, helping farmers improve efficiency and sustainability in large-scale agriculture.

8. Livestock Management: This branch focuses on improving the productivity and health of livestock through advanced breeding techniques, veterinary care, and feed management.

Example 1:- Amul has revolutionised the dairy sector with its cooperative model and modern practices.

Example 2:- Precision Livestock Farming (PLF) system uses sensors and AI to monitor animal health and optimise feeding. This technology is widely adopted in Europe and North America, helping farmers track livestock conditions in real-time to improve productivity and welfare. PLF is transforming modern livestock management practices by reducing disease outbreaks and enhancing efficiency.

9. Horticulture and Floriculture: The cultivation of fruits, vegetables, and flowers has grown significantly due to rising demand in domestic and export markets. For instance, India is a leading exporter of mangoes and roses.

Example:- Keukenhof Gardens in the Netherlands is one of the world's most extensive flower gardens. It showcases millions of tulips, daffodils, and hyacinths, demonstrating advanced horticultural techniques and floral artistry. This garden attracts visitors globally, highlighting floriculture's economic and aesthetic significance.

10. Agri-Fintech: This emerging field combines agriculture with financial technology to give farmers better access to credit, insurance, and market information. Startups like Samunnati are helping farmers with innovative financial solutions.

Example:- Jai Kisan provides financial solutions tailored for farmers and rural businesses in India. It enables farmers to access credit, insurance, and digital payments, helping them invest in agricultural equipment and inputs without relying on traditional moneylenders. Jai Kisan is transforming rural economies and improving agricultural productivity by streamlining financial access.

11. Post-Harvest Management: This branch focuses on reducing post-harvest losses through improved storage, transportation, and processing facilities. Companies like BigBasket have invested in cold storage chains to ensure the freshness of produce.

Example:- Using hermetic storage systems helps to preserve grain quality and reduce losses due to pests and



moisture. In regions like Africa and South Asia, farmers store maize and other crops in metal silos or airtight bags, preventing contamination and spoilage. These practices enhance food security and improve farmers' profitability by maintaining the quality of harvested produce.

1.2.12 Non-Conventional Forms of Agribusiness

Non-conventional forms of agribusiness refer to innovative and modern approaches beyond traditional farming and agricultural practices. These methods leverage technology, science, and new business models to enhance productivity, sustainability, and profitability. Here are some examples:

1. **Plant Tissue Culture:** Using tissue samples to grow plants in a controlled environment. It is widely used for producing disease-free and high-yielding plants, especially in horticulture and floriculture.

Example:- The micropropagation of banana plants is widely used in India and other tropical regions. This technique allows farmers to produce disease-free, high-yielding banana plants by cultivating tissue samples in a controlled environment. It enhances productivity, ensures uniform growth, and helps meet the increasing demand for quality bananas.

2. **Controlled Atmosphere Storage:** This technique preserves fruits and vegetables by maintaining specific temperature, humidity, and gas composition, extending their shelf life, and reducing post-harvest losses.

For example, Apple storage facilities are used in the United States and Europe. By regulating oxygen and carbon dioxide levels, this method slows the ripening process, allowing apples to stay fresh for several months without losing quality. This technique is widely adopted in commercial fruit storage to extend shelf life and reduce post-harvest losses.

3. **Agri-Tourism:** Farmers diversify their income by offering tourism experiences, such as farm stays, educational tours, and recreational activities, allowing visitors to connect with rural life.

Example:- The Knott's Berry Farm in California, USA, started as a small berry farm and evolved into a major tourist attraction. Initially selling berries and jams, the farm expanded to include restaurants, entertainment, and seasonal

festivals, blending agriculture with tourism. This transformation showcases how farms can diversify their income while preserving their agricultural heritage.

- 4. Bioenergy Production:** Agribusinesses are exploring using agricultural waste to produce biofuels and biogas, contributing to renewable energy solutions.

Example:- Countries like Germany and India widely use biogas generation through anaerobic digestion. Organic waste, such as food scraps and agricultural residues, is broken down by bacteria to produce methane-rich biogas, which can be used for electricity, heating, or vehicle fuel. This sustainable energy solution helps reduce greenhouse gas emissions while providing an alternative to fossil fuels.

- 5. Aquaponics and Hydroponics:** Soilless farming combines fish farming (aquaponics) or nutrient-rich water systems (hydroponics) to grow crops efficiently in urban or space-constrained areas.

Example:- Aquaponics in Edenworks, a U.S.-based company that integrates fish farming with hydroponic vegetable cultivation to create a self-sustaining ecosystem. In hydroponics, AeroFarms in New Jersey, USA, uses vertical farming techniques to grow leafy greens without soil, significantly reducing water usage and increasing yield. Both systems enhance sustainability by optimising resource efficiency and minimising environmental impact.

- 6. Agri-Processing and Value Addition:** Transforming raw agricultural produce into processed goods, such as fruit pulps, packaged juices, or ready-to-eat meals, adds value and increases marketability.

Example:- The production of tomato-based products, such as sauces, pastes, and purees, enhances shelf life and market value. Farmers and food industries reduce post-harvest losses by processing fresh tomatoes into value-added products and creating new revenue streams. This approach improves profitability and meets consumer demand for convenient and ready-to-use food items.

- 7. Urban Farming:** Growing crops and raising livestock in urban areas using innovative methods like rooftop gardens and community farming to meet local food demands.

Example:- Brooklyn Grange, a rooftop farming initiative in New York City, operates large-scale rooftop farms that produce fresh vegetables while promoting sustainability



and community engagement. Brooklyn Grange uses unused urban spaces to demonstrate how cities can integrate agriculture into their landscapes to enhance food security and environmental health.

- 8. Agri-Logistics:** Developing efficient supply chain solutions, including cold storage, transportation, and packaging, to reduce post-harvest losses and improve market access.

Example: McKinsey's supply-chain optimisation strategies leverage digital and analytics technologies to streamline agricultural distribution. These solutions help farmers and agribusinesses reduce inefficiencies, optimise transportation, and enhance market access. By integrating AI-driven logistics, companies can improve food security and minimise post-harvest losses.

- 9. Agri-Consultancy Services:** Providing expert advice to farmers on crop selection, pest management, and sustainable practices through digital platforms and field visits.

Example:- The AgriNext Consultancy provides expert guidance on irrigation system design, technical training, and agricultural development. Their services help farmers and agribusinesses optimise resources, improve productivity, and implement modern technologies for sustainable growth. AgriNext Consultancy is crucial in advancing agricultural practices and industry standards by offering tailored solutions.

- 10. Edible Landscaping:** Designing landscapes that combine aesthetics with functionality by incorporating edible plants, herbs, and fruits into gardens and public spaces.

Example:- The Beacon Food Forest in Seattle, USA, is a community-driven project that integrates fruit trees, vegetables, and herbs into a shared urban space, allowing residents to harvest fresh produce while promoting sustainability. By blending agriculture with public green spaces, Beacon Food Forest demonstrates how cities can support local food production and environmental conservation.

- 11. Agri-Waste Management:** Converting agricultural waste into valuable products like compost, biochar, or biogas, promoting sustainability and reducing environmental impact.

Example:- Biochar production uses agricultural residues

like crop stubble and husks that are converted into biochar through pyrolysis. This method improves soil fertility, enhances carbon sequestration, and reduces waste while promoting sustainable farming practices. Biochar is widely used in Africa, India, and the United States to enrich soil health and mitigate environmental impact.

12. Mushroom Cultivation: Growing mushrooms as a high-value crop in controlled environments, offering a profitable alternative to traditional farming.

Example:- Shiitake mushroom farming in Japan, where farmers grow these mushrooms on hardwood logs or sawdust substrates. This traditional method enhances flavour and nutritional value while maintaining sustainable agricultural practices. Shiitake mushrooms are highly valued for their umami taste and health benefits, making them a significant part of Japanese cuisine and exports.

13. Beekeeping and Apiculture: Producing honey, beeswax, and other bee-related products while supporting pollination and biodiversity.

Example:- New Zealand's Manuka Honey Industry relies on bees pollinating the native *Leptospermum scoparium* (Manuka) plant. This honey is highly valued for its antibacterial properties and is widely exported for medicinal and culinary use. The industry integrates sustainable beekeeping practices to ensure high-quality honey production while preserving biodiversity.

14. Medicinal and Aromatic Plant Cultivation: Plants like aloe vera, tulsi, and lavender are used in pharmaceuticals, cosmetics, and essential oils.

Example:- Lavender farming in France, particularly in the Provence region, is widely grown for its essential oils, which are used in perfumes, cosmetics, and therapeutic applications. Cultivating lavender supports local economies and promotes sustainable agricultural practices while maintaining the region's cultural heritage.

15. Agri-Entertainment: Creating farm-based recreational activities, such as corn mazes, petting zoos, and harvest festivals, to attract visitors and generate additional income.

Example:- The pick-your-own farms, where visitors can harvest fruits and vegetables directly from the fields. These farms, popular in the United States, Canada, and Europe, offer an interactive experience connecting consumers with



agriculture while providing farmers with an additional revenue stream. Seasonal attractions like pumpkin patches and berry-picking events make these farms a favourite destination for families and tourists.

16. Seed Production and Distribution: Developing and supplying high-quality seeds tailored to specific climates and soil conditions, ensuring better yields for farmers.

Example:- India's National Seed Corporation (NSC) ensures high-quality seeds reach farmers nationwide. NSC produces and distributes certified seeds of various crops, including cereals, pulses, and oilseeds, supporting agricultural productivity and food security.

Summarised Overview

Economic reforms in India have played a transformative role in shaping the nation's growth, particularly through liberalisation, privatisation, and globalisation (LPG). These reforms have led to structural changes across various sectors, including agriculture and agribusiness. The LPG strategy has significantly influenced India's agricultural sector by enhancing market accessibility, modernising farming techniques, and introducing new investment opportunities. Liberalisation has opened trade, privatisation has encouraged efficiency, and globalisation has integrated Indian agribusiness with international markets. Agribusiness, encompassing various agricultural and commercial activities, has evolved with emerging branches and non-conventional forms, such as organic farming, precision agriculture, and agritech solutions. The agribusiness sector includes multiple components, from input supply and production to processing and distribution, fostering new trends like digital platforms for agricultural trade and sustainability-focused farming. With an expanding scope, agribusiness continues to shape rural development, market dynamics, and food security, making it a vital component of India's economic landscape.

Self-Assessment Question

1. Define economic reforms. What were the key drivers behind economic reform policies in India?
2. Discuss the significant features of economic reforms implemented in India post-1991.
3. Explain the LPG (Liberalisation, Privatisation, and Globalisation) strategy. How has it contributed to India's economic development?

4. Evaluate the role of the LPG strategy in shaping different sectors of the Indian economy.
5. What challenges did India face while implementing economic reforms? How were they addressed?
6. Define agribusiness. Explain its importance in the context of a growing economy.
7. What are the major sectors within agribusiness? Discuss their scope and nature.
8. Assess the impact of Liberalisation, Privatisation, and Globalisation on the Indian agribusiness sector.
9. Discuss how globalisation has influenced agricultural exports from India.
10. Examine the role of foreign direct investment (FDI) in India's agribusiness growth.
11. What are some emerging branches of agribusiness? Discuss their growth potential.
12. Define non-conventional forms of agribusiness. Provide examples of innovative agribusiness models in India.

Assignments

1. Analyse how economic reforms have influenced the agricultural industry and suggest further reforms to enhance its growth.
2. Identify an agribusiness company that has successfully adapted to liberalisation, privatisation, or globalisation. What strategies did it use to remain competitive?
3. Research how agribusiness companies are integrating sustainable farming practices. What innovative solutions are being implemented?

Suggested Reading

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6. Leake, M. (1993). *The Foundations of Indian Agriculture*. Discovery Publishing House.

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU



Unit 3

Agricultural Marketing

Learning Outcomes

After completing this unit, the learner will be able to:

- ◆ gain insight into the meaning, significance and objectives of agriculture marketing
- ◆ identify the various impediments in agricultural marketing
- ◆ understand the new trends in agricultural marketing
- ◆ familiarise the concept of agripreneurship

Background

Agriculture is often referred to as the backbone of the Indian economy. The agricultural sector in India contributes to about 16 percent of the country's Gross Domestic Product (GDP) (Economic Survey 2024-25). Moreover, agricultural sector is a major employment generator. According to Economic Survey 45 percent of the country's population were employed in agriculture and allied sectors in the fiscal year 2025. Agriculture is the primary source of income for rural households. The agricultural sector supplies raw materials to key industries prevailing in the country such as food processing, textiles, sugar, jute and also contributes to national food security. In addition to this, agriculture sector also plays a predominant role in generating foreign exchange earnings for the country through the export of commodities like rice, tea, spices, and cotton. In the fiscal year 2023–24, India's agricultural exports amounted to approximately 48.76 billion US Dollars, accounting for 11.16% of the country's total merchandise exports. All these highlight the significance of the agricultural sector in the country. Despite its significance, the agricultural sector continues to face numerous challenges. Low and irregular income, constant price fluctuations, and lack of access to reliable markets are some of the common problems faced by the Indian farmers. This is where agricultural marketing assumes its significance. Agricultural marketing comprises of all activities or processes that help to move the agricultural products from the farm to the final consumer such as assembling, storage, transportation, grading, packaging, and selling of agricultural products. A well-developed agricultural marketing system helps to ensure that the farmers receive fair prices for their produce. It also helps the farmers to reduce

the risk of post-harvest losses, eliminate the lack of access to marketing information, minimise the exploitation by the middlemen and gain better market access. Agricultural marketing benefits the consumers as they get quality products at reasonable prices. This unit deals with the meaning, objectives, significance, scope and impediments and new trends in Agricultural Marketing. It also discusses the concept of agripreneurship.

Keywords

Agricultural Marketing, Impediments, Agripreneurship

Discussion

- ◆ Agriculture - activities that make use of natural resources to promote human welfare
- ◆ Marketing - process of transferring the goods from the point of production to the point of consumption

- ◆ Activities facilitating the transfer of agricultural inputs to the farmers and the transfer of agricultural products from the farms to the hands of consumers

1.3.1 Meaning of Agricultural Marketing

The term Agricultural Marketing is comprised of two terms namely “Agriculture’ and ‘Marketing’. Agriculture involves all activities that make use of natural resources to promote human welfare, including every aspect of primary production. However, it is most commonly associated with crop cultivation and animal husbandry. Marketing, on the other hand, refers to the comprehensive process of transferring the goods from the point of production to the point of consumption. It encompasses all functions that enhance the value of products by the creation of utility in terms of time, place, form, and ownership.

Agricultural marketing encompasses all the activities which facilitate the transfer of agricultural inputs to the farmers and the transfer of agricultural products from the farms to the hands of consumers. It includes various activities or functions such as assembling storing, transporting, buying, selling, grading, packaging of crops or animal products. It also includes the provision of the requisite information about the market prices and demand to the farmers. The main goals of agricultural marketing are to increase the availability and quality of agricultural products and to ensure fair prices for producers and customers.

In the context of agricultural marketing, there are two types of markets namely input market and output market. The input market provides essential resources and materials from manufacturing firms to the farms. On the other hand, the output market focuses on the distribution and marketing of crops and live-

- ◆ Two types of markets - input market and output market

stock products. As products move through different marketing channels, various types of utilities are added through marketing activities such as form utility, time utility, place utility and possession utility. Form utility is created through the processing of raw agricultural products. Time utility is generated when goods are stored and made available at the right time. Place utility is created through transportation by moving goods to locations where they are needed. Possession utility is established when ownership shifts through buying and selling. Overall, each stage of the marketing process adds value to the product, while also incurring marketing costs and profit margins for intermediaries involved.

- ◆ Evaluating the demand and supply of agricultural inputs and managing the post-harvest handling of farm produce

Agricultural marketing system aims at evaluating the demand and supply of agricultural inputs, managing the post-harvest handling of farm produce, and carrying out all necessary functions to move the agricultural products from the farm to processing units and finally to the hands of the consumers. Furthermore, it also includes analyzing the demand for agricultural products and understanding public policies and programs related to pricing, distribution, procurement, and sales of both farm inputs and outputs.

1.3.2 Definition of Agricultural Marketing

According to Acharya and Agarwal, Agricultural Marketing is defined as "the study of all activities, agencies and policies involved in the procurement of farm inputs by the farmers and the movement of agricultural products from the farmers to the consumers."

According to Richard Kohls, Agricultural Marketing is defined as "the performance of all business activities involved in the flow of goods and services from the point of initial agricultural production until they are in the hands of the ultimate consumer."

1.3.3 Functions/ Key Components of Agricultural Marketing

Agricultural marketing refers to all the activities involved in the movement of agricultural produce from the farm to the final consumer. The key components/functions of agricultural marketing are discussed below:

i. Assembling

It is the function concerned with collecting the agricultural produce from various small farmers and bringing it together in

- ◆ Collecting agricultural produce and bringing it together in one place

one place. This in turn helps to making it easier to sell to large buyers or transport to distant markets. It is a crucial first step that connects the producers to the broader marketing system. For example, In Punjab, after harvesting, small farmers bring their wheat to regulated market yards (mandis) such as those managed by the Punjab State Agricultural Marketing Board (Mandi Board). Here, licensed traders or government agencies like the Food Corporation of India (FCI) and Punjab State Warehousing Corporation aggregate the produce in bulk.

ii. Grading and Standardization

- ◆ Grading - sorting agricultural products based on as size, quality, and variety
- ◆ Standardization - ensuring products meet predetermined quality standards or benchmarks

Grading function is concerned with sorting the agricultural products based on parameters like size, quality, and variety. Standardization is the process of ensuring that the agricultural products meet certain predetermined quality standards or benchmarks. Both these processes help to maintain consistency, enhance buyer confidence, and enable better pricing. For example, In India, agricultural products like turmeric from Erode (Tamil Nadu) are graded and certified under the AGMARK system, ensuring they meet specific standards for colour, purity, and curcumin content. AGMARK-certified turmeric is preferred in both domestic and export markets due to its verified quality. Similarly, Alphonso mangoes exported from Ratnagiri, Maharashtra to the European Union must comply with EU import standards, which include strict grading based on size, shape, skin appearance.

iii. Processing

- ◆ Transforming raw agricultural commodities into more usable, storable, or consumable forms

It involves transforming raw agricultural commodities into more usable, storable, or consumable forms. This can include activities such as cleaning, drying, milling, canning, or packaging. The processing function enhances product value, extends shelf life, minimizes spoilage, and improves its appeal in the market. For example, The Gujarat-based cooperative Amul collects raw milk from rural farmers and processes it into a range of dairy products like butter, curd, cheese, and flavored milk. This not only adds value but also increases farmer earnings and consumer accessibility.

iv. Packaging

- ◆ Wrapping agricultural products in suitable containers to safeguard them during storage, handling, and transport

Packaging refers to the process of enclosing or wrapping agricultural products in suitable containers to safeguard them during storage, handling, and transport. It is essential for preventing physical damage and preserving product hygiene and quality. Additionally, effective packaging contributes to branding and enhances the marketability of the goods. For example, Grapes exported from Nashik, Maharashtra are typically packaged in

specially designed corrugated cardboard boxes with ventilation holes and moisture-absorbing pads. This type of packaging helps maintain the fruit's freshness and quality, making it suitable for long-distance international shipments, especially by air.

v. Transportation

- ◆ Creates place utility by moving products from farms to markets or storage centers

Transportation function helps to create place utility by moving products from farms to markets or storage centers. It links producers and consumers by enabling timely delivery of goods. Efficient transportation minimizes losses, maintains product quality, and improves market access. For example, Farmers in Kolar, Karnataka, grow highly perishable tomatoes. These are loaded into trucks and transported overnight to major cities like Bengaluru and Chennai. Timely transport is essential to prevent spoilage and income loss.

vi. Storage

- ◆ Creates time utility by allowing agricultural products to be kept safely until they are needed for sale or consumption

Storage creates time utility by allowing agricultural products to be kept safely until they are needed for sale or consumption. It plays a key role in managing the balance between supply and demand, minimizing losses, and maintaining price stability. Effective storage infrastructure is essential to protect the quality of both perishable and non-perishable goods. For example, In West Bengal, farmers store harvested potatoes in cold storage units, primarily in regions like Hooghly and Madhyamgram, to prevent spoilage and maintain quality. These facilities regulate temperature and humidity, allowing farmers to store the potatoes for months and sell them during off-seasons when demand is high. This storage reduces wastage and ensures a consistent supply to markets throughout the year.

vii. Financing and Risk Management

- ◆ Supplying the capital needed inputs, equipment, labor, and marketing

Farmers require capital for inputs, equipment, labour, and marketing. Additionally, they face risks like weather uncertainties, pest attacks, and market price fluctuations. Agricultural financing and risk mitigation tools are essential to ensure stability and continuity. The Kisan Credit Card (KCC) scheme provides short-term, low-interest credit to farmers. Similarly, Pradhan Mantri Fasal Bima Yojana (PMFBY) offers insurance against crop loss due to natural calamities.

Access to credit and financial services allows stakeholders to operate efficiently and take advantage of emerging market opportunities.

- ◆ Gathering and analysing information related to pricing, demand-supply trends, and consumer preferences

viii. Market Intelligence

It refers to the process of gathering and analysing information related to pricing, demand -supply trends, and consumer preferences. This data supports informed decision-making for farmers, traders, and policymakers, helping them plan production, set competitive prices, and improve sales. Reliable market information reduces uncertainty and boosts the effectiveness of the marketing system. For example, Platforms like eNAM (Electronic National Agriculture Market) and Agmarknet offer farmers real-time price updates across different mandis. This helps them make better decisions regarding the timing and location of sales.

ix. Advertising and Promotion

Traditionally, agricultural marketing models in India tend to focus on post-harvest activities like storage, transportation, and sale. Advertising and promotion are often not included as “core components” because most farmers sell their raw produce in local markets or to intermediaries without branding. With the rise of agribusiness, branding, and consumer-centric agriculture, advertising and promotion have become essential. These tools are critical for building brand awareness, differentiating products, expanding markets, and communicating product benefits to consumers. For example, The Amul Girl advertising campaign has become iconic in India. Amul’s strategic promotion has helped it become the country’s most trusted dairy brand. Similarly, the Jaivik Bharat campaign by the Food Safety and Standard Authority of India (FSSAI) promotes organic farming by educating consumers and encouraging trust in certified products.

1.3.4 Objectives of Agricultural Marketing

Agricultural marketing is more than just the sale of farm produce. It plays a vital role in increasing farmers’ income, ensuring that agricultural products reach consumers efficiently, and supporting the agricultural economy as a whole. As farmers, consumers and agriculture sector are the three main stakeholders of agricultural marketing, the objectives of agricultural marketing can be viewed in the context of these three stakeholders.

1.3.4.1 Objectives of Agricultural Marketing in the case of Farmers

i. Ensure Fair and Better Prices

Farmers need to earn a price that reflects their effort and covers their costs. A good marketing system ensures they are not forced to sell at low prices. For example, in the Alappuzha district of

- ◆ Earn price that reflects the effort of farmers and covers their costs

Kerala, coconut farmers significantly benefit from the support provided by Kerafed (The Kerala State Co-operative Marketing Federation for Coconut Farmers). Kerafed plays a crucial role in stabilizing the coconut market by procurement of copra (dried coconut kernel) directly from farmers at Minimum Support Prices (MSP) set by the government. This ensures that farmers are protected from price crashes caused by market fluctuations or exploitation by middlemen. By purchasing copra at these fixed rates, Kerafed helps ensure fair remuneration, thereby improving farmers' income security.

ii. Gain Access to Larger Markets

- ◆ Bridging this gap by providing farmers with access to new opportunities and markets

Many farmers face challenges when it comes to marketing their products beyond their local communities. They may lack the knowledge, resources, or networks to access larger, more profitable markets, including urban centres or international buyers. This is where agricultural marketing systems play a crucial role in bridging this gap by providing farmers with access to new opportunities and markets. For example, in Wayanad district of Kerala, small-scale farmers growing organic black pepper benefit from the support of farmer cooperatives. These cooperatives serve as intermediaries, linking local producers with national and international markets. By organizing collectively, farmers are able to pool resources, gain better bargaining power, and access larger markets that they otherwise might not be able to reach individually.

iii. Ensure Timely Payments

- ◆ Ensuring that farmers receive prompt payments

After harvesting, most farmers face an immediate need for cash to cover various costs like labour, inputs for the next crop, household expenses, or loan repayments. A well-functioning agricultural marketing system is essential in ensuring that farmers receive prompt which helps maintain their financial stability. For example, when farmers sell spices through the Spice Board of India, particularly under its e-auction or direct procurement mechanisms, they benefit from a streamlined and reliable payment process. The Spice Board ensures that once the transaction is completed, payments are credited directly into the farmers' bank accounts usually within a few working days. This eliminates delays often associated with traditional middlemen or commission agents, who may take weeks or even months to settle payments.

iv. Reduced Wastage

Post-harvest losses due to spoilage, damage, or delayed sales are a major concern for farmers, often leading to significant income loss. An effective agricultural marketing system plays a

- ◆ Minimizing post-harvest losses by providing access to proper storage facilities, efficient transportation, and timely market linkages

vital role in minimizing such wastage by providing access to proper storage facilities, efficient transportation, and timely market linkages.

For example, in Idukki district of Kerala, where cardamom is a key crop, farmers have adopted improved practices such as drying and storing cardamom in scientifically maintained warehouses. These facilities help preserve the aroma, color, and quality of the spice, preventing deterioration caused by humidity, pests, or poor handling. By maintaining product quality, farmers can fetch better prices in the market.

1.3.4.2. Objectives of Agricultural Marketing in the case of Consumers

i. Regular Supply of Food

- ◆ To ensure that consumers have uninterrupted access to essential food items

One of the key objectives of agricultural marketing is to ensure that consumers have uninterrupted access to essential food items throughout the year. Effective marketing systems should be capable of bringing in produce from other states or regions to maintain supply even when local production dips due to seasonal fluctuations or climatic disruptions. For example, during off-seasons in Kerala, tomatoes from Karnataka and onions from Maharashtra are transported in bulk to local markets so as to ensure that people continue to get fresh vegetables without facing any shortage.

ii. Fair and Affordable Prices

- ◆ To protect consumers from unfair pricing

Agricultural marketing aims to protect consumers from unfair pricing caused by multiple intermediaries. By reducing the number of middlemen and enabling direct-from-farm sales, helps to keep prices reasonable. For example, HortiCorp, a Kerala government initiative, procures vegetables and fruits directly from farmers and sells them through outlets across the state. This not only ensures farmers get fair prices but also makes fresh produce affordable for urban and rural consumers alike.

iii. Safe and Good Quality Products

- ◆ To provide safe and hygienic products through proper processing, packaging, and quality checks

Today, consumers only prefer fresh, safe and hygienic agricultural products. An efficient agricultural marketing systems helps to provide safe and hygienic products through proper processing, packaging, and quality checks. For example, Milma, Kerala's leading milk cooperative, ensures that its milk undergoes rigorous quality testing before reaching consumers. This helps to build trust among households who rely on daily milk supplies for their families.

iv. Wide Variety of products

- ◆ Access products that aren't grown in their immediate vicinity

Modern consumers prefer variety in their food. A strong agricultural marketing system makes this possible. By connecting distant producers to local markets, agricultural marketing system helps the consumers to access products that aren't grown in their immediate vicinity. In Kerala, for example, supermarkets stock Kashmir apples, Nagpur oranges, and Wayanad honey. These are possible due to coordinated interstate agricultural marketing and transportation.

v. Transparency and Trust

- ◆ To bring transparency and traceability through certification labels, traceability systems, and QR codes

Today, consumers are highly health conscious and they want to know where their food comes from, especially when it comes to organic sourced goods. Through certification labels, traceability systems, and QR codes, agricultural marketing helps to bring transparency and traceability. For example, in Kerala, certified organic products often come with labels that let buyers trace the produce back to its source, providing assurance of authenticity and encouraging healthier choices.

1.3.4.3 Objectives of Agricultural Marketing in the case of Agricultural Sector

1. Generation of Employment and Income

- ◆ Create jobs across the supply chain from production to processing and distribution

Agricultural marketing supports the broader agricultural sector by creating jobs and increasing income across the supply chain from production to processing and distribution. It generates employment not only for farmers but also for labourers involved in sorting, packaging, transporting, and selling goods. For example, in Kerala, banana chip production has evolved into a small-scale industry. People are employed in cleaning, slicing, frying, packing, and marketing chips in both domestic and export markets. Similarly, cashew processing units in Kollam provide seasonal employment to thousands of women, contributing significantly to the rural economy.

2. Encouragement of Value Addition

- ◆ Transform raw farm produce into high-value products

Value addition involves transforming raw farm produce into higher-value products through processing or packaging, which increases profitability. Agricultural marketing encourages this by creating demand for such products. In Kannur, for example, jackfruit is processed into vacuum-fried (oil-free) chips and flour, both of which are marketed in India and abroad under branded labels. This not only increases the shelf life of the product but also helps farmers earn better returns for seasonal crops that otherwise might go to waste.

- ◆ Reduce these losses by improving logistics and storage facilities

3. Reduction in Post-Harvest Losses

One major challenge in Indian agriculture is post-harvest losses due to inadequate storage, poor transportation, or delays in selling. Efficient agricultural marketing helps reduce these losses by improving logistics and storage facilities.

- ◆ Enables the integration of local agricultural systems with regional, national, and even international markets

4. Market Expansion and Integration

Agricultural marketing enables the integration of local agricultural systems with regional, national, and even international markets. This exposure motivates farmers to produce market-driven crops and improve quality. In Kerala, pepper and cardamom from Wayanad and Idukki are now being exported through organized marketing channels and farmer cooperatives. These products often meet international standards, allowing local farmers to earn foreign exchange and compete globally. This integration also helps in setting up modern infrastructure like pack houses, grading units, and testing labs.

- ◆ Promote price transparency and to help farmers to access real-time prices

5. Better Price Discovery and Transparency

An effective marketing system promotes price transparency and helps farmers make informed decisions. Platforms like eNAM (Electronic National Agriculture Market) and Agmarknet enable farmers to access real-time prices in different markets, compare rates, and plan their sales accordingly. In Kerala, farmers using these platforms are more aware of price trends for crops like arecanut, coconut, and vegetables. This reduces exploitation by middlemen and encourages competitive and fair trading.

- ◆ Ensures the efficient utilization of available resources and helps to increase the marketable surplus by reducing the losses

1.3.5 Significance of Agricultural Marketing

i. Optimum Utilisation of Resources and Management of output

A well-functioning agricultural marketing system ensures the efficient utilization of available resources. An efficient marketing system helps to increase the marketable surplus by reducing the losses arising out of various issues such as inefficient processing, storage, and transportation. Moreover, it helps to promote the effective distribution of agricultural inputs such as seeds, fertilizers, and machinery. This turn helps to increase the productivity and also accelerates the growth of the agricultural sector which ultimately contributes to overall economic development.

ii. Expansion of Market Opportunities

A well-structured agricultural marketing system enables agricultural products to be distributed to the remote areas located

- ◆ Helps in expanding the sales opportunities for farmers

across the country and also to the international markets. This helps in expanding the sales opportunities for farmers. It enables the farmers to sell their agricultural produce to a wider range of consumers located both within and outside the country. Thus, the prevalence of an efficient agricultural marketing system plays a vital role in boosting demand for farm produce, thereby broadening the market reach.

- ◆ Ensures a consistent flow of raw materials or inputs required for the production in various industries

iii. Promotion of Agro-based Industries

Various industries such as cotton textiles, sugar production, edible oil extraction, jute manufacturing, and food processing are all dependent on the steady supply of raw materials from the farms. A strong marketing system helps to ensure a consistent flow of raw materials or inputs required for the production in these industries. Thus an effective agricultural marketing system supports the growth of these industries and also supports job creation and broader economic development.

- ◆ Communicates the price trends and market information

iv. Transmission of Price Signals

An efficient marketing system plays an imperative role by communicating the price trends and market information. The marketing system transmits price signals at different stages, enabling farmers and market participants to make timely and informed decisions on buying and selling.

- ◆ Helps to increase the farmers' income by cutting down on the number of intermediaries and lowering marketing costs

v. Increase in Income of Farmers

A well-organized agricultural marketing system helps to increase the farmers' income by cutting down on the number of intermediaries and lowering marketing costs, while also reducing unfair practices in the sale of farm produce. When farmers do not have easy access to markets for purchasing inputs or selling their surplus crops, their motivation to increase production gradually fades away. Therefore, offering proper incentives through an efficient marketing system is essential for encouraging higher output.

- ◆ Helps to generate employment opportunities

vi. Employment Generation

The agricultural marketing system helps to generate employment opportunities to millions of people across through various functions such as collection, grading, packaging, transportation, storage, and processing of produce. It also provides job to people employed in supporting industries and services that supply the materials, tools, and logistics required for the smooth functioning of the marketing system. This significantly contributes to livelihood creation in both rural and urban areas.

- ◆ Encourages farmers to adopt modern agricultural technologies

vii. Technological Advancement

An efficient marketing network encourages farmers to adopt modern agricultural technologies and scientific methods. Since new technologies often involve a higher amount of financial investment, farmer will be willing to adopt them only confidence in getting fair prices and assured markets for their surplus production.

- ◆ Contribute to higher GNP and NNP

viii. Contribution to National Income

Marketing not only enables the movement of agricultural goods but also enhances their value through various processes such as packaging, branding, and processing. These value additions contribute to higher Gross National Product (GNP) and Net National Product (NNP) and thereby positively influencing the nation's economic growth.

- ◆ Helps to raise the farmers' income and purchasing power, thereby improving their standard of living

ix. Improvement in Standard of Living

An efficient marketing system helps to raise the farmers' income and purchasing power, thereby improving their standard of living. Increased earnings allow them to afford facilities like improved housing, education, healthcare, and technology. This not only benefits individual farmers but also stimulates economic growth and supports broader social progress.

- ◆ Creates form utility, place utility, time utility and possession utility

x. Creation of Various Utilities

Agricultural marketing creates various types of utility to the product. It provides form utility (through processing function), place utility (through transporting function), time utility (through storage function), and possession utility (through transfer of ownership). These added utilities increase the overall value and usefulness of the product to the end consumer.

1.3.6 Scope of Agricultural Marketing

The scope of agricultural marketing can be viewed from five viewpoints or angles. These include the Farmers' interest,

i. Farmers interest

- ◆ Enables farmers to utilise these scarce resources judiciously

It is a well known fact that farmers have very limited resources at their disposal. Thus, an effective agricultural marketing system enables farmers to utilise these scarce resources judiciously. Efficient input marketing and output marketing systems are crucial for bringing the desired level of welfare to the farmers. In fact, if the market system functions effectively, the farmer can emerge as one of its main beneficiaries.

- ◆ Provides the consumers the opportunity to select agricultural products that best meet their needs

ii. Consumers' interest

Agricultural marketing serves as a mechanism which facilitates the transfer of farm products from the place of production to the place of consumption. This mechanism provides the consumers the opportunity to select agricultural products that best meet their needs. By adopting efficient marketing practices, the overall marketing output increases. This in turn helps to enhance consumer welfare.

- ◆ Helps to raise the standard of living of the people

iii. Society's Interest

When an effective marketing system successfully meets the consumption demands of the population, it results in broader social benefits. It helps to raise the standard of living of the people. Moreover, it helps to ensure that the nation's resources are utilized and distributed efficiently in alignment with societal needs. In this manner, an efficient marketing system directly supports public welfare. In addition to this, an efficient agricultural marketing system contributes to price stabilisation in the economy and also helps to provide numerous employment opportunities to the people in the society.

- ◆ Help to meet the requirements of both producers and consumers and earning their livelihood in the process

iv. Trader's Interest

Market intermediaries or middlemen, are the individuals or entities other than the governmental bodies who assist in the movement of products from producers to end users. These include wholesalers, commission agents, retailers, and others. Through their role in the marketing process, they help meet the requirements of both producers and consumers, while also earning their livelihood in the process.

- ◆ Eliminate the exploitation of farmers by middlemen and improve the overall efficiency of marketing operations

v. Role of Government

The government has many key responsibilities in agricultural marketing. It plays a key role in procuring food grains to maintain buffer stocks and support the Public Distribution System (PDS), often through organizations like the Food Corporation of India (FCI). Government involvement is also seen in the marketing support provided by agencies such as the Cotton Corporation of India, the Jute Corporation of India, and various commodity boards. The government plays a regulatory role by implementing laws and policies to guide and oversee marketing practices. It establishes regulated markets to eliminate the exploitation of farmers by middlemen and improve the overall efficiency of marketing operations. The government aims to ensure that marketing functions are carried out effectively, prioritizing the interests of producers and consumers, while also striving for price stability in the economy.

1.3.7 Impediments In Agriculture Marketing

Agricultural marketing in India faces several impediments that hinder its efficiency and effectiveness. These challenges often differ based on the geographic location, economic conditions, and infrastructure, but some common obstacles include:

◆ Price volatility due to factors such as weather conditions, supply and demand imbalances, and market speculation

i. Price Fluctuations

Agricultural products are often subject to price volatility due to factors such as weather conditions, supply and demand imbalances, and market speculation. These price fluctuations can create uncertainty for both producers and consumers. The frequent price fluctuations often make it difficult for the farmers to predict their income and for consumers to afford stable food prices.

◆ Poor roads, lack of storage facilities, and insufficient transportation networks

ii. Poor Infrastructure

Rural areas in developing countries like India face various infrastructural issues such as poor roads, lack of storage facilities, and insufficient transportation networks. This hinders the smooth movement of agricultural products from farms to markets and ultimately leads to high transaction costs, spoilage of perishable goods, and delays in supply chain processes.

◆ Difficulty in accessing larger markets due to geographical isolation or insufficient market information

iii. Lack of Market Access

Farmers, especially smallholders, often struggle to access larger markets due to geographical isolation or insufficient market information. They are frequently dependent on local traders or middlemen who may offer low prices for their produce. This lack of direct access to consumers or larger commercial markets reduces their potential profit margins.

◆ Farmers who cultivate higher-quality crops do not receive better prices

iv. Lack of Grading and Standardization

Agricultural produce is often not categorized according to quality. A commonly followed method, known as “dara” sales, involves selling a mixed heap of different quality produce as a single lot. This means that farmers who cultivate higher-quality crops do not receive better prices, discouraging them from using improved seeds or adopting practices that enhance crop quality.

◆ Lack access to real-time market information about prices, demand trends, and consumer preferences

v. Market Information and Transparency Issues

In many regions, farmers lack access to real-time market information about prices, demand trends, and consumer preferences. Thus, they are forced to depend on the rates quoted by traders. The absence of transparent pricing systems and access to critical market data prevents farmers from making informed decisions.



- ◆ Limited access to credit

- ◆ Exploited by middlemen due to their limited market knowledge

- ◆ Post harvest losses due to poor post-harvest handling, inadequate storage, and lack of preservation technologies

- ◆ Lack access to modern agricultural techniques and technologies

vi. Limited Financial Support

Many farmers, particularly in rural or developing regions, have limited access to credit, insurance, and other financial services that could help them invest in better farming practices, technology, or marketing opportunities. This limits their ability to improve production, market their goods effectively, or weather financial challenges.

vii. Price Manipulation and Exploitation by Middlemen

A long chain of intermediaries exists between the producer and the consumer. The Middle men buy agricultural products at low prices. Thus, the farmers are often exploited by middlemen due to their limited market knowledge.

viii. Post-Harvest Losses

Due to poor post-harvest handling, inadequate storage, and lack of preservation technologies, a significant amount of agricultural produce is often lost. Perishable goods such as fruits and vegetables often spoil before they can be sold, resulting in wastage and financial losses for farmers.

ix. Lack of Knowledge and Technology

Many farmers lack access to modern agricultural techniques, technologies, and market information that could improve their productivity and marketing strategies. Without adequate training and access to resources like mobile apps or market platforms, farmers struggle to navigate the complexities of modern agricultural marketing.

Thus, there are several impediments. They can be resolved through improving infrastructure facilities like better roads, storage and transportation facilities, empowering farmers with better market information, adopting new technologies, and creating fairer pricing systems. Addressing these issues is critical to achieving more efficient, sustainable, and equitable agricultural marketing systems.

1.3.8 New trends in Agricultural Marketing

Agricultural marketing has undergone significant changes over the past few decades. These changes are driven by technological advancements, changes in the taste and preferences of consumers and global economic shifts. These trends not only reflect the evolving nature of agriculture but also highlight the broader transformation of the agricultural supply chain, from production to consumption. Some of the new trends in agricul-

tural marketing are discussed below:

i. Digitalization and E-Commerce Platforms

- ◆ Rise of digital technologies and e-commerce

A major trend in agricultural marketing is the rise of digital technologies and e-commerce. Traditional methods involving physical markets and middlemen are gradually being replaced by online platforms that let farmers sell directly to consumers and access wider markets. Platforms like Agribaba connect farmers with buyers locally and globally. Retailers like Amazon Fresh and Walmart now offer fresh produce, expanding market reach. Digital tools also support farmers with price trends and demand forecasts, helping them plan more efficiently. Initiatives such as the Digital Agriculture Mission and the Electronic National Agriculture Market (e-NAM) have been introduced to promote the use of advanced agricultural technologies and enhance transparency in price discovery processes.

ii. Mobile Applications and Market Access

- ◆ Real-time of market prices, weather updates, and crop advice through smartphones and apps

Mobile technology is transforming agricultural marketing by giving farmers real-time access to market prices, weather updates, and crop advice through smartphones and apps like AgriApp. These tools help farmers make smarter decisions on what to grow, when to sell, and at what price. Mobile platforms also helps farmers to gain access to financial services like loans, insurance, and subsidies. This enables even small-scale farmers in remote areas to reach wider markets and earn better prices.

iii. Block chain Technology for Transparency and Traceability

- ◆ Adopted to improve transparency and trust in agricultural marketing

Block chain technology is becoming increasingly important in agricultural marketing by enhancing transparency and traceability in the supply chain. It securely records every transaction, allowing producers and consumers to track product origins, verify food safety, and confirm sustainability claims. Block chain technology is being adopted to improve transparency and trust in agricultural marketing. It helps track the journey of farm produce from the field to the consumer, ensuring food safety and authenticity. This is especially useful for organic and GI-tagged products. For example, the Andhra Pradesh government has piloted block chain for tracking shrimp exports to ensure quality and traceability. Similarly, block chain systems can support farmers in verifying fair trade practices and gaining better access to premium markets, while reducing middlemen and fraud in the supply chain.

iv. Globalization and Export Markets

As globalization progresses, agricultural marketing is reach-



- ◆ Agricultural marketing is reaching international markets

ing international markets, offering farmers new growth opportunities. High-value crops such as fruits, vegetables, and organic produce are especially in demand abroad. To access these markets, farmers and agribusinesses must meet global standards, certifications, and food safety norms. In response, agricultural marketing systems are evolving by adopting international trade practices, forming global partnerships, and using platforms that link producers directly with overseas buyers.

v. Sustainability and Ethical Marketing

- ◆ Help producers demonstrate their commitment to ethical production

As consumers increasingly prioritize eco-friendly and ethically produced goods, agricultural marketing is shifting towards sustainability. There is a growing demand for organic, locally sourced, and sustainably produced products. So, the farmers and agribusinesses are adopting practices like organic farming, water conservation, and reducing pesticide use. Sustainability certifications help producers demonstrate their commitment to ethical production. Retailers are promoting these products, and consumers are willing to pay a premium for those that align with their values. This trend not only encourages sustainable farming but also opens up niche markets for farmers.

vi. Direct-to-Consumer (D2C) and Farm-to-Table Movements

- ◆ Fostering closer ties with consumers

The farm-to-table trend is growing as more consumers prefer fresh, locally sourced food. To meet this demand, farmers are using direct-to-consumer channels like farmers' markets and cooperatives. Home delivery services further connect farmers with buyers, ensuring fresh produce reaches homes. This model allows farmers greater control over pricing and quality while fostering closer ties with consumers and promoting local, healthy eating.

vii. Data Analytics for Decision-Making

- ◆ Enables stakeholders to predict trends, optimize prices, understand consumer behavior

Data analytics enables stakeholders in the agricultural supply chain to predict trends, optimise prices, understand consumer behavior, and improve supply chain logistics. By leveraging data from various sources, such as weather forecasts, consumer preferences, historical sales data, and market conditions, agricultural marketers can tailor their strategies and anticipate demand. Predictive analytics is being used to forecast crop yields, manage inventory, and optimise distribution channels, thus reducing waste and increasing profitability for farmers.

viii. Vertical Integration and Collaborative Models

Vertical integration involves the consolidation of different stages of the supply chain, from production to retail. It allows

- ◆ Consolidation of different stages of the supply chain, from production to retail

agricultural firms to control every aspect of the supply chain, from growing and processing crops to distribution and retail. Vertical integration provides numerous benefits. It helps to reduce costs, increase efficiency, and maintain quality control. Collaborative models, such as cooperatives and farmer producer organizations, are also gaining prominence. These models help small farmers to pool resources and negotiate better prices for their products and thereby increasing their bargaining power in the market. By collaborating, farmers can achieve economies of scale, share resources like processing facilities, and gain access to large markets more effectively.

1.3.9 Agripreneurship

- ◆ Entrepreneurship focused on the agricultural sector

Agripreneurship is a combination of agriculture and entrepreneurship. Agripreneurship is a specialized form of entrepreneurship focused on the agricultural sector. It refers to the process of applying innovative business and entrepreneurial approaches to farming and agriculture-related activities. It holds significant promise for contributing to both social and economic progress within the country. Its benefits include generating employment, boosting economic growth, providing diverse income opportunities, reducing rural poverty, and enhancing nutrition, health, and overall food security. Agripreneurship involves the transforming an vision or idea into new agricultural ventures or new business. It may also include expanding an existing business by individuals, teams, or established businesses. In essence, it represents the transformation of agriculture into a sustainable, community-focused, and market-driven enterprise.

1.3.8.1 Need of Agripreneurship

Agripreneurship involves the application of innovative and entrepreneurial practices to agriculture and related activities. It plays a crucial role in addressing current challenges in the agricultural sector and unlocking new opportunities for rural growth. Its significance can be understood through the following aspects:

- ◆ Allows for creative methods of processing and packaging these products

i. Enhancing Marketability and Value Addition

India produces a vast variety of agricultural and horticultural goods. Agripreneurship allows for creative methods of processing and packaging these products, extending their shelf life and improving transportability. By adding value, farmers can tap into new markets and improve profitability.

ii. Generating Local Employment

Agripreneurship creates job opportunities within rural com-

- ◆ Creates job opportunities within rural communities

munities, offering a sustainable solution to unemployment. It encourages rural youth to engage in meaningful economic activities without leaving their villages, which in turn supports balanced regional development and helps curb urban migration.

- ◆ Reduces reliance of farmers on intermediaries

iii. Improved Marketing and Reduced Dependence on Middlemen

With better agribusiness infrastructure such as processing units, packaging systems, and efficient logistics, farmers can increase productivity and directly access broader markets. This reduces their reliance on intermediaries, ensuring better price realization and market exposure.

- ◆ Enhances rural living standards

iv. Raising the Standard of Living

By creating alternative income sources and enabling youth to work within their communities, agripreneurship contributes to improved livelihoods. It enhances rural living standards by fostering economic stability, reducing migration pressures, and increasing overall well-being.

Summarised Overview

Agricultural marketing refers to the process that encompasses the flow of agricultural products from farms to end consumers, including all activities such as assembling, grading, processing, packaging, storing, transporting, financing, and market intelligence. It plays a vital role in ensuring fair returns to farmers, regular and affordable supply of food to consumers, and the growth of the agricultural sector. The objectives of agricultural marketing differ across stakeholders: for farmers, it ensures fair prices and market access; for consumers, it guarantees safe, quality food at reasonable prices; and for the agricultural economy, it boosts income, employment, and value addition. The significance of agricultural marketing lies in stabilising prices, reducing wastage, encouraging production, and supporting rural development. Its scope extends beyond just selling produce. However, several impediments still exist such as inadequate infrastructure, dependence on middlemen, price volatility, lack of storage, and limited access to reliable market information. In response, new trends like digital platforms mobile apps, blockchain, data analytics, and farm-to-table models are transforming agricultural marketing by making it more efficient and transparent. These developments have also paved the way for agripreneurship, where individuals apply innovation and business strategies in farming and allied sectors, creating rural employment, improving farm incomes, and contributing to the modernization of agriculture. It also ensures that consumers receive quality goods at reasonable prices. In short, effective agricultural marketing not only boosts the profitability of agriculture but also strengthens the overall rural economy and contributes to national development.

Self-Assessment Question

1. What is agricultural marketing?
2. Elucidate the significance and scope of agricultural marketing.
3. Explain the term agripreneurship in detail
4. Elaborate on the impediments in agricultural marketing.
5. What are the objectives of agricultural marketing?
6. Discuss the emerging trends in agricultural marketing.

Assignments

1. How does agricultural marketing contribute to both farmer welfare and consumer satisfaction simultaneously?
2. What role does infrastructure play in addressing the impediments of agricultural marketing in India?
3. How can agripreneurship reshape the traditional agricultural marketing system in rural areas?
4. What are the key challenges faced by small and marginal farmers in adapting to modern marketing technologies?
5. How does agricultural marketing influence rural employment and economic diversification?

Suggested Reading

1. Acharya, S. S., & Agarwal, N. L. (2011). *Agricultural marketing in India* (4th ed.). Oxford and IBH Publishing Co. Pvt. Ltd.
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2. Kohls, R. L., & Uhl, J. N. (2005). *Marketing of agricultural products* (9th ed.). Prentice Hall.

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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02 BLOCK

Agri-Business Policies

Block Content

- Unit - 1 Concept and formulation
- Unit - 2 Agricultural Price and Marketing Policies
- Unit - 3 Development of Agricultural Sector

Unit 1

Concept and Formulation

Learning Outcomes

This unit will enable the learners to:

- ◆ recognise the new aspects of India's policies and the agricultural corporate scene
- ◆ examining the difficulties in agriculture marketing and policy development will help you
- ◆ comprehend that digital infrastructure and technology could support agricultural modernisation
- ◆ analyse Farmer Producer Organisations (FPOs) and their effect on market access and collective bargaining
- ◆ evaluate how important agricultural export policies are to raising world competitiveness

Background

India's agricultural market scene was fragmented before the National Agricultural Market (e-NAM), with farmers mainly restricted to selling their produce inside their immediate local marketplaces. Because farmers couldn't negotiate better rates for their goods, this lack of access to larger markets often led to notable price disparities. Many farmers also discovered they depended on middlemen, such as local traders and agents, who had significant influence over the commerce in mandis—regulated marketplaces. Often mistreating farmers, these middlemen caused a notable loss of income and lower profit margins. The Indian government started e-NAM, a digital trading network meant to combine several state agricultural markets into a unified national marketplace, in order to solve these institutional inefficiencies and empower farmers. This project sought to improve farmers' market reach, therefore enabling better pricing and less reliance on middlemen. One particularly noteworthy success story comes from the state of Madhya Pradesh, where a group of soybean farmers battled ongoing difficulties, including varying commodity prices and lengthy waiting times at nearby mandis. These farmers now have access to a larger market where they can instantly compare prices from many states once they embraced e-NAM. Their capacity to trade online helped them to completely

avoid conventional middlemen. The farmers reported an amazing 15% increase in their profit margins, enhancing their economic stability and promoting more wise investment in their farming activities. Still, using e-NAM has not been without difficulties. For many farmers, especially those in rural areas, restricted internet connection continues to be a major obstacle. Traditional traders sometimes view e-NAM as a threat to their established methods and influence in the markets. Furthermore, digital literacy among the farming community has to be improved to guarantee that they can maximise the advantages provided by e-NAM through technical tools. Notwithstanding these continuous difficulties, e-NAM has clearly been essential for modernising India's agricultural commerce. The platform is helping to change the farm scene by increasing openness in transactions, guaranteeing fairer pricing methods, and supporting effective market linkages, therefore enabling more equitable and sustainable conditions for farmers all around.

Keywords

Agricultural Environment, Policy Formation in Agriculture, New Dimensions, Sustainable Agriculture

Discussion

Driven by new rules and frameworks meant to modernise agricultural business practices, India's agricultural sector is changing dramatically. These projects aim to produce a farming environment that is more competitive, farmer-centric, and efficient. With an eye towards the concept and development of these changes, this section investigates the developing aspects of India's agricultural business environment and policy. The urgent need to address structural issues that have traditionally beset India's agrarian policies has greatly affected their development. Among these difficulties are ongoing market inefficiencies that impede fair pricing for farmers, insufficient infrastructure influencing transportation and storage, and limited farmer income growth, often resulting in financial instability. Developing new agricultural policies is a complex process that calls for a thorough approach that considers several points of view of many stakeholders, including farmers, corporations, legislators, and consumers. This participatory approach guarantees that the policies are not only inclusive but also efficient in attending to the actual demands of people directly engaged in farming. Apart from including stakeholders, India's agricultural policies should

be in line with world trade practices. By helping Indian agrarian products be competitive in foreign markets, this alignment allows farmers to profit from export possibilities.

Furthermore, modernising agricultural methods depends much on the integration of technical developments. These policies seek to improve output and sustainability inside the agricultural value chain by using innovations, including precision farming, digital markets, and smart farming methods. These new policies have a general strategic framework meant to not only strengthen the agricultural value chain but also encourage exports as a means of raising the national economic profile. Empowerment of farmer collectives is central to this approach since it promotes cooperation and resource sharing among farmers, therefore increasing their negotiating power and profits on their output. This all-encompassing strategy seeks to build a strong, prosperous, environmentally friendly agriculture industry resistant to present difficulties as well as others.

2.1.1 New Dimensions in Policy and Agricultural Business Environment

2.1.1.1 Unified Agricultural Product Market

◆ Agriculture market design

Designed to simplify and improve the agricultural market throughout the nation, the Draft National Policy Framework on Agricultural Marketing sees the development of a unified national market for farm products. Important characteristics of this suggested approach include:

System of single licensing

◆ One license system

Smooth trade across state borders depends on a uniform licensing process. This method seeks to eradicate the bureaucratic complexity and geographical inequalities in agricultural trade that currently exist. Standardising licensing criteria helps farmers and traders participate in cross-border transactions more easily, therefore strengthening the integrated and efficient market.

Establishment of the private market

◆ Competitive edge

Encouragement of private businesses to create wholesale markets is given great priority. This project aims to increase the competitiveness of the agriculture sector, therefore promoting efficiency and innovation. The program aims to build a dynamic ecosystem where farmers have access to several selling possibilities by letting private investment in market infrastructure, hence possibly lowering their reliance on conventional government-regulated marketplaces.

- ◆ Online access

Digital infrastructure

One of the main elements of this structure is developing strong digital platforms. These technologies will enable real-time access to market prices, demand trends, and trade possibilities, therefore facilitating open and effective agricultural marketing. Technology's inclusion into agricultural marketing will allow farmers to have the required knowledge to enhance price discovery systems, make educated decisions, and eventually guarantee greater pay for their output.

These policies, taken together, seek to minimise market fragmentation and, therefore, create a more coherent and effective national agriculture market. The ultimate objectives are to ensure more profitability for farmers, promote fair trade policies, and help the agricultural economy expand.

e-NAM: Soil to Sale (Case Study)

The National Agriculture Market (e-NAM) initiative has significantly transformed agricultural marketing in India by integrating physical mandis (markets) to a unified digital platform. A notable example of its successful implementation is the integration of the Agricultural Produce Market Committee (APMC) in Rajkot, Gujarat. Rajkot APMC is one of Gujarat's largest, spanning over 135 acres and serving 45000 farmers. In September 2016, it began integrating with the e-NAM platform, initially trading three commodities. Gradually, this expanded to 33 commodities, which included wheat, chillies, paddy, cotton and mustard. The key achievements of Rajkot APM C's e-NAM implementation include: To organise

- a. The highest coverage of commodities is at the national level. 2nd rank in the country in terms of transactions, 100% cashless trading
- b. 100% registration under e-NAM, 100% entry and exit monitoring, and a transparent system
- i. To Citizens: Complete removal of exploitation
 - a. 100% focused on reducing marketing management costs and increasing direct benefits for farmers.
 - b. 95% adoption of e-NAM by all stakeholders

- c. Sequential convergence has provided a single window through which all agriculture and allied services can get support.
- d. Fairtrade
- e. Exposure to the national level market, selling choice
- f. Sustainability and ownership
- ii. To other stakeholders,
 - a. Buyers, traders, and other brands have directly approached the APMC for purchase.

Furthermore, to ensure long-term sustainability of the e-NAM scheme by promoting transparency, the district administration appointed local APMC supervisors to oversee auctions, assist with grading, and help farmers receive fair prices. Thus, the farmer-friendly e-NAM model fosters a secure and stable economy for farmers, supported by a system that maintains both security and confidentiality.

2.1.1.2 Promotion of Farmer Producer Organisation

Designed to strengthen farmers by including them in organised groups utilising collective strength, the National Policy on Farmer Producer Organisations. This strategy presents several main ideas meant to improve farmers' socioeconomic level, especially those of small and marginal producers, and encourage their development into profitable agribusiness enterprises.

Collective bargaining

The strategy underlines the need for collective bargaining as a tool for farmers to demand higher pricing for their agricultural inputs and produced goods. Farmers can combine their buying power by creating FPOS, securing better terms from suppliers and driving better pricing for their products on the market. This approach not only increases income possibilities but also reduces the impact of intermediaries who sometimes mistreat individual farmers.

◆ Reduce intermediaries and increase income

Capacity building

Understanding that success in agriculture depends on knowledge and skills, the policy gives great weight to capacity-build-

◆ Training & development

ing projects. These projects include offering focused training courses covering optimal farming methods, creative agricultural approaches, financial literacy, and company management techniques. The program intends to raise production and enable improved decision-making by arming farmers with these fundamental skills, therefore promoting higher profitability.

◆ Financial assistance

The initiative aims to increase farmers engaged in FPOS' access to financial services and markets. By establishing links with different market platforms and financial organisations, farmers can secure a safe and dependable means of selling their produce and raise the required money for their operations. This initiative guarantees farmers a fair portion of the market price for their harvests and helps to lower their dependency on intermediaries.

◆ Farmers support system

By means of farmer producer organisations, the national policy seeks to establish a fairer and more sustainable agricultural environment whereby small farmers may flourish as empowered agribusiness entrepreneurs, generating more livelihoods and more rural development.

The significance of Farmer Producer Organisations (FPOS) can be illustrated through the example of Sahaja Samrudha. Sahaja Samrudha started as a platform for farmers to exchange ideas, seeds, and knowledge on sustainable agriculture. The purpose of the organisation was to create a system that would support farmers economically while preserving biodiversity. Sahaja Samrudha established the Sahaja Samrudha Organic Producer Company Ltd. (SSOPCL) in 2010, which was promoted under the name 'Sahaja Organic', to address market access issues. This was a Farmer Producer Organisation, which was designed to be wholly owned by organic producers, ensuring that the benefits of the enterprise directly reached the farmers. They focused on:

1. Coordinating the production to avoid oversupply of specific crops.
2. Facilitating the timely collection of produce after harvesting.
3. Improving the marketability of products through processing and branding.

Starting with just ten farmers, Sahaja Organics expanded its network to include approximately 2000 individual organic farmers and 20 organic producer groups in the state of Karnataka and neighbouring states like Tamil Nadu, Kerala, Andhra

Pradesh, Odisha, Chhattisgarh, Maharashtra, and West Bengal. The achievements of the organisation are described below:

1. The farmers received fair prices, immediate payments, and shared profits, leading to increased incomes.
2. By connecting rural producers with urban markets, Sahaja Organics ensured a steady demand for organic products.
3. In July 2019, the organisation's efforts were acknowledged by the Prime Minister of India in the 'Mann Ki Baat' program.

However, during the initial years, the organisation faced financial challenges, with marketing issues restricting the growth of organic foods. However, support from financial institutions like NABARD helped in procuring capital for stable operations. The commitment to transparency and professional management was the key to overcoming these challenges.

The story of Sahaja Organics is a testament to the power of collective action in transforming agricultural practices. By prioritising farmer welfare, environmental sustainability, and consumer health, the organisation has carved a niche in the organic farming sector.

2.1.1.3 Export Promotion for Agriculture

The Agriculture Export Policy outlines thorough plans meant to increase Indian agricultural exports greatly. The main components of the policy are enumerated here.

Stable trade policy regime

The policy's cornerstone is the will to keep a consistent and predictable export policy framework. This strategy is meant to inspire confidence and dependability among foreign purchasers, therefore promoting long-term trading ties. Reducing sudden policy changes helps stakeholders to plan better and guarantees the trust of Indian agricultural products in international markets.

◆ Encourage foreign trade

Infrastructure Expansion

Understanding that keeping the quality of agricultural exports depends on strong infrastructure, the program stresses significant expenditures in important areas. This covers creating contemporary warehouses, logistical networks, and effective cold chains. These improvements are meant to guarantee that goods stay fresh and maintain their quality from farm to global markets, therefore raising their attractiveness to overseas consumers

◆ Infrastructure development



and hence their competitiveness.

Holistic approach

Combining many stakeholders, including state governments, agricultural producers, exporters, and corporate players, the strategy uses a cooperative and integrated approach. This cooperation seeks to produce a coherent and export-oriented ecology. The policy aims to simplify procedures, lower bureaucratic obstacles, and match the interests of several parties engaged in agricultural exports through discussion and cooperation.

◆ Farmers socio-economic status development

In the end, the Agriculture Export Policy sees India rising worldwide in agricultural exports. This goal stems from improving farmers' livelihoods throughout the nation as much as from promoting economic development. The data from BARC shows that India's mango exports have witnessed a steady growth since 2007, when only 157 tonnes were exported to the US, and the number has climbed consistently, reaching 1150 tonnes in 2017, 2500 tonnes in 2023, and 3000 tonnes in 2024.

2.1.1.4 Reform of Policies and Engagement of Stakeholders

The effective execution of policies depends much on the active participation of state governments and different stakeholders. This involvement is necessary to guarantee that policies not only work but also appeal to the particular requirements and situations of every area. The main areas of attention consist of:

Policy Changes

State legislatures really need encouragement to review and change current legislation. Aligning state policies with national goals will help foster coherence in government and raise the general degree of policy application effectiveness. These changes might involve modernising out-of-date laws, improving openness, and combining creative ideas reflecting contemporary socioeconomic reality.

Institutional systems

Establishing specific committees and working groups helps to support continuous evaluation and group problem-solving. These bodies will be in charge of tracking the development of implemented policies, spotting possible roadblocks, and suggesting focused fixes. Consistent meetings and cooperative efforts can allow stakeholders to exchange ideas and best practices, guaranteeing quick issue resolution and scaling of effective projects.

This cooperative approach guarantees that policies help accomplish general national goals and customise them to satisfy different regional needs properly. Encouraging cooperation between state governments and stakeholders would help build a more flexible and stronger policy framework that benefits all participants.

In essence, the adoption of creative policies and frameworks is causing a paradigm change in India's agricultural economic environment. The emphasis on building a homogeneous market, supporting FPOS, increasing exports, and involving stakeholders shows a holistic approach to revive farming. These new features are ready to boost agricultural sector sustainability, profitability, and efficiency, thereby enhancing the livelihoods of millions of farmers.

Summarised Overview

This unit offers a thorough investigation of agricultural policy development and change in India. The unit emphasises the ongoing difficulties farmers experience, including restricted revenue growth, ineffective infrastructure, and market inefficiencies. The government has launched strategic plans meant to modernise the agriculture industry in order to meet these difficulties. Establishing a Unified National Market through programs like e-NAM and a Single Licensing System helps lower trade barriers. It encourages seamless transactions across state lines, therefore addressing one of the main reforms under discussion in this area. Furthermore, the role the private sector plays in creating wholesale markets is highlighted, thus highlighting how competition can improve pricing policies and efficiency. The unit also looks at how Farmer Producer Organisations (FPOS) help to empower small and marginal producers. Farmers can use cooperatives to secure financial facilities, improve their market presence, and negotiate better pricing for inputs and outputs by means of group bargaining. Furthermore, covered in great length is the Agriculture Export Policy, with an emphasis on infrastructural development, stable trade policies, and quality standardising initiatives meant to increase India's competitiveness in world markets. Emphasising policy-driven initiatives intended to increase production, sustainability, and profitability, this unit offers a complete awareness of the changing scene of agricultural business in India.

Self-Assessment Question

1. What are the main challenges that exist in India's agricultural business environment?
2. How would a united national market help farmers?



3. Describe the function of digital infrastructure in the marketing of agriculture.
4. What are the main advantages of creating FPOS for small farmers?
5. Discuss the need for agricultural export policies.
6. How do stakeholders help to shape agriculture policies?
7. What are the objectives of policy changes in agriculture?
8. How do the Farmer Producer Organisations increase their collective bargaining power?

Assignments

1. Analyse and compare India's agricultural policy with that of another underdeveloped nation.
2. Evaluate how rural farmers might benefit from digital markets like e-NAM.
3. Analyse the challenges in rural marketing by interacting with a farmer or agricultural consultant.

Suggested Reading

1. Acharya, S. S., & Agarwal, N.L. (2012). *Agricultural Marketing in India*. Oxford & IBH.
2. Kotler, P., Keller., K.L., Koshy, A., & Jha, M. (2021). *Marketing Management*. Pearson Education.

Reference

1. <https://www.sahajaorganics.com/page-about.html#:~:text=Sahaja%20Samrudha%20set%20up%20a,a%20glut%20of%20same%20produce>
2. <https://www.newindianexpress.com/business/2024/Oct/10/countrys-mango-export-now-tastes-global-success>

Space for Learner Engagement for Objective Questions

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Unit 2

Agricultural Price and Marketing Policies

Learning Outcomes

After completing this unit, the learner will be able to:

- ◆ describe the function of policies aimed at price stabilisation in agriculture
- ◆ analyse the Public Distribution System (PDS) for performance
- ◆ assess the relevance of the Minimum Support Price (MSP)
- ◆ review agricultural marketing strategies, including e-NAM and APMCS
- ◆ examine contract farming as it affects agricultural sustainability

Background

A key tool meant to safeguard farmers' incomes from the fluctuations in market prices is the Minimum Support Price (MSP). Because of their significant contributions to the food output of India, Punjab and Haryana, which are known as the "breadbaskets" of the nation, especially depend on this system. The government actively purchases large amounts of rice and wheat in these states, providing a pre-determined MSP that guarantees farmers steady and consistent profits for their goods. For farmers, this stability improves their whole economic security in addition to helping with planning and investment. Though the MSP system seems to offer some advantages, its long-term viability has been under increasing question. The assured price system has helped to enable the overproduction of wheat and rice, one of the main problems that has developed. Unintentional negative effects of this over-reliance on a limited spectrum of crops include a change towards monoculture farming methods and a degradation of groundwater resources. These farming techniques can lower biodiversity and compromise soil quality, therefore casting doubt on the agricultural sector's ability to withstand environmental difficulties. The continuous discussion on market changes has driven further arguments on the necessity of reducing reliance on MSP and rather encouraging agricultural diversification. Policymakers and economists are pushing for incentives that would let farmers grow a wider range of crops, including horticultural goods, oilseeds, and pulses,

thereby improving soil quality and supporting sustainable farming methods. Maharashtra offers a different story that is sharply in contrast to Punjab and Haryana. Many small-scale farmers in this state, who are mostly involved in pulse farming, experience many difficulties related to inadequate procurement infrastructure. Lack of a strong MSP system in their area causes these farmers to frequently find themselves selling their produce on the open market at much reduced rates, which causes great revenue volatility. This difference underlines not just the difficulties these farmers encounter but also the regional disparities in MSP policy execution all over the nation. The different experiences of farmers in Punjab and Haryana compared to those in Maharashtra generally show the urgent need for a more inclusive and varied agricultural pricing approach. This kind of approach would guarantee that every farmer, from any area or crop type they grow, has access to fair pricing policies and support systems that encourage sustainable agricultural practices and improve their financial situation.

Keywords

Government Policy, Marketing, Public Distribution, Agricultural Price Rules, Export Possibility

Discussion

2.2.1 Public Distribution System (PDS)

Ensuring price stability, fair returns to farmers, and food security for consumers depends mostly on agricultural prices and marketing strategies. Among the several mechanisms covered by these policies are the Public Distribution System (PDS), minimum support price (MSP), subsidies, and export policies. Knowing these models helps one to examine the possibilities and difficulties in agricultural trade and marketing on both the home and foreign frontiers.

Aimed at guaranteeing food security for the populace by means of subsidised rates distribution of basic commodities such as rice, wheat, and sugar, the Public Distribution System (PDS) is a government endeavour. Crucially, in keeping food grain prices stable and guaranteeing affordability for lower-income individuals, the PDS runs through a network of fair pricing stores.

◆ Food security



2.2.1.1 Objectives of the public distribution system (PDS)

◆ Reduced rates

◆ Reduce variations

◆ Nutritional support

◆ Stocks to balance unexpected situations

◆ Dishonest behaviour

1. Provision of essential food grains at subsidised rates:

The PDS seeks to guarantee that public access to basic food items, especially staples like wheat, rice, and other grains, is free from subsidised rates. This is meant to enable everyone to obtain these basic resources, particularly for people from underprivileged backgrounds, therefore reducing food poverty and hunger.

2. Stabilisation of food prices and reduction of price volatility:

One of the main goals of the PDS is to help stabilise food prices in the market, therefore reducing their volatility. Maintaining a controlled supply of food grains helps the system to minimize sudden price changes, thus affecting consumers as well as producers. For consumers as well as agricultural stakeholders, this stability is essential in producing a predictable economic climate.

3. Support for low-income families and ensuring nutritional security:

The PDS is meant to provide direct help to low-income families, thereby guaranteeing that they have access to enough wholesome food. The program aims to increase the dietary consumption of underprivileged populations by offering basic food grains at lower prices, thereby improving their general health and nutritional security.

4. Maintenance of buffer stock for emergencies:

Maintaining a sufficient buffer reserve of food grains to be used in times of crisis, including disasters or unanticipated shortages, is another key goal of the PDS. This stockpile is essential to guarantee that the population has food even in times of crisis, therefore averting famine and starvation during lean years.

2.2.1.2 Public Distribution System (PDS) Challenges

1. Corruption:

One of the most important issues confronting the Public Distribution System is food grain diversion among qualified recipients, therefore causing leaks and corruption. This usually results from dishonest behaviour, allowing grains to be sold on open markets rather than reaching people in need. Such leaks not only compromise the primary aim of the program but also lower general efficiency, which increases food insecurity among sensitive groups.

◆ Mistakes in eligibility determination

◆ Lack of efficient storage

◆ Lack of fund for other developments

2. Targeting Problems: Insufficient identification and targeting of the proper beneficiaries compromise the PDS's efficacy. Poor processes for determining eligibility cause many exclusion mistakes, resulting in worthy households being deprived of the necessary food supply. Many times, this results from obsolete data, bureaucratic inefficiency, or incorrect local application of policies, therefore underserving a sizable section of the intended population.

3. Inefficient storage and distribution: The PDS's effectiveness is much hampered by the inadequate condition of infrastructure linked to storage and distribution. Inadequate facilities, including warehouses unfit for food quality preservation, cause significant food grain waste and spoilage. Moreover, logistical problems can cause supplies to be delivered to far-off regions to be delayed or hampered, therefore aggravating food shortages and compromising the objectives of the program.

4. Financial Burden: The PDS's large subsidy load on the government causes great economic ramifications for the country. The financial resources set aside to maintain food distribution might strain budgetary policies by taking money away from other vital sectors, such as infrastructure development, health, and education. This starts a cycle of reliance and might affect the general state of the national economy.

These difficulties draw attention to the necessity of deliberate interventions and institutional changes to improve the sustainability and efficiency of the Public Distribution System.

2.2.1.3 Public Distribution System Reforms (PDS)

1. Direct benefit transfer: Direct benefit transfer (DBT) is a project meant to lower PDS leakages and corruption by immediately depositing subsidies into recipients' bank accounts. This will help the government make sure the intended support gets to the correct people without intermediaries, therefore preventing the often occurring misappropriation.

2. Biometric authentication: Biometric authentication has been included to improve the accuracy and security of the distribution process by means of Aadhaar-Linked Ration Cards. Now connected to Aadhaar numbers, ration cards enable identification verification using iris scans or fingerprints. This clause guarantees that only

qualified recipients get food grains and other basic commodities and helps stop duplicate claims.

- 3. Strengthening supply chain mechanism:** Reforms include the strengthening of supply chains to increase efficiency and openness by means of digital tracking systems. Digital tracking devices monitoring food grain transportation from procurement to distribution hubs are part of this. Technology allows stakeholders to monitor stock levels in real-time, find bottlenecks, and cut waste, therefore ensuring that necessary items reach consumers fast and in good shape.

Direct Benefit Transfer during the pandemic

During the COVID-19 pandemic, India's Direct Benefit Transfer (DBT) system became a vital tool, which ensured quick and transparent delivery of financial aid directly to beneficiaries' bank accounts. Launched in 2013, DBT was used to transfer over Rs. 8.22 crore by 2020, covering more than 450 schemes. During lockdown, over Rs. 27000 crore was disbursed to 114 crore people under various central schemes, with states like Uttar Pradesh, Rajasthan, and Delhi, which showcased the successful implementation of DBT. Uttar Pradesh topped the list with 2.75 crore in transfers. Rajasthan used its Jan Aadhaar system to reach 1.93 crore families, and Delhi's Annashree Yojana supported food security for BPL families. In short, DBT ensured efficient and timely support across India, especially during the crisis.

2.2.2 Agricultural Pricing Policies

Balancing the needs of consumers and producers depends much on pricing strategies. These rules seek to guarantee farmers receive enough pay for their labour and investment by offering fair and profitable rates. Simultaneously, they are set to make food prices reasonable and accessible for consumers, thereby enabling everyone to get necessary nutrition free from financial constraint. Maintaining this balance helps pricing strategies support a stable and sustained agricultural market that advantages all the stakeholders.

2.2.2.1 Minimum Support Price (MSP)

The government created the Minimum Support Price (MSP) as a vital pricing tool meant to shield farmers from market volatility. This approach guarantees farmers a set price for their

◆ Protection from price variations

products, therefore offering a safety net against erratic market situations. The Commission for Agricultural Costs and Prices (CACP), which meticulously examines many elements in its computations, determines the MSP. These elements comprise farmers' cost of production, the balance between demand and supply in the agricultural market, and dominant market trends.

The MSP seeks to boost agrarian incomes and advance environmentally friendly farming methods by establishing a reasonable and consistent pricing system.

Strategies of Price Stabilisation

- 1. Buffer stock:** A strategic reserve of basic commodities helps to reduce price volatility by means of buffer stock maintenance. Storing extra goods to be sold during times of shortage helps to balance supply and demand, therefore stabilising prices for consumers and producers.
- 2. Market intervention:** Policies and initiatives meant to actively control the flow of products and services in the market should be followed under market intervention schemes. Purchasing extra supplies during abundant harvests or offering incentives for production during shortages can help to guarantee that market dynamics do not cause sharp price fluctuations.
- 3. Subsidised procurement:** Offering farmers financial support by buying their harvests at guaranteed prices helps to subsidise the procurement of crops, therefore shielding their income against market declines. This technique allows farmers to keep production levels while making sure they get paid for their work, thus promoting general food security.

2.2.3 Other Agricultural Marketing Policies

Minimising post-harvest losses and empowering farmers to get better prices for their goods depend critically on effective agricultural marketing regulations. These programs can cover several projects meant to increase supply chain efficiency, market access, and provide farmers with essential data. Among the several noteworthy tactics might be the creation of cooperative marketing groups, the use of price support programs, and the building of infrastructure enabling produce transportation and storage. These programs can greatly increase farmers' general profitability and sustainability in the market by making sure they have the skills and resources required.

◆ Access to market

2.2.3.1 Agricultural Produce Market Committee (APMCS)

Regulating the sale of different farm products is mostly dependent on Agricultural Produce Market Committees (APMCS), which also help to shield farmers against possible middleman abuse. These groups were set up to provide a disciplined marketing space where farmers may fairly offer their goods. The present system has been attacked, meanwhile, for building obstacles that limit farmers' access to more extensive market possibilities.

Many improvements have been suggested to help meet these difficulties. One important recommendation is to provide farmers more freedom to sell their goods straight to private consumers, therefore avoiding the APMC rules. This could improve their profit margins, help them establish direct contact with consumers, and finally result in a more competitive agricultural market. Such changes could enable farmers to help create a more effective agricultural economy.

2.2.3.2 National Agriculture Market (e-NAM)

Considered e-NAM, the National Agricultural Market is a revolutionary platform meant to change the scene of agricultural trading in India. E-NAM seeks to improve pricing visibility and transparency by gently aggregating several state agricultural markets into a single electronic trading network.

◆ Digital trading platform

This creative platform helps farmers to reach a larger market for their goods, enabling better involvement in competitive selling conditions. Real-time price discovery made possible by the technology lets farmers decide what to do depending on the present rates of the market. E-NAM also facilitates direct sales of agricultural products from farmers to consumers, therefore reducing reliance on intermediaries and guaranteeing improved producer profit margins.

By means of e-NAM, the government is also pushing digital solutions for trade and transaction administration, as well as technology usage in agriculture. This program is supposed to empower farmers, increase their income possibilities, and help build a stronger agricultural economy.

2.2.3.3 Contract farming

Contract farming is a means of encouraging private sector participation in agriculture, therefore benefiting farmers and agricultural companies alike. Contract farming assures farmers a set price for their goods by means of official agreements between buyers and growers prior to the planting season. This guarantee

helps to safeguard their financial security and reduces the uncertainty they usually experience about changes in the market.

- ◆ Financial security
- ◆ Minimise risk

Apart from price stability, these agreements can incorporate clauses pertaining to quality criteria, therefore encouraging better farming output. Private businesses can also help to provide required resources, such as seeds, fertilisers, and technical support, which would greatly improve crop yields. Contract farming thus not only increases the economic viability for farmers but also helps to match the interests of agricultural producers with the needs of the market, therefore improving general farm production and sustainability.

PepsiCo's Contract Farming in Punjab

PepsiCo's contract farming is an example of the successful implementation of contract farming, which showcases corporate-farmer synergy in the Indian agricultural sector. Contract farming by PepsiCo is a collaborative approach wherein the company agrees with farmers to grow high-quality potatoes for its snack products. This offered the farmers assured buy-backs, quality seeds, technical support, and financial assistance. It was launched in 1989, and the model has expanded across multiple states by including thousands of farmers through structured agreements that reduce market risks and enhance productivity. It is a win-win situation for both the company and farmers, as it ensures farmers have stable incomes and a constant supply for PepsiCo. However, it faces certain challenges, such as small landholdings, infrastructure gaps, and enforcement of contract terms.

2.2.4 Export Potential of Agricultural Products

India boasts great export potential for agricultural goods, including grains, spices, tea, coffee, and dairy products. The government has put several proposals forward to improve world trade competitiveness.

2.2.4.1 Factors Motivating Agricultural Exports

1. **Demand:** Rising global demand for a range of Indian agricultural products, from spices and pulses to fruits and vegetables, reflects this. Changing dietary choices and health consciousness among consumers all around, who are progressively looking for varied and premium food options, drive much of this increase in demand.

2. **Government incentives:** The Indian government is mostly responsible for increasing agricultural exports through several incentives. These comprise strategic trade agreements with other countries that enable simpler access to international markets as well as export subsidies that lower the cost burden for traders and farmers. Such rules not only improve the competitiveness of Indian goods outside but also inspire farmers to generate more for export.
3. **Infrastructure:** Support of agricultural exports depends critically on infrastructure development. Mega food parks and improved cold storage facilities are among initiatives meant to lower post-harvest losses and preserve the quality of perishable goods on the way. Maintaining commercial ties and satisfying customer expectations depend on items being supplied fresh to foreign markets. Hence, the building of improved logistical networks guarantees this.
4. **Quality and Compliance:** Compliance and Quality certificates: Indian exporters are concentrating more and more on getting quality certificates and following strict worldwide food safety guidelines if they are to break through foreign markets effectively. Following these guidelines not only guarantees foreign consumers of product safety and quality but also improves the standing of Indian agriculture on the international scene. This dedication to excellence creates long-term commercial alliances and provides fresh market opportunities.

2.2.4.2 Challenges in Agricultural Export

1. **Trade restrictions:** Agricultural exporters can have several trade constraints that might make it difficult for them to reach foreign markets. Tariff barriers also affect their capacity to access. These could include different tariff obstacles, raising the cost of exporting goods, and quotas restricting the volume of products that may be exported. Such challenges not only lower competitiveness but also cause major losses of possible income.
2. **Stringent quality norms:** Importing nations routinely apply rigorous quality criteria that agricultural goods must satisfy. These standards can cover rules for organic certification, pesticide residues, and packaging needs. Following these strict guidelines calls for thorough testing and certification procedures, which can be

time-consuming and expensive, and cause possible delays or rejection of shipments.

- 3. Logistics and supply chain constraints:** Effective logistics and supply chain management are absolutely vital for the success of agricultural exports, logistically and otherwise. Perishable items' timely delivery can be seriously disrupted by things like poor infrastructure, few choices for transportation, and erratic weather. Transportation delays might not only compromise product quality but also raise storage and handling expenses, therefore influencing marketability and profitability in the end.

2.2.4.3 Government Projects Encouragement of Exports

◆ Export demanded products

◆ Specific geographic regions

◆ Advocating for fair trade practices and equitable solutions

- 1. Agriculture Export Policy, 2018:** Introduced with the audacious intention of doubling agricultural exports over a given period, this strategy is known as the Agriculture Export Strategy, 2018. It emphasises diversifying the export basket by means of identifying and encouraging several agricultural products with great demand in foreign markets. Key initiatives include raising the infrastructure for transportation and storage, boosting product quality, and giving exporters better access to market knowledge.
- 2. Agri-Export Zones (AEZs):** Establishing agri-export zones (AEZs) seeks to encourage regionally tailored output that fits the export market. These zones are places where agricultural output is concentrated and customised to satisfy worldwide criteria and needs. These zones improve competitiveness and help farmers to reach worldwide markets by focusing on particular crops and harnessing local climatic and soil advantages.
- 3. Participation in WTO Negotiations:** Participating in WTO Negotiations: To support trade policies and agreements that benefit its exporters, the government aggressively negotiates at the World Trade Organisation (WTO). Creating a favourable trade environment depends on this engagement since it lets the nation influence world trade standards, lower export taxes, and guarantee better conditions for agricultural products on foreign markets. Through these initiatives, the government aims to ensure that home agricultural producers can compete successfully internationally.

Ensuring farmers' welfare and food security, as well as increasing the worldwide competitiveness of Indian agricultural products, depends on a well-organised agricultural price and marketing policy. Policy assistance and infrastructure development help to strengthen PDS, change marketing systems, and increase agricultural exports, thus contributing greatly to the sector's expansion.

Summarised Overview

This unit explores several agricultural pricing and marketing strategies meant to guarantee farmer welfare and market stability. It starts with an analysis of the Public Distribution System (PDS), a system meant to offer food security by means of subsidised rates of distribution of necessary goods. PDS struggles with leaks, corruption, and ineffective beneficiary targeting, even while it has been successful in stabilising food grain prices. The unit then looks at the Minimum Support Price (MSP) as a fundamental tool for price control. Examined are the idea, advantages, and drawbacks of MSP, especially in relation to government expenditure, environmental sustainability, and agricultural decisions. The unit also encompasses digital markets like e-NAM, contract farming, and market intervention programs meant to empower farmers with improved price discovery and less reliance on intermediaries. Emphasising the need for deregulation to enable farmers more freedom in selling their produce, the function of APMC reforms is also under discussion. Through these debates, the unit emphasises the changing character of agricultural marketing in India and the policy actions needed to make the system more inclusive, effective, and market-driven.

Self-Assessment Question

1. What is the primary objective of MSP?
2. How does PDS help in food security?
3. What are the challenges of the PDS system?
4. Describe APMCS' importance for agricultural trading.
5. How does contract farming help purchasers as well as farmers?
6. What changes have been brought about to enhance agricultural marketing?
7. Explain how preservation of buffer stock helps to control prices.
8. How does NAM help farmers better find prices?

Assignments

1. In terms of guaranteeing price stability, compare and contrast MSP with contract farming.
2. Compare APMCS' performance to private agriculture markets.
3. Find out how PDS reforms affect rural food security in a particular area.

Suggested Reading

1. Chand, R. 2017. *Doubling Farmers' Income: Rationale, Strategy, and Action Plan*. NITTI Aayog.
2. Acharya, S.S. (2006). *Agricultural Price Policy in India*. Asian Journal of Agriculture and Development.

Reference

1. <https://www.nic.in/blog/direct-benefit-transfer-a-blessing-during-the-time-of-pandemic/>

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Unit 3

Development of the Agricultural Sector

Learning Outcomes

After completing this unit, the learner will be able to:

- ◆ list the main government departments engaged in agricultural development
- ◆ know how ICAR, NABARD, and FCI fit in rural agricultural support
- ◆ examine private sector agricultural involvement
- ◆ analyse how FPOS and NGOS might affect rural empowerment
- ◆ analyse agricultural input marketing plans

Background

For Indian farmers, particularly for smallholder farmers who sometimes have trouble getting loans from official financial institutions, access to finance has long been a great obstacle. Understanding this important problem, the National Bank for Agriculture and Rural Development (NABARD) developed the Kisan Credit Card (KCC) program, which is meant to help farmers throughout the nation have a better financial situation. The KCC initiative has become a ray of light in the Vidarbha area of Maharashtra, where the agricultural community routinely turns to unofficial lenders imposing outrageous interest rates. The KCC is not only lightening farmers' financial load but also encouraging sustainable farming methods by giving them access to institutional finance at substantially reduced interest rates. One well-known example is Ramesh Patil, a nearby farmer who used the KCC to make investments in premium organic fertilisers and seedlings. With an amazing 25% rise in his crop yield resulting from this calculated investment, his whole income was greatly increased, and food security for his family was improved. Ramesh's success shows the transforming power of the KCC program when farmers can get the required financial means. Many farmers still deal with major obstacles, notwithstanding these encouraging changes. Many people continue not to know about the KCC initiative, which keeps many from using these essential loan facilities. While programs like the Kisan Credit Card scheme have the potential to be game-changers for the agricultural sector, there is still a great need for enhanced financial literacy programs and better last-mile connectivity. Some farmers also face

bureaucratic obstacles that complicate the application and approval processes for loans, further hindering their ability to profit from the program. By tackling these problems, we can make sure that more farmers like Ramesh can fully utilise the financial help given to them, therefore enhancing their lives and creating a stronger agricultural scene in India.

Keywords

Agri-input Marketing, Seed Marketing, Fertiliser Marketing, Pesticide Marketing, Farm Equipment, Agricultural Development

Discussion

By guaranteeing food security, generating employment possibilities, and helping GDP growth, the agricultural sector is fundamental to the economic development of a country. Along with smart marketing techniques for basic agrarian inputs such as seeds, fertilisers, pesticides, and farm equipment, the growth of this industry entails several government and non-governmental institutions.

2.3.1 Government Agencies in Agricultural Development

Providing subsidies, research support, infrastructure development, and policy frameworks calls for government intervention in agriculture. Important government entities consist of:

2.3.1.1 Ministry of Agriculture and Farmers Welfare (MoA&FW)

Crucially important in the Indian government, the Ministry of Agriculture and Farmers Welfare (MoA&FW) works to improve the welfare of the agricultural sector. It performs the necessary duty of developing thorough agricultural policies and plans meant to increase production, support sustainability, and guarantee the livelihood security of farmers throughout the country.

Agricultural Policy and Strategy Formulation

Design, execution, and monitoring of several policies directly affecting the agriculture sector depend on Moa&fw in great part. Extensive research and stakeholder interactions are part of this

process to create frameworks that handle the numerous difficulties farmers encounter. Important projects under the supervision of the MoA&fw comprise:

1. **National agricultural policy:** Focusing on raising productivity, guaranteeing food security, and improving environmental sustainability, the national agricultural policy guides Indian agrarian development.
2. **National Food Security Mission (NFSM):** Launched to address food security at the family level by means of area expansion and sustainable production augmentation, hence improving the availability of food grains, the National Food Security Mission (NFSM).

Establishing Flagship Projects

Executing many major initiatives that provide farmers with vital support and resources is the responsibility of the MoA&FW. These initiatives are meant to guarantee farming's financial feasibility and enhance agricultural methods:

1. **PM-KISAN(Pradhan Mantri Kisan Samman Nidhi):** Direct income support of ₹6,000 annually to small and marginal farmers distributed in three installments under PM-KISAN (Pradhan Mantri Kisan Samman Nidhi). The project seeks to augment their income so that they may cover other demands as well as agricultural expenses, therefore lessening their reliance on unofficial borrowing sources.
2. **Rashtriya Krishi Vikas Yojana (RKVY):** Aimed at giving state governments financial support for the growth of agricultural infrastructure, Rashtriya Krishi Vikas Yojana (RKVY) inspires states to provide their agrarian development requirements top priority and supports ideas that can improve sustainability and output in the sector.
3. **Soil Health Card Scheme:** The Soil Health Card Scheme thus enables farmers to evaluate the nutritional condition of their soil. By means of soil testing, farmers obtain comprehensive information on soil condition and guidance for suitable fertilisers. This customised technique improves crop yields, helps maximise fertiliser use, and supports sustainable farming methods, improving soil management and raising agricultural output.

◆ Financial assistance

◆ Promoting sustainable agriculture

◆ Soil health management

Through these initiatives, the Ministry of Agriculture and

Farmers Welfare is working nonstop to change India's agricultural scene, thereby assuring that farmers have the required means to flourish in a very competitive atmosphere.

2.3.1.2 Indian Council of Agricultural Research (ICAR)

Research and development

◆ Crop development

Through its large-scale research projects, ICAR has significantly increased agricultural productivity. With an eye on creating high-yielding, disease-resistant cultivars, it does a broad spectrum of research focused on crop development. One very noteworthy example is the development of IR8, sometimes known as "miracle rice," which greatly helped to boost Green Revolution rice output. Apart from rice, ICAR has created several wheat varieties that have been rather important for food security. Furthermore, ICAR is working on creative insect management techniques, including Integrated Pest Management (IPM). With sustainable alternatives that support ecological balance and lower harmful effects on health and the environment, IPM seeks to minimise the use of chemical pesticides by giving farmers support. Through support of projects like organic farming and conservation agriculture, ICAR also supports sustainable agricultural methods. These methods not only help to improve the quality of the soil but also increase biodiversity, ensuring that agricultural systems will still be viable for the next generations.

◆ Educating farmers

Distribution of Technology

ICAR has built a network of Krishi Vigyan Kendras (KVKs) all throughout India in order to inform farmers of research results properly. For farmers, these centres are an indispensable tool offering hands-on instruction, models, and direction on contemporary farming methods. KVKs seek to provide farmers with the knowledge and tools required to carry out creative ideas that can increase sustainability and yield by application. Via its All India Coordinated Research Projects (AICRP), ICAR also promotes technological transfer. These initiatives centre on many facets of agriculture, including cattle enhancement and crop development. AICRP guarantees that research results are efficiently shared by encouraging cooperation among many areas and institutions, therefore helping farmers in various climates and situations to gain from the most recent agricultural developments.

2.3.1.3 National Bank for Agriculture and Rural Development (NABARD)

Credit Facilities and Financial Help

Through a variety of financing instruments, NABARD significantly helps farmers and agribusiness owners.

1. **Low-Interest Loans:** The bank provides affordable loan rates meant especially to satisfy the several needs of the agricultural industry. Without the weight of high-interest repayments, farmers can access money for operations, tools, and growth.
2. **Credit facilities:** NABARD helps to provide credit by means of a network of cooperative banks and rural credit institutions. These organisations act as middlemen to make sure banking services reach even the most far-off farming villages.
3. **Kisan credit card (KCC):** One of NABARD's most noteworthy projects is the Kisan Credit Card (KCC) system. This structure gives farmers simple access to loans so they may withdraw money as needed, therefore simplifying financial administration. The KCC is meant to empower farmers with a consistent loan source and help to lessen reliance on unofficial lending.

Infrastructure and rural development

Crucially for the growth of the agricultural industry, NABARD actively helps to improve rural infrastructure.

1. **Irrigation Projects:** The bank sponsors several irrigation projects to enhance water management in agriculture, therefore enabling farmers to maintain their crops even in drought situations. This is especially crucial for raising output and lowering the hazards connected to climate change.
2. **Storage facilities:** NABARD funds the creation of cold chain logistics and storage facilities to help offset post-harvest losses. The bank helps farmers maximise their profit margins and lower waste by enabling appropriate storage solutions, therefore preserving their produce.
3. **Promotion of Farmer Producer Organisations(FPOs):** Encouragement of Farmer Producer Organisations (FPOs): NABARD helps groups of farmers aiming in

increasing their collective bargaining strength to grow and strengthen. This program is meant to provide market access so that small-scale farmers may negotiate higher prices for their produce and enter bigger markets, therefore increasing their revenue and sustainability.

Through these projects, NABARD significantly promotes the agricultural sector's economic development and enhances rural community livelihoods.

2.3.1.4 Food Corporation of India (FCI)

Distribution and Purchase

Getting food grains from farmers at the Minimum Support Price (MSP) depends critically on the FCI. This project is meant to guarantee farmers fair compensation as well as to preserve the agricultural industry's price stability. Setting a guaranteed price helps the FCI encourage farmers to grow vital crops, therefore supporting national food security. Apart from this, the FCI oversees the Public Distribution System (PDS), a major government project meant to give economically underprivileged areas subsidised food grains such as rice and wheat. By means of a large network of fair pricing stores, the FCI guarantees that these disadvantaged groups have access to reasonably priced food, therefore strengthening food security and raising their quality of living.

◆ Ensure fair price

Logistics and Storage

The FCI keeps a large network of warehouses, godowns, and granaries throughout the nation to protect against food shortages. Surplus grains can be stored thanks to this infrastructure, which could be quite important during a natural disaster or market disturbances. The FCI guarantees that food supplies stay stable and available during emergencies by properly managing these storage facilities, therefore preventing waste. Moreover, the FCI follows buffer stock rules, which are strategic food grain stockpiles used to stabilise the food supply chain under unanticipated circumstances, including price increases, natural disasters, or abrupt market swings. The FCI is rather important in reducing the effect of food shortages and preserving market equilibrium by actively controlling these buffer stockpiles.

◆ Reduce food shortages

2.3.1.5 State agricultural universities (SAUs)

Local Studies and Development

1. **Location-specific agricultural research:** SAUs are assigned to undertake thorough study catered to the par-

ticular climatic and soil conditions that define different states. Extensive field research and data collection are part of this process to grasp local agriculture possibilities and problems.

- 2. Development of regionally appropriate crop varieties:** These colleges concentrate on breeding and cultivating crop varieties that fit certain surroundings based on research results. They might, for instance, develop and enhance drought-resistant millet types that are especially suitable for dry areas so that local farmers can keep their output even in difficult conditions.

Training and Instruction in Education

◆ Degree in agriculture field

- 1. Degree Programs in Agriculture and Allied Sciences:** SAUS provide a wide range of degrees meant to produce a fresh batch of agricultural experts. Bachelor's, Master's, and Ph.D. degrees in agronomy, plant pathology, soil science, and agricultural economics, among other disciplines, could be part of these programs. The courses are meant to combine theoretical knowledge with useful, practical practice.

◆ Training through seminars & workshops

- 2. Farmer training programs and extension services:** Beyond only providing academic instruction, SAUs are quite important for farmer education via continuous training initiatives and extension services. These programs are meant to help farmers use cutting-edge agricultural methods and contemporary agronomic practices. Through planning seminars, field demonstrations, and workshops, the colleges equip farmers with the information to raise output, increase sustainability, and handle problems, including soil condition and pest control.

2.3.2 Non-government agencies

Furthermore, greatly helping to promote agricultural growth are non-governmental organisations (NGOs) and businesses from the private sector.

2.3.2.1 National and international NGOs

Bill & Melinda Gates Foundation

◆ Underdeveloped nations

This strong basis is dedicated to raising agricultural output in underdeveloped nations, especially by means of projects meant to increase the yields of basic crops like rice and wheat. Their initiatives centre on areas such as India and several Afri-



can countries, where they apply creative farming methods, fund local farmers financially, and do research. Their initiatives seek to improve agricultural livelihoods, thereby lifting communities out of poverty, in addition to increasing food security.

M.S. Swaminathan Research Foundation (MSSRF)

- ◆ Research and sustainable development in agriculture

Established by eminent agricultural scientist Dr. M.S. Swaminathan, MSSRF is committed to advancing environmentally friendly farming methods that support biodiversity and improve climate resilience. The foundation works on extensive studies and community-based initiatives, helping farmers to use environmentally friendly farming techniques. Their main emphasis is on the way contemporary technology and traditional wisdom should be combined to empower farmers, provide food security, and preserve environmental balance.

International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)

- ◆ Sustainable development in underdeveloped areas

Research targeted at increasing the production and sustainability of crops crucial for small-scale farmers in semi-arid environments is the area of expertise for ICRISAT. Their efforts are focused on important foods for food security in those regions: sorghum, millet, and chickpeas. ICRISAT promotes sustainable development in underdeveloped areas through better crop varieties, creative farming techniques, and farmer training programs, therefore strengthening resilience to climate change.

Self-Employed Women's Association (SEWA)

- ◆ Women farmers empowerment

By giving women farmers all they need—from basic training to financial resources to chances to interact with markets—SEWA is a key organisation empowering women farmers all throughout India. By means of its initiatives, SEWA enables women to acquire skills in fields including cooperative management, sustainable farming techniques, and entrepreneurship. SEWA supports women's economic independence and rights advocacy, therefore helping to further the more general objectives of gender equality in rural development and agriculture.

2.3.2.2 Private Sector Agricultural Participation

ITC Limited

- ◆ Online platform

Established and run by ITC Limited, e-Choupal is a complete digital platform meant to empower farmers by giving them real-time knowledge on market prices, weather updates, and best practices in farming. This project aims to streamline the agricultural supply chain and raise farmers' decision-making quality.

Apart from its online presence, ITC also actively practices contract farming, therefore ensuring the availability of farm output and providing farmers with guaranteed pricing and improved market access. Emphasising sustainable agriculture methods, the company focuses on reducing environmental impact and thereby enhancing the livelihoods of farming populations. The project has reached over four million farmers from 35000 villages in 10 states through 6100 kiosks.

Mahindra Agribusiness

Modern tractors and harvesters, meant to boost farm efficiency and output, are among the several farm equipment products Mahindra Agribusiness is well known for creating. The company is dedicated to including cutting-edge technologies into its agricultural equipment to assist current farming requirements. Apart from tools, Mahindra offers farmers thorough agri-advisory services. This covers professional advice on best practices, market trends, and creative agricultural methods, therefore improving the competency and knowledge base of the farming community.

- ◆ Innovative solutions

The vision of Mahindra Agribusiness is to enhance farmer prosperity by providing innovative products, services, and market linkages, enabling the development of farmers. The seed business of the company possesses a robust R&D infrastructure with a 60-acre research farm in Hyderabad and regional stations across India, producing hybrid seeds over 25000 acres with more than 8000 registered farmers. They adopt a region-specific promotion strategy in order to effectively cater to various agricultural needs and practices across different agro-climate zones of India. This approach helps ensure that products, services, and information are designed in such a way that they cater to the unique requirements of farmers in each region. For example, seed varieties that are not prone to droughts are promoted in water-scarce zones like parts of Rajasthan and Maharashtra, through their product customisation strategy.

Bayer CropScience

Bayer CropScience specialises in the creation of premium agricultural inputs, including a wide range of seeds meant for different environmental conditions, as well as fertilisers and insecticides absolutely vital for crop protection and development. To guarantee that its goods satisfy high standards and solve particular agricultural problems, the company spends significantly on research and development. Bayer also supports integrated pest management (IPM) techniques, which centre on environmentally friendly methods meant to reduce dependency on chemical

- ◆ Crop protection
- ◆ Digital agriculture

pesticides. Their dedication to precision agriculture emphasises the application of data-driven technologies meant to maximise farm management and raise agricultural yields while resource conservation is facilitated.

Similar to that of Mahindra Agribusiness, Bayer CropScience also follows a region-specific promotion strategy to tailor their initiatives so as to address the specific requirements of various zones. For example, the Food chain partnership strategy adopted by Bayer connects farmers with food processors, retailers, and exporters, facilitating better market access and promoting sustainable agricultural practices.

Reliance Foundation

The Reliance Foundation is committed to improving agricultural output through agrarian extension programs that utilise digital platforms for effective outreach. These services seek to give farmers useful knowledge and tools so they may decide on their crop management and farming methods with wisdom. Furthermore, crucial for sustaining agricultural activity is the development of rural infrastructure, which the Reliance Foundation helps with. The foundation also supports agricultural mechanisation, therefore guaranteeing that farmers have access to contemporary tools and technologies that not only increase output but also help them to compete in the market properly.

◆ Knowledge sharing

2.3.2.3 Farmer Producer Organisation (FPO)

Formation and Goal

Designed especially to empower agricultural producers by jointly managing important facets of the farming operation, grassroots, farmer-led cooperatives known as Farmer Producer Organisations (FPOs) By allowing farmers to jointly purchase necessary supplies including seeds, fertilisers, and machinery, these groups help to use their collective bargaining strength to lower costs. Apart from procurement, FPOs also handle agricultural products, therefore enabling value addition before they ever enter the market. This kind of organisation helps farmers greatly raise their income. Moreover, FPOs reduce the dependence on middlemen, therefore improving direct market access and hence guaranteeing that more of the benefits find their way to the farmers directly.

◆ Collective bargaining

Notable models for others all around India are several successful FPOs:

1. Sahaja Samrudha (Karnataka): Sahaja Samrudha

(Karnataka) is an FPO that links urban markets with organic agricultural methods, therefore allowing farmers to produce chemical-free foods. This encourages not only environmentally friendly farming methods but also enables farmers to get better pricing for their organically grown goods.

2. **Timbatku Collective (Andhra Pradesh):** Focused on advancing sustainable agriculture, Timbaktu Collective (Andhra Pradesh) seeks to improve the livelihoods of smallholder farmers by means of fair trade policies. The company supports ecologically friendly farming techniques and helps with marketing as well as capacity building.
3. **Vaagai Farmers Producer Company (Tamil Nadu):** With an eye towards value addition techniques like milling and packing, Vaagai Farmers Producer Company (Tamil Nadu) is committed to helping rice and pulse farmers. Vaagai also gives direct market access top priority, enabling its members to sell their produce free from the usual middlemen-related costly commissions.

Government Support for FPOs

The government supports FPO development heavily since it understands their vital contribution to the agricultural sector. Along with training courses meant to increase FPO operating capacity, agencies like NABARD (National Bank for Agriculture and Rural Development) and SFAC (Small Farmers Agribusiness Consortium) provide financial aid. Moreover, the central government started the 10,000 FPO Formation Program, a focused initiative meant to support cooperative agricultural methods. Overall, FPOs offer a great way for many issues faced by farmers, offering paths for higher income, better market access, and sustainable farming practices. This program not only provides funding but also aims to improve the general infrastructure and business acumen of newly formed FPOs, so ensuring their sustainability and effectiveness in improving farmers' livelihoods.

◆ Training & financial assistance

2.3.3 Marketing strategies for agricultural input

2.3.3.1 Seed Marketing Techniques

Promoting hybrid and GMO seeds

Emphasise to distributors and farmers the advantages of hybrid and genetically modified organisms (GMO) seeds. Education



◆ Higher yield

on higher yield potential, disease resistance, and environmental condition adaptation might all fall under this. Establish trust and show real-world advantages by running outreach events, including field trials, demos, and early adopters' testimonies.

◆ Brand reputation

Seed Certification and Branding

Make investments in a strong certification program that guarantees dependability and quality, therefore strengthening brand reputation. Create a powerful branding plan that highlights the special features of your seeds, such as exceptional genetics or environmentally friendly methods. Appeal to ethical consumers by using packaging that matches your brand values and offers comprehensive information on seed origin and usage advice.

◆ Seeds offers at reasonable price

Subsidised seed distribution

Particularly in areas experiencing financial difficulties, form alliances with governments and non-profit organisations to provide subsidised seed programs. This approach makes necessary seeds more reasonably priced, therefore benefiting local farmers and helping to extend market reach. Clearly state program eligibility and benefits to guarantee maximum involvement.

◆ Online marketing

Digital marketing and online shopping

Using social media campaigns, search engine optimisation (SEO), and content marketing that informs prospective consumers about seed types and their advantages, leverage digital marketing tools to reach a larger audience. Create an e-commerce platform to enable direct-to-farmer sales, therefore enabling customer ordering of seeds online. Add consumer comments and product comparisons to help with decision-making and improve the online buying experience.

2.3.3.2 Fertiliser Marketing Strategies

Direct Benefit Transfer (DBT) for Subsidies in Fertiliser

Provide a mechanism wherein subsidies for fertilisers are directly paid to the bank accounts of beneficiaries. This strategy guarantees quick cash help for farmers so they may buy fertilisers without waiting. It also improves openness and lowers the subsidy distribution process leaks, supporting equitable access to inputs.

Customised Fertiliser Promotion

Create focused marketing campaigns stressing the special advantages of particular fertiliser products depending on local soil conditions and crop needs. This can include trials to show

how customised fertilisers might boost productivity and assist environmentally friendly agricultural methods as well as instructional materials and demonstrations. Dealing with agronomists to offer professional recommendations can help to enhance the marketing initiatives.

Dealer and retail network expansion

◆ Strong supply chain

Emphasise the need of broadening the distribution network by means of important dealer partners in neglected areas. This covers giving dealers incentives to keep a larger variety of fertilisers and guaranteeing their product knowledge is sufficient to help farmers efficiently. Establishing a strong supply chain will help to improve the availability and accessibility of fertilisers over several markets.

◆ Need based advice

Agro-Advisor services

Provide farmers complete advising services including soil health assessments, pest control, and agronomic instruction. Workshops, smartphone apps, or helplines tying farmers with professionals would help you reach this. Farmers can get customised advice on fertiliser use by combining technologies including mobile advisory systems and soil testing kits, therefore improving their output and environmental policies.

◆ Control pest in an ecofriendly manner

2.3.3.3 Pesticides: Marketing Techniques

Integrated Pest Management (IPM) Awareness

It is imperative to teach consumers the advantages and guiding ideas of Integrated Pest Management. Combining biological, cultural, physical, and chemical instruments, IPM is a complete strategy meant to control pests in an environmentally friendly manner. One can greatly increase awareness by means of seminars, instructional webinars, and community outreach initiatives. Both people who care about the environment and agricultural experts will find value in offering tools that show how IPM can lower pesticide use and advance better ecosystems.

◆ Informing consumers

Regulated Pesticide sales

Ensuring local and national rules on pesticide sales' compliance is absolutely crucial. Navigating legal systems can be accomplished by forming alliances with compliance professionals, ag stores, and farming cooperatives. Emphasising the need of using certified goods could help to increase safety and reputation. By means of educational initiatives informing prospective consumers about appropriate use and the need of adhering to rules, one can promote responsible pesticide application and

build confidence with retailers.

Demonstration trials

- ◆ Practical demonstration

By means of practical demonstration trials, possible consumers can observe the efficacy of pesticide products in actual settings. These tests can be conducted on experimental fields or by means of agreements with nearby farms ready to present outcomes. Presenting guided tours and talks during these trials will involve the attendees and offer unambiguous proof of product effectiveness. Data collecting and distribution from these studies may also be excellent marketing tool since it highlights best practices and success stories.

Multiple-channel distribution

- ◆ Diversed channel for distribution

Using a multi-channel distribution plan will help pesticide goods to be most accessible and effective. This strategy makes sure consumers may quickly locate and buy the goods they require by using both conventional and internet retail stores. Creating an e-commerce platform with comprehensive product information, customer ratings, and usage recommendations would improve purchasing experience. Further extending market access and building a strong community presence is the cooperation with local farming networks and agricultural extension services in product distribution.

2.3.3.4 Agricultural Equipment Marketing Techniques

Subsidies for Mechanisation

- ◆ Subsidised equipment distribution

Running financial aid initiatives to inspire farmers to make modern equipment investments. Working with government agencies and agricultural organisations will enable us to provide subsidies that assist farmers in offsetting the expenses of acquiring farm equipment, therefore facilitating their ability to improve their tools. This program increases farm productivity as well as sales.

Rental-based model

- ◆ Leasing agricultural tools

By means of a leasing system for agricultural tools, farmers can access premium machinery free from the financial load of a complete buy. This approach can assist small to medium-sized farms control expenses and meet seasonal demand. Renting a variety of tools from tractors to specialised harvesters will appeal to a larger audience and offer a flexible answer catered to different farm sizes and requirements.

Marketing Made Possible by Technology

◆ Digital presence

Applying cutting-edge technologies to improve marketing initiatives. This include building a strong online presence with a user-friendly website, focused social media campaigns, and virtual equipment demonstrations. Using data analytics helps one better grasp consumer behaviour and preferences, hence enabling the customisation of marketing messages appealing to possible consumers. Including augmented reality will also give clients immersive opportunities to see tools in use on their own farms.

◆ Customer loyalty & happiness

After-Sales Assistance and Training

Building a thorough after-sales support system covering maintenance, repairs, and troubleshooting help to guarantee client loyalty and happiness. Giving farmers training courses on operation and maintenance of their recently bought machinery helps them to maximise its possibilities. Long-term connections, recurring business, and brand reputation improvement inside the agricultural sector are outcomes of this strategy.

Summarised Overview

This unit offers a thorough analysis of the several players engaged in the growth of the agriculture industry. It underlines how government departments including MoA&FW, ICAR, NABARD, and FCI shape policies, financial support, research, and procurement activities. Furthermore included is the contribution of the private sector, with particular attention on contract farming, agribusiness investments, and digital channels such as e-Choupal. Examined are also the efforts of NGOs as the Bill & Melinda Gates Foundation, SEWA, and ICRISAT in advancing sustainable development. The unit also goes over the rise of Farmer Producer Organisations (FPOs) as a direct market access and communal agricultural concept. Examined is the function of marketing tactics for agricultural inputs including seeds, fertilisers, pesticides, and farm equipment, stressing sustainable and technologically driven solutions. Focussing on institutional assistance, financial inclusion, market-driven reforms, and sustainability, this unit emphasises overall the multifarious approach needed to grow India's agricultural industry.

Self-Assessment Question

1. What is the role of MoA&FW?
2. How does ICAR support research and invention?



3. Describe NABARD's programs for distributing rural credit.
4. How can FCI help food security by means of procurement and distribution?
5. How might NGOs affect environmentally friendly farming?
6. How may the private sector help with agricultural mechanisation?
7. What are the main advantages of FPOs for small farmers?
8. Discuss about several marketing approaches for agricultural products.

Assignments

1. Evaluate, in a selected area, the success of NABARD's financial initiatives.
2. Study a successful Farmer Producer Organisation from India for your case study.
3. Analyse how private sector farm equipment projects affect output.

Suggested Reading

1. Singh, S. (2008). *Contract Farming in India: A Resource Books*. Oxford & IBH.
2. FAO (2019). *The State of Food and Agriculture*. Food and Agriculture Organisation of the United Nations.

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2. https://www.mahindraagri.com/about_us

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU

03 BLOCK

Rural Marketing

Block Content

- Unit - 1 Rural Marketing
- Unit - 2 Rural Consumers Vs Urban Consumers
- Unit - 3 Marketing Mix for Rural Market

Unit 1

Rural Marketing

Learning Outcomes

After completing this unit, the learners will be able to:

- ◆ familiarise the concept of rural marketing
- ◆ differentiate between rural and urban marketing
- ◆ gain insight into the Rural Consumer Behaviour

Background

Marketing has become a complex task these days, owing to the rising competitive pressures. Markets may be urban markets or rural markets. However, the urban markets have reached their saturation level. Today, rural markets are starting to dominate urban markets in terms of demand potential. With a significant portion of the population residing in villages, rural markets offer immense growth opportunities for companies that are willing to adapt to the unique dynamics of these regions. Rural marketing is an essential aspect of business strategy, focusing on catering to the needs of consumers in rural areas. Unlike urban markets, where infrastructure and communication channels are well-developed, rural marketing faces challenges such as poor connectivity, limited awareness, and distinct consumer preferences. The differences between rural and urban marketing go beyond geographical boundaries. Rural consumers rely more on personal relationships, community recommendations, and word of mouth to make purchase decisions. They prefer durable and value-for-money products instead of rich, sophisticated products. These factors contribute to unique rural consumer behaviour, which varies significantly from that of urban consumers. However, understanding the features, significance, scope, and limitations of rural marketing is crucial for designing effective marketing strategies. The present unit deals with the various concepts and aspects of rural marketing, characteristics of rural consumers, rural consumer behaviour and the rural buying decision process.

Keywords

Rural Marketing, Urban Marketing, Rural Consumers, Rural Consumer Behaviour

Discussion

3.1.1 Meaning of Rural Marketing

- ◆ Creating and implementing strategies to meet the unique needs of rural consumers

Rural marketing refers to the process of creating, pricing, promoting, and distributing goods and services to rural consumers. Rural marketing aims to understand the unique needs, wants, preferences, and buying behaviours of the people dwelling in rural areas. It also involves developing specific marketing strategies that are tailored to reach and engage customers in the rural regions effectively. Rural marketing has become a crucial aspect of the modern marketing of business firms.

There is a huge scope for rural marketing in India, as India has a vast and diverse rural population. Rural India accounts for a substantial proportion of India's consumer market. It accounts for about 70% of the total consumer goods market. There has been a significant growth rate in the rural consumer base over the past few decades. This can be attributed to factors like improving income levels, enhanced connectivity, and rising aspirations among rural households. Thus, the rural consumer market segment is becoming an increasingly important contributor to overall demand, particularly for goods like FMCG products, consumer durables, and services. This scenario has prompted marketers to focus more on rural marketing.

- ◆ Urban markets face saturation, high competition, and maturity

Marketers are gradually shifting their focus towards the rural markets in a big way after realising their huge potential, and as the urban markets have become saturated. Many FMCG products have reached their maturity stage as a result of their high penetration levels in urban markets. Another reason for the shift in focus is the stiff and intense competition faced by marketers in urban markets.

Marketing agricultural products from rural to urban regions and marketing manufactured goods and services in rural areas are the two main facets of rural marketing. Thus, rural marketing can be considered as a two-way marketing process as it involves the movement of commodities and services from rural to urban

- ◆ Movement of agricultural products from rural to urban areas, and manufactured goods and services from urban to rural regions

- ◆ Encompasses product design, pricing, distribution, and promotion

areas and also the movement of goods from urban to rural areas. Agricultural items such as food grains, oilseeds, cotton, sugarcane, tobacco, etc., are traded from rural to urban areas. On the other hand, all agricultural inputs are included in the commodities and services exchanged between urban and rural areas. Fast Moving Consumer Goods (FMCG) products, tractors, seeds, fertilisers, insecticides, consumer durables, as well as electrical and electronic equipment, are all traded from urban areas to rural areas. The movement of goods and services within rural areas is also a component of rural marketing, and this includes the selling of agricultural tools, cattle, carts, and other goods to other villages in their proximity. These transactions may not be in a direct form and generally involve intermediaries, agencies, government co-operatives, etc, who sell fruits, vegetables, grains, pulses and others.

Rural marketing encompasses various aspects, namely product design, pricing, placement, and promotion. Product design involves tailoring products to suit the needs and convenience of consumers in rural areas. The pricing aspect of rural marketing covers framing pricing strategies to offer the products at prices affordable to rural consumers. It is also essential to create distribution channels that will ensure that products are accessible to the customers in the rural areas, mostly with the help of retailers and wholesalers. Finally, the promotion aspect of rural marketing concentrates on creating and communicating creative promotional campaigns in regional languages that can attract and influence purchase decisions.

3.1.1.1 Definition of Rural Marketing

Philip Kotler has defined rural marketing as "the process of planning, executing, and promoting the distribution of agricultural inputs, produce, and rural products and services to create an exchange that satisfies individual and corporate objectives."

3.1.1.2 Features of Rural Markets in India

Indian rural markets have some unique features. The important features of the Indian rural market are listed below:

i. Large and Scattered Market

The Indian rural market is large, diverse and highly scattered into a number of regions. The number of shops available to market products is smaller compared to the urban areas.

ii. Agriculture – the main Source of Income

Agriculture is the main source of income for rural consum-

ers. Hence, their income levels will be drastically affected in the event of a crop failure.

iii. Low Disposable Income

Although the disposable income of rural consumers is low compared to that of urban consumers, and the majority of the rural population still lives below the poverty line, recent years have seen a visible increase in the income levels of the rural population. This indeed opened more scope for rural marketing in India.

iv. Inadequate Infrastructure Facilities

The most significant element separating urban and rural markets is inadequate infrastructure. In rural areas, there is a lack of adequate infrastructure facilities, including roads, warehouses, communication systems, and financial services. Thus, inadequate infrastructure facilities have indeed made physical distribution and promotion to rural areas an extremely challenging task for marketers.

v. Low literacy rates

Compared to urban areas, rural areas have a lower literacy rate, which makes it difficult to communicate for marketing purposes. Low literacy rates make print media ineffective and, to some extent, useless in rural areas due to their limited reach. Although there is a greater reliance on electronic media, such as television, radio, and movies, rural literacy has increased with time. People from rural areas are now travelling to urban areas to pursue higher education. The farmers are now more conscious and knowledgeable about the world they live in. Along with aiming for a healthier lifestyle, they are also educating themselves on the latest technological advancements.

vi. Traditional outlook and poor acceptance rates

The rural population have a traditional outlook. Although change is a constant process, most rural residents adjust to it gradually. Hence, they may be unwilling to accept branded products due to poor levels of literacy and a lack of awareness. However, rising literacy levels are slowly altering this scenario, particularly among the younger generation, which has started to change the village's perspective.

vii. Diversity in Socio-Economic Background

The uneven land fertility and geographic dispersion have led to a diverse socioeconomic background among rural residents. This diversity eventually impacts the rural market. Vil-

layers come from a variety of social groupings, cultures, and beliefs. The willingness of customers to adopt innovations and new products in various fields is influenced by their sociocultural background.

3.1.1.3 Features of Rural Marketing

1. Targeted Approach

Rural marketing aims to create targeted strategies in order to meet the specific needs, wants and preferences of the consumers in the rural areas. In order to suit the distinct characteristics of rural environments, a more focused approach that adapts the products, promotional strategies, and distribution methods is required in rural marketing than urban marketing. Companies should ensure that their products are affordable, accessible, and relevant to rural consumers.

2. Localized and Customized Strategies

It is very important to bring in the element of localisation in rural marketing. The products, branding, pricing structures, and promotional activities should be customised to suit the regional tastes, languages, and cultural practices. The marketers must focus on framing the marketing strategies in order to resonate with rural consumers and make the products more familiar and appealing to them.

3. Influence of Opinion of Village Leaders

Rural marketing is highly influenced by the opinions of leaders such as village heads or local officials within the rural community. Hence, gaining their trust and credibility is very important for brands to establish themselves more effectively within rural markets.

4. Awareness and education

Awareness and education play a pivotal role in the success of rural marketing campaigns. It is important to familiarise the rural consumers with the products or services. Marketing efforts should be focused on product demonstration and the likely benefits of the product. Marketers also need to employ interactive sessions, product trials, and community workshops in order to educate rural buyers

5. Affordability and accessibility

Price sensitivity is a major factor in rural marketing. Marketers often offer smaller, more affordable pack sizes (e.g., sachets of shampoo or detergents) to rural consumers. Flexible payment

options and instalment plans are also used to cater to these budget-conscious consumers. Accessibility is improved through local retail networks, rural fairs, and mobile sales channels.

6. Cost-Effective Communication

Rural marketing mainly relies on unconventional and cost-effective channels to reach out to rural consumers. Local influencers such as village leaders, teachers, and respected community members play a significant role in spreading product awareness and influencing purchasing decisions. Limited access to mass media means companies leverage community events, mobile van promotions, and folk entertainment.

7. Logistic Challenges

One of the greatest challenges faced by marketers in rural marketing is logistical challenges. Hence, companies often resort to periodic rural fairs and partnerships with local entrepreneurs or retailers to ensure products reach even remote villages. Mobile sales units and door-to-door selling are also common to enhance accessibility in rural areas.

8. Building trust and a relationship

Building trust is essential in rural marketing. Rural consumers place significant value on personal relationships and direct engagement with brands. They also place more weight on word-of-mouth referrals from trusted community members than on traditional advertisements. So, companies invest in building long-term relationships by providing product demonstrations, after-sales service, and consistent follow-ups in rural marketing.

9. Integration with development initiatives

Many companies align their rural marketing strategies with government programs, NGO projects, and rural development initiatives. This integration enhances credibility, boosts outreach, and positions the brand as a partner in community development, further strengthening its foothold in rural markets.

3.1.1.4 Significance of Rural Marketing

Rural marketing has a vast scope, especially in developing countries like India, as rural areas are on the path of growth and development and are getting integrated with the mainstream economy. As rural areas continue to develop and incomes rise, the scope of rural marketing expands, offering new opportunities for businesses to tap into this growing market segment. By catering to the peculiar needs and preferences of the consumers

in the rural areas, the modern business can unlock new business opportunities. The success of rural marketing lies in the localisation and effective usage of technologies to reach and engage the rural consumers. The significance of rural marketing is discussed below:

1. Increasing Rural Population and Rising levels of income

The rural population constitutes a major proportion of the total population in India. It is estimated that 70% of the population resides in rural areas. The scenario of rural consumers is gradually improving as a result of the various schemes and programmes of the government for rural development, infrastructure enhancement, and income generation. A notable increase in the disposable income of consumers in the rural areas has started becoming evident. This has led to a rise in their purchasing power. This, in turn, has opened possibilities for marketers and businesses to introduce a wide range of products and services in the rural markets. In short, the increases in the disposable incomes of rural consumers have led to the rise in the demand for consumer goods, durables, agricultural tools, and even luxury items. Thus, rural markets have become profitable segments for the urban marketers.

2. Untapped Market Potential

Many rural markets, however, remain underpenetrated despite having a large rural population. Today, urban markets are becoming increasingly saturated. This is prompting leading businesses to target their marketing strategies to rural areas for continued growth. The untapped potential in rural areas is opening new opportunities for companies to expand their customer base.

3. Increasing Demand for FMCG and Consumer Durables

There has been a significant increase in the demand for Fast-Moving Consumer Goods (FMCG) and consumer durables in rural areas. This is particularly noted in the case of products like soaps and packaged foods like snacks, detergents, and beverages. In addition to this, a notable increase in demand is also found in the case of consumer durable goods like refrigerators, televisions, and mobile phones, as rural consumers are seeking to improve their quality of life. This trend is providing scope for companies that can offer affordable and durable products in the rural market segment.

4. Agricultural and Allied Sectors

Agriculture is the backbone of rural economies. So, rural areas constitute a significant market for businesses that sell high-quality

ity seeds, fertilisers, pesticides, and other farming equipment. Similarly, the businesses selling required inputs for the allied sectors of agriculture, such as dairy, poultry, and fisheries, also have huge possibilities in the rural areas. Furthermore, the adoption of mechanisation and modern agricultural techniques for farming has further expanded the scope for marketing agricultural products and machinery in the rural areas. This highlights the growing relevance of rural marketing.

5. Government Initiatives and Infrastructure Development

Governments in many economies are focusing on infrastructure development initiatives like road construction, electrification, and digital connectivity. These programmes are undertaken in order to improve the prevailing status of rural health, education, and financial inclusion. These initiatives, in turn, will contribute to better living standards among the rural consumers. As the accessibility of rural markets increases, business firms will be able to distribute their products more effectively. Government initiatives such as microfinance, self-help groups, and rural employment programs are all aimed at enhancing the purchasing power of rural consumers. All these efforts have helped in expanding the scope of rural marketing in India.

6. Digital Penetration and E-commerce Platforms

Today, rural consumers are gaining access to information and online shopping platforms as a result of the increasing digital penetration and availability of affordable smartphones. E-commerce companies are developing localised strategies to target rural consumers and ensure last-mile delivery. The enhanced digital penetration has opened up new avenues for businesses to market and sell products directly to rural consumers, and has also reduced the dependency on physical retail networks.

7. Role of Local Entrepreneurs and Micro-Businesses

Local entrepreneurs and micro-businesses have a key role to play in rural marketing. By collaborating and partnering with the local distributors, retailers, and self-help groups, the business firms can easily reach the rural consumers. In addition to the product distribution, this collaboration helps to build trust and brand recognition in rural communities.

3.1.1.5 Scope of Rural Marketing

Due to economic growth, rising wages, and growing desires of rural consumers, the scope of rural marketing is expanding rapidly. Businesses have a ton of options to take advantage of this expanding market with improved connections, digital pene-

tration, and customised product offers.

The scope of rural marketing is explained below:

i. A large and growing market

India has an enormous demand for consumer goods, agricultural products, and financial services, as approximately seventy per cent of its population lives in rural areas. Businesses view rural markets as an unexplored area for expansion.

ii. Agricultural and Allied Sector Marketing

Sales of seeds, insecticides, fertilisers, farm equipment, and irrigation systems to farmers are all included in rural marketing. Businesses like Mahindra & Mahindra concentrate on offering agricultural equipment that is suited to the demands of rural areas.

iii. Fast-Moving Consumer Goods (FMCG) Marketing

The demand for everyday items like soaps, shampoos, detergents, and packaged foods is high among rural customers. Companies like Dabur, ITC, and HUL create inexpensive packaging (sachets) to meet the needs of the consumers in the rural areas.

iv. Consumer Durables and Electronics

The need for TVs, refrigerators, cell phones, and solar-powered gadgets is growing as a result of government electrification initiatives and increasing rural incomes. Affordable appliances that are appropriate for rural settings are provided by companies such as Samsung, LG, and Godrej.

v. Financial Services and Banking

Digital payments, insurance, rural banking, and microfinance are all included in rural marketing. Through self-help groups (SHGS) and mobile banking, banks such as SBI and NABARD, as well as fintech companies, are increasing financial inclusion in rural areas.

vi. Healthcare and Pharmaceutical Marketing

The sale of medications, healthcare services, and medical equipment is all included in the rural healthcare sector. Businesses like Patanjali and Apollo Pharmacy are growing to meet the healthcare needs of rural areas.

vii. Growth of Retail and E-Commerce

Online marketplaces that offer doorstep delivery, like Amazon and Flipkart, are becoming more and more popular among



rural consumers. Businesses are also establishing rural retail chains, such as Reliance's JioMart and ITC's e-Choupal, to improve rural distribution.

3.1.1.6 Limitations of Rural Marketing

Despite the significant opportunities provided by rural marketing, it presents several challenges and limitations that businesses must address if they are to succeed.

1. Poor Infrastructure

One of the major challenges faced by businesses in rural marketing is the lack of adequate infrastructural facilities in rural areas. Poor road connectivity, erratic electric supply, and poor telecommunication facilities make the distribution and logistics functions a challenging task for businesses and increase the cost of reaching rural consumers.

2. Low Literacy Levels

Another challenge faced in rural marketing is the poor levels of literacy among the rural population. As a result, many rural consumers face the problem of not understanding the product information communicated to them through print media. This necessitates the marketers to adopt unconventional communication strategies such as local language promotions and community engagement.

3. Diverse and Fragmented Market

Rural markets are highly fragmented and diverse. They vary in languages, cultures, and purchasing behaviours across regions. This diversity makes it difficult to design marketing strategies, requiring businesses to invest in localisation.

4. Price Sensitivity

Rural consumers are highly price-conscious. They often prefer affordable products. This limits the profit margins of the business. This prompts companies to focus on low-cost, high-volume products in order to sustain their profitability.

5. Seasonal Demand

Agriculture is the main source of income for consumers in rural areas. Thus, their demand for products often depends on agricultural cycles and harvest seasons. This creates fluctuations in sales of businesses marketing products to rural areas. Therefore, they may also face difficulty in maintaining a steady revenue throughout the year.

6. Limited Retail Outlets

The businesses are forced to rely on local kirana stores and periodic markets due to the absence of organised retail in many rural areas. This limits the visibility and availability of products, making it challenging for marketers to establish a strong market presence.

7. Communication Barriers

One of the major limitations in rural marketing is the inability to adopt a uniform communication strategy. This is because language barriers and cultural differences pose challenges in effectively communicating product benefits to rural consumers. The languages and dialects of people vary from state to state, region to region and sometimes from district to district. It is a cumbersome task for the marketers to design promotional strategies for each of these areas, as the messages have to be communicated in the local language. Companies must invest in region-specific marketing campaigns and rely on word-of-mouth and local influencers to build brand awareness.

3.1.2 Rural Vs Urban Marketing

Table 3.1.1 Difference between Rural Marketing and Urban Marketing

Basis	Rural Marketing	Urban Marketing
Meaning	It refers to marketing activities aimed at rural consumers and markets	It refers to marketing activities aimed at urban consumers and markets
Consumer Behaviour	Rural consumers are more price-sensitive and brand-loyal. Their seasonal income and festivals influence the income of rural consumers, and hence, purchases are irregular. Purchase decisions are community-influenced.	Urban consumers are driven by variety, brand image, and quality. The income patterns of urban consumers are stable, and they shop throughout the year. Individual preferences of urban consumers influence purchase decisions.
Market Size and Population Distribution	Rural areas account for a larger proportion of the population in India	Urban areas have a higher population density within smaller geographic regions.
Products Focus	Rural marketing involves the marketing of essential goods, agricultural inputs and other low-cost items.	It involves marketing branded products, luxury goods, and high-tech products.

Marketing Strategies	In rural marketing, simple, relationship-driven, and direct marketing strategies are employed.	In urban marketing, sophisticated and advanced promotional tools and brand positioning strategies are employed.
Distribution Networks	Rural markets require extensive last-mile delivery strategies. They typically distribute goods through local markets and kirana stores.	Urban distribution benefits from well-established retail chains, supermarkets, and e-commerce.
Media and Communication	Rural marketing relies heavily on traditional media such as radio, television, regional newspapers, and outdoor campaigns.	Urban marketing uses digital platforms such as social media and e-commerce platforms.
Product Positioning and Promotion	Products in rural markets need to be affordable, durable, and easy to use.	In urban markets, products emphasise convenience, aesthetics, and innovation.
Challenges confronted	Inadequate infrastructure, low literacy rates, and seasonal income fluctuations are the major challenges confronted in rural marketing.	Intense competition, higher costs, and rapidly changing consumer preferences are some of the common challenges faced in urban marketing.
Cultural Sensitivity	Rural marketing campaigns must give due consideration to integrating local customs and languages.	Urban marketing often caters to diverse, cosmopolitan audiences with a global outlook.

3.1.3 Characteristics of Rural Consumers

Rural consumers represent a significant and growing segment of the market, especially in developing countries. Understanding their unique characteristics is crucial for businesses aiming to tap into this market. Rural consumers differ from their urban counterparts in various ways, influenced by factors such as income levels, education, access to technology, and cultural norms.

1. Demographic Profile

Agriculture and allied activities are the major sources of income for rural consumers in India. Large family sizes characterise the rural population as compared to urban areas, and low literacy rates.

- ◆ Agriculture and allied activities - major sources of income

2. Income and Spending Patterns

- ◆ Low levels of income as compared to their urban counterparts

The rural population has low levels of income compared to their urban counterparts. Due to the seasonal nature of agriculture, their income levels are also irregular and vary with the agricultural output. Hence, the rural consumers are price-sensitive and value-conscious. So they prioritise spending only on essential items like food, clothing, and healthcare. They only tend to spend on non-essential purchases during harvest seasons or festivals when their disposable income is higher.

- ◆ Purchase decisions are influenced by word-of-mouth recommendations, local influencers, and community leaders

3. Consumption Behaviour

Rural consumers mostly prefer local brands and traditional products. However, over the past few years, they have started experimenting with national brands owing to the increase in digital penetration and increasing exposure to media. Hence, a gradual growth is visible in the brand awareness of rural consumers. Despite this fact, the purchase decisions of rural consumers are still significantly influenced by word-of-mouth recommendations, local influencers, and community leaders.

- ◆ Product accessibility - major issue

4. Distribution and Accessibility

Many rural areas in India still suffer from inadequate infrastructure. This makes physical distribution a challenging task for the marketers. Therefore, product accessibility is still a major issue for rural consumers. So they resort to local markets, small retail shops (kirana stores), and weekly fairs to make purchases. Therefore, marketers need to establish efficient last-mile distribution networks in order to reach these consumers effectively.

- ◆ Traditional media like radio and regional-language newspapers are major sources of information

5. Communication and Media Exposure

Though there has been a visible improvement in access to television, mobile phones, and the internet in rural areas, traditional media like radio and regional-language newspapers continue to be major sources of information for the rural masses. Hence, marketers must give due consideration to the language, cultural relevance, and simplicity of marketing messages in order to communicate effectively with rural consumers.

- ◆ Community norms, traditions, customs and practices - significant influence on consumer behaviour

6. Influence of Cultural and Social Factors

Rural communities are closely knit, and they place high importance and value on the local traditions, customs and festivals. Thus, community norms, traditions, customs and practices have a significant influence on consumer behaviour. Collective decision-making is common in rural areas, and family members often play a decisive role when it comes to making purchases.



◆ Purchasing patterns and preferences of rural customers, influenced by factors like technology exposure, social structures, cultural norms, and income levels

3.1.4 Rural Consumer Behaviour

The patterns, preferences, and purchasing decisions of customers who reside in rural areas are referred to as rural consumer behaviour. Numerous elements, including exposure to contemporary technology, social structures, cultural norms, and income levels, influence these behaviours. Businesses must comprehend rural consumer behaviour in order to create marketing tactics that effectively appeal to the distinctive traits of rural consumers.

3.1.4.1 Key Factors Influencing Rural Consumer Behaviour

i. Income Levels and Economic Activities

Consumers in rural areas typically earn less than their urban counterparts, and they usually do so through small-scale business ownership, daily wage labour, or agriculture. Seasonal farming's cyclical income has an impact on consumer spending patterns, with post-harvest spending being higher and off-season spending being lower. Products need to be reasonably priced.

ii. Social and Cultural Norms

In general, people in rural areas are more conservative and traditional. Social hierarchies, family values, and cultural standards all have a big influence on what people buy. Health, family care, and conventional products (such as herbal treatments, religious objects, and locally made goods) tend to be more appealing. Social influence has a significant impact on product uptake, particularly from word-of-mouth and community leaders.

iii. Awareness and Education Levels

Consumers in rural areas tend to be less educated and less familiar with international ideas and brands. However, as mobile phones, televisions, and digital media become more common, people are being exposed to more knowledge and education. Companies must use straightforward, relatable, and localised communication to inform rural customers about the advantages of their products.

iv. Value and Price Sensitivity

As they have less money to spend, customers in rural areas are more price-sensitive. Instead of focusing on luxury or high-end features, they prioritise the essentials and seek out products that are long-lasting and reasonably priced. Affordable financing solutions, like EMI plans for agricultural instruments, or small package sizes, like sachets for shampoos and detergents, might be an alluring option.

v. Product Functionality and Usage

Practical, useful, and user-friendly products are usually preferred by rural consumers. Products that make daily chores easier, increase agricultural output, or benefit families are frequently preferred. Solar-powered gadgets, little farming implements, or simple medical supplies, for instance, are frequently very popular.

vi. Trust and Brand Loyalty

Relationships and trust are highly valued in rural marketplaces. Local companies or goods with a solid reputation in the neighbourhood are frequently chosen. Customers in rural areas are more likely to remain loyal to brands they trust, particularly if friends, family, or local influencers have suggested the brand. Therefore, building trust is essential to breaking into a market.

vii. The Impact of Media and Communication

Rural consumer behaviour is significantly influenced by traditional media, such as local newspapers, radio, and television. Digital media, particularly social media and mobile devices, is becoming more popular, nevertheless. Through internet videos and smartphone apps, rural consumers are increasingly interacting with local content, particularly when it comes to product demos or farming advice.

viii. Purchase Patterns

Typically, rural consumers purchase goods from haats (weekly marketplaces), kirana stores, and local markets. They frequently like buying from local merchants as convenience and proximity are important considerations. However, some rural consumers are now looking into purchasing outside of traditional brick-and-mortar stores due to the growth of e-commerce platforms.

3.1.4.2 Rural Motivation Using the Engel–Kollat–Blackwell (EKB) Model

The Engel Kollat Blackwell model is a popular consumer decision making model. This model can be effectively used to understand rural motivation, especially in the context of how rural consumers make decisions and how they are influenced by their environment, needs, and socio-economic conditions. The model gives due consideration to various external factors and internal factors which influences the decision making of the consumers. Some of the external factors considered includes social class and culture of consumers and reference groups. The internal factors include the personality, knowledge levels and motivation of the

consumers. According to this model, a consumer goes through different stages in the process of making a purchase. They are problem recognition, information search, evaluation of alternatives, purchase decision and the post-purchase behaviour. They are discussed below :

i. Problem Recognition

This is the first stage in rural motivation where a rural consumer recognises a need that affects his/her well being or livelihood. The recognition of the problem is often influenced by various factors like basic needs or social influence or due to seasonal factors. As rural consumers are not constantly exposed to advertising, he may realise the need from other sources like word-of-mouth or via the local/ village influencers or even the local shop keepers. For example, let's consider the case of a farmer Shyam who comes to know about a solar-powered irrigation pump that works even during power cuts from his neighbour. This creates a similar need in Mohan's mind.

ii. Information Search

The next stage in rural motivation is the search for information about the product which the consumer intends to purchase. For rural consumers, the main source of information about the products are personal sources such as friends, relatives, local retailers, government agricultural officers rather than digital media or printed brochures due to various reasons like limited internet access and poor literacy levels.

For example in our former example, Shyam may enquire about the different brands of solar pump product from a pump dealer by visiting the local market. He can also seek the consultation of a village extension officer or attend a local demonstration event organized by an NGO.

iii. Evaluation of Alternatives

As the price, durability, utility and service availability matters most to the rural consumers, they evaluate the various alternatives based on the word-of-mouth experiences rather than depending on the brand image of the products. Shyam compares a branded solar pump with a cheaper, locally assembled version of the product. However, he chooses the branded solar pump as the dealer promises to offer good after-sales service.

iv. Purchase Decision

The purchase decision of consumers are influenced by family or peer groups. The purchase decision is also influenced by sea-

sonal income cycles like post –harvest or the credit availability. Shyam discusses about the purchase of the solar pump with his wife and also checks if any government subsidy is available. Finally he purchases the solar pump with the help of an easy monthly installment plan offered by the cooperative bank.

v. Post –Purchase Behaviour

It is quite common for any consumer to share their purchase experience with their acquaintances. Rural consumers often share their experiences with the community members. Positive experiences can create brand loyalty and influence future decisions of others in the village. On the other hand, a negative experience can quickly damage a brand’s image in the area. In our example, if Shyam is happy with the performance of the solar pump then he will surely recommend it to others at the village meeting. This will prompt other farmers also to make purchase from the same dealer.

Thus the EKB model can be used to explain the working the rural motivation. It helps to explain how the motivation in rural areas is deeply tied to various contributing factors such as the real-life needs, the influence of the community, the accessibility of information, and the long-term value perceived by the rural consumers. Understanding these stages can help the businesses and marketers to motivate rural populations towards making purchase decisions.

3.1.5 Buying Decision Process

Buying Decision Process refers to the step-by-step journey a consumer takes before, during, and after making a purchase. It involves the following steps.

i. Need Recognition

The buying process begins with the identification of a need or want. This is the first stage in the consumer buying process and the consumer realises that there exists a gap between his current state and desired state which needs to be fulfilled. The rural consumers identify needs based on daily requirements, seasonal requirements, or peer influence.

For example, Ram is a farmer who is residing in a village in India. He notices that crop growth in his field is slowing down, and the soil quality seems poor. However, his neighbour’s farms are producing better yields with fertilizer use. Thus, Ram realises the need that he should also employ fertilizers for better crop yield.

◆ Identification of gaps between their current and desired states

ii. Information Search

Following the identification of a need, consumers hunt for pertinent information in the second stage. They look for information about the options that are available and assess the features, costs, and advantages of each. During this phase, consumers frequently consult a variety of sources, including internet reviews, referrals from friends and family, and in-person product inspections at stores.

- ◆ Search for information about available options

Rural consumers gather information from local sources such as local retailers, community leaders, or word-of-mouth. Direct product demonstrations and rural fairs play a crucial role in providing information to the rural consumers. Coming back to the case of Ram, he takes the decision to purchase the fertilizer suitable for his farm. So, he seeks advice from his neighbour, seeks recommendations of agricultural officers and also visits local agricultural store for understanding the different kinds of fertilizers available in the market.

iii. Evaluation of Alternatives

- ◆ Evaluation of goods and services according to a number of criteria

Customers assess the options they found during the information search at this point. They evaluate goods and services according to a number of criteria, including features, cost, quality, brand reputation, and warranties. The rural consumers are highly price sensitive so they make a comparison between the various alternatives on the basis of their prevailing prices in addition to the functionality of the product. Moreover, the opinions and recommendations from trusted community members heavily influence this step.

Lets continue our example. The shopkeeper recommends two types of fertilizers to Ram – one is cheaper but it takes longer time to show visible results. However, the second is fast acting but is costlier. Ram evaluates the two types of fertilizers at the local store based on their effectiveness (fast releasing or slow releasing), price (affordability) and recommendations given by other farmers.

iv. Purchase Decision

Customers decide the product to buy after weighing their options. At this point, customers evaluate the benefits and drawbacks of each choice and decide which good or service best suits their requirements and tastes. Budgetary restrictions, prior experiences, personal tastes, and other people's recommendations can all have an impact on the choice.

In the case of rural consumers the decision is often collec-

- ◆ Selection of the best option

tive, involving family or community discussions. In addition to this, the time of purchase should align with income cycles, such as post-harvest or during festival seasons. Based on the various factors discussed above, Ram decided to buy the faster-acting fertilizer even though it costs more because the crops need immediate nutrients.

- ◆ Assessing the overall experience with the product or service after making a purchase in the final stage

v. Post-Purchase Evaluation

Customers assess their choice and their overall experience with the product or service after making a purchase in the final stage. They are likely to feel content and grow loyal to the brand if their expectations are fulfilled or surpassed. However, consumers could feel unhappy and suffer from buyer's regret if the product doesn't live up to their expectations. Because it affects future purchasing patterns and the possibility of recurring business or referrals, this stage is critical for firms. This stage is crucial for businesses as it influences future buying behaviour and the likelihood of repeat purchases or recommendations. Rural consumers highly value after-sales service and product performance. Thus, a positive experience enhances brand loyalty, while dissatisfaction may lead to negative word-of-mouth. In the case of Ram's example, the crops began to grow faster, and he was able to get a good harvest. Hence, he will recommend the same fertilizer to other farmers as he got a positive result and will also continue to use the same fertilizer next season.

3.1.5.1 Role of Change Agents in Consumer Decision making Process

Change agents refer to the individuals or organizations that work to promote, introduce, and facilitate the adoption of new ideas, technologies, practices, or behaviours within a community or group. Their main role is to influence and bring about change in people in rural or underdeveloped areas to shift from traditional or outdated methods to more modern and beneficial alternatives. Following are some of the common change agents in rural areas:

1. **Extension Officers** : These include government-appointed or NGO-affiliated professionals who educate and spread awareness to the farmers and rural communities regarding the agricultural techniques, health practices, or other rural technologies.
2. **Local Influencers and Opinion Leaders** : These are some of the trusted and well - respected individuals within the rural community such as village elders, rich farmers, or religious leaders who guide public opinion and behaviour of the rural population.

3. **Government Officers** : These include the officials from government departments like agriculture, rural development, women and child welfare, etc., who roll out schemes and promote adoption of new programmes.
4. **Teachers** : Teachers play a crucial role in spreading awareness and influence the rural population through education. They spread awareness regarding various issues like hygiene, literacy, gender equality, and vocational skills.
5. **NGO Workers and Field Coordinators** : They are the people working with non-governmental organizations who offer training, awareness campaigns, and support services to the rural population .
6. **Community Health Workers (CHWs)** : These include the local individuals trained to deliver basic health services and health education. They play a predominant role in promoting healthier practices.

Change agents play a predominant role in each stage of the consumer decision-making process. These agents are essential in helping customers to make informed choices in rural areas particularly when it comes to new or unfamiliar products and practices. The involvement of change agents in each stage of the consumer decision making process is highlighted below :

► **Need Recognition Stage**

In the need recognition stage, the change agents help the rural consumers to identify and understand the problems that they face. Sometimes, the rural consumers might be ignorant about the various problems encountered by them. In such occasions, the change agents guide and make them aware of the challenges or difficult situations and the solutions to counter such scenarios. Change agents may provide guidance on various issues like the inefficiencies of using traditional farming tools for agriculture. By creating awareness among the rural population, these change agents motivate the rural population to bring about changes from their ongoing practices so as to improve their situation.

► **Information Search stage**

Through demonstrations, pamphlets in local languages, or face-to-face discussions, change agents provide dependable, easy-to-understand information thereby helping to bridge the knowledge gap of the rural consumers. Rural consumers rely on trusted interpersonal sources as compared to advertisements. Hence, these change agents' guidance more influential than the mass media.

► Evaluation of alternatives stage

Change agents provide guidance to the rural consumers and help them in comparing different products based on their utility and price. They may also guide the rural consumers by showcasing the trial results or narrating references to the success stories from nearby villages to help the consumers evaluate the various purchase options.

► Purchase decision stage

In this stage, the change agents help to connect buyers to trusted sellers. They also help to arrange subsidies or government schemes to make the purchase possible especially in the case of durable goods requiring huge capital investment like tractors

► Post-purchase stage

Here the change agents gather feedback from the rural consumers regarding their purchase. This also helps them in evaluating their issues related to the purchase. This ensures satisfaction and encourages word-of-mouth influence within the community.

3.1.6 Differences between the Engel-Kollat-Blackwell (EKB) model and the Consumer Buying Decision Process

The Engel-Kollat-Blackwell (EKB) model and the Consumer Buying Decision Process are closely related. However, there are few differences between the two. The Consumer Buying Decision Process discusses the five stages a consumer goes through when making a purchase. However, it does not consider the various factors influencing each stage. In contrast to this, the EKB Model provides a more detailed and comprehensive framework by integrating the five stages with the various psychological, social, and environmental influences on consumer decisions. It gives due consideration to the various factors such as motivation, personality, perception, and social influences. It also includes a feedback component which concludes that the past experiences also affect future buying behaviour of the consumer. Thus, while Consumer Buying Decision Process explains “*What Happens*” during a purchase, the EKB model explains “*How and why it happens*”.

- ◆ Consideration to factors such as motivation, personality, perception and social influences

Summarised Overview

The strategies and processes used to market and sell goods to rural consumers are referred to as rural marketing. Given that a sizable section of the population lives in rural areas, which present several business prospects, the importance of rural marketing originates from the immense untapped market potential. Rural marketing covers a wide range of industries that meet the unique needs of rural consumers, such as FMCG, digital services, healthcare, and agricultural products. Rural marketing does however, have certain challenges, including distribution issues, poor infrastructure, and varying income levels. In terms of accessibility, purchasing power, and consumer behaviour, rural and urban marketing are very different. Traditional buying habits, a high dependence on word-of-mouth, and a preference for value-based products are some of the distinctive traits of rural customers. Rural customers make different purchasing decisions as compared to their urban counterparts due to a variety of reasons, including cultural preferences, social norms, and money. Businesses must comprehend these factors in order to properly customize their marketing plans and product offerings to rural consumers' needs.

Self-Assessment Question

1. What are the key features of rural marketing?
2. Discuss the scope of rural marketing.
3. Explain the significance of rural marketing in the context of business growth and development.
4. What are the primary limitations of rural marketing?
5. Differentiate between rural and urban marketing?
6. Explain the rural buying decision process.
7. Describe the main characteristics of rural consumers?

Assignments

1. Explain the key challenges and opportunities in rural marketing, and how can companies overcome these challenges to succeed in rural markets?
2. Compare and contrast marketing strategies for rural and urban markets. In what ways should businesses adapt their product offerings, pricing strategies, and

communication methods when targeting rural consumers as opposed to urban consumers?

3. Analyse income levels, social factors, and cultural norms impact purchasing decisions in rural markets? Discuss the implications for marketers in creating targeted marketing campaigns.
4. Discuss the strategies that companies can use to market consumer durables (e.g., refrigerators, washing machines) in rural areas. What specific product adaptations, pricing strategies, and distribution channels would be most effective for reaching rural consumers in this category?
5. Examine the factors that influence rural consumer behaviour. How do income levels, social factors, and cultural norms impact purchasing decisions in rural markets? Discuss the implications for marketers in creating targeted marketing campaigns.

Suggested Reading

1. Singh, A. K., & Pandey, S. (2005). *Rural marketing: Indian perspective*. New Age International Publishers.
2. Velayudhan, S. K. (2002). *Rural marketing: Growing the non-urban consumer*. Taylor & Francis.

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1. Krishnamacharyulu, C. S. G. (2011). *Rural marketing: Text and cases*. Pearson Education.
2. Kashyap, P. (2016). *Rural marketing* (3rd ed.). Pearson Education India

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU

Unit 2

Rural Consumers Vs Urban Consumers

Learning Outcomes

After completing this unit, the learners will be able to:

- ◆ differentiate between rural and urban consumers
- ◆ familiarise the concept of Rural Marketing Information System
- ◆ gain insight into the problems in rural markets
- ◆ understand the marketing mix for rural products

Background

Rural markets have emerged as a significant growth area for businesses due to the increasing purchasing power and rising aspirations of the rural population. With nearly two-thirds of the population residing in rural areas, companies are now focusing on developing specialized strategies to tap into this vast and dynamic segment. However, rural marketing comes with unique challenges, including infrastructural limitations, scattered and diverse consumer segments, traditional buying behaviours, and low literacy levels. These factors make rural market penetration more complex compared to urban markets. One of the major hurdles in rural marketing is the lack of an organized marketing information system, which affects decision-making and distribution efficiency. Understanding the potential and size of rural markets is crucial for businesses to develop effective strategies. The rural market is not uniform; it varies by region, economic conditions, and consumer behaviour, making segmentation and targeted marketing essential. The classification of products and services is another important aspect, as rural consumers have different priorities, focusing more on essential commodities, agricultural inputs, and affordable consumer goods.

Keywords

Rural Consumers, Rural Markets, Rural Marketing Information System, Marketing Mix

Discussion

3.2.1 Comparison

Table 3.2.1 Difference between Rural Consumers and Urban Consumers

Basis	Rural Consumers	Urban Consumers
Income Levels	Agriculture is the main source of income of majority of the rural consumers. The seasonality of agriculture affects their income. Hence, the income levels of rural consumers tend to fluctuate.	Most urban consumers have stable source of income.
Product Awareness	Rural consumers mostly become aware of new products through word-of-mouth and through local retailers	Urban consumers gain new product awareness through multiple sources like social media like you tube reviews, Instagram ads, television and other print media
Price Sensitivity	They are highly price sensitive	They are less price sensitive
Shopping Channels	Rural consumers mostly purchase from local retailers	Urban consumers purchase from multiple sources such as supermarkets, hypermarkets, online shopping sites and so on.
Spending Patterns	Rural consumers prioritize spending on daily essentials, seeds, fertilizers and other agricultural inputs	Urban consumers frequently buy gadgets, dine out, and spend on fitness subscriptions.
Decision Influencers	The purchase decision of rural consumers are significantly influenced by family, acquaintances and local influencers and retail shopkeepers	The purchase decision of urban consumers are influenced by individual preferences, friends and influencer reviews on social media.
Media Exposure	Rural consumers rely on radio, television, and print media for news and advertisements	Urban consumers rely on multiple media sources like online platforms, television and print media.

3.2.2 Problems in Rural Market

i. Low Income levels and Fluctuation in demand

Rural consumers have limited income. As a result, the rural consumers are highly price-sensitive. They focus on purchasing essential goods over luxury products. They are primarily dependent on agriculture and seasonal employment. Their purchasing power only increases during harvest seasons or festivals when their income is relatively higher. So their income is also unstable. This causes a fluctuation in the demand for goods in the rural markets throughout the year.

◆ Rural consumers are highly price-sensitive

ii. Poor Infrastructure and Connectivity

Inadequate roads, lack of proper transportation, and irregular power supply are some of the common problems faced by all rural areas. Hence, the business firms face difficulties in distributing products efficiently, leading to cost escalations and unpredictable delays. This in turn restricts rural consumers' access to goods and services and compelling them to rely on local markets have wide variety of products.

◆ Difficulties in distributing products due to poor infrastructure like inadequate roads, lack of proper transportation, and irregular power supply

iii. Poor literacy levels

Due to the poor access to modern media and lower literacy levels, the rural consumers have poor awareness about products and services. So, rural consumers heavily rely on word-of-mouth recommendations and recommendations from acquaintances rather than advertisements. This is the reason why complicated products like smartphones or insurance plans face slow adoption from the part of rural consumers as they may not fully understand their features or benefits.

◆ Poor awareness about products and services due to lower literacy levels

iv. Cultural Barriers

Rural consumers follow traditional practices and lifestyles. So, they are quite reluctant in accepting changes. The purchasing decisions of consumers are often influenced by cultural beliefs, customs, traditions and festivals. Thus, only the products that align with the traditions of rural consumers are only likely to succeed. For example, pharmaceutical businesses may face difficulties in marketing goods to rural consumers as a result of rural households' preference for traditional treatments over contemporary medications.

◆ Reluctance in accepting changes due to cultural beliefs and customs

v. Fragmented and Unorganized Market

- ◆ Geographically fragmented and unorganised markets

The rural market is geographically fragmented. Thus, reaching customers becomes more difficult and expensive as a result of this dispersion. To successfully enter rural markets, businesses require a variety of distribution channels as compared to doing business in cities. Furthermore, unorganised and informal local markets continue to dominate the rural markets, which makes it more difficult for branded goods to establish their presence.

vi. Limited Access to Credit and Financing Facilities

- ◆ Formal banking systems or credit facilities

Many rural consumers have limited access to formal banking systems or credit facilities. Cash is the most common means of payment of the rural consumers. The purchase of high-value items such as farm equipment require loans or installment plans. However, this may not always be available. This shortage of funding may cause rural consumers to restrict their purchases or limit them to less expensive options.

vii. Prevalence of Counterfeit Products and Local Competition

- ◆ Problem of cheap fake goods that imitate the branded products

Cheap fake goods that imitate the branded products are frequently flooding into the rural market. These fake goods pose a danger to the consumers' safety in addition to damaging the reputation of legitimate brands. The competition for businesses is further increased by local producers providing less expensive substitutes. This makes it harder for national and international brands to gain the confidence of consumers.

viii. Inconsistent Promotional strategies

- ◆ Reliance on localized strategies for promotion

Traditional advertising techniques like television or newspapers may not be effective in rural areas due to lower media penetration. So, the companies must rely on localized strategies such as community events, product demonstrations, or mobile van campaigns. However, these methods are more costly and require significant effort to maintain consistency in branding and messaging.

- ◆ collects, processes, and distributes data to help businesses understand rural consumer behaviour, geographic dispersion, and infrastructure challenges

3.2.3 Rural Marketing Information System

The Rural Marketing Information System (RMIS) is a framework employed for collecting, processing, and distributing marketing information to facilitate decisions related to marketing in the rural markets. Since rural areas have different consumer behaviour, geographical dispersion and limited infrastructure, an RMIS becomes indispensable for the businesses that want to understand and serve this vast and untapped segment.

Objectives of RMIS

- i. **Understand Rural Consumer Behaviour:** RMIS aims to collect data on the preferences, buying patterns, and cultural influences of rural consumers that shape their purchasing decisions.
- ii. **Market Potential Analysis:** RMIS helps to identify trends in demand, income levels, and product suitability for different rural regions in different parts of the country.
- iii. **Competitor Analysis:** It helps to track the activities of competitors, their pricing strategies, and market penetration to refine marketing approaches.
- iv. **Efficient Resource Allocation:** RMIS helps to optimize distribution, promotion, and production based on market intelligence.
- v. **Risk Management:** RMIS helps to identify potential risks such as shifts in seasonal demand, poor infrastructure, or economic fluctuations that impact rural markets.

Advantages of RMIS

- i. **Better Decisions Making:** RMIS helps to provide precise, real-time information to the marketers for creating targeted marketing campaigns.
- ii. **Cost Efficiency:** It helps to reduce wastage due to product distribution being in line with real market demand of the rural consumers.
- iii. **Improved Competitiveness:** This allows businesses to stay ahead of the curve and adapt to rural trends as well as the moves of their competitors.
- iv. **Market Expansion:** RMIS helps to uncover new opportunities and underserved areas, enabling deeper market penetration.
- v. **Focus on Customers:** It helps businesses to tailor their products and services to suit the requirements of rural consumers.

3.2.4 Potential and size of the Rural Markets

In developing nations like India, rural markets account for a significant portion of the global consumer base. In India, 70% of India's population lives in rural areas. It is projected that the Rural FMCG market in India will reach \$100 billion by 2025. Various factors such as increasing Income Levels and Purchasing Power of Rural Consumers are responsible for this growth.

Sector-Wise Potential of Rural Markets in India

1. Fast-Moving Consumer Goods (FMCG)

It is expected that the rural FMCG market will grow at a faster rate than urban markets owing to the increasing demand for personal care, hygiene, and food products. It can be seen that the businesses particularly market smaller pack sizes and sachets in rural areas in order to improve their affordability.

Example: Companies like Hindustan Unilever (HUL) and ITC dominate rural FMCG markets through affordable product variants.

2. Agricultural Inputs and Machinery

There has been an increasing demand for agricultural inputs like fertilizers, pesticides, tractors, and irrigation equipment as farmers are seeking to modernize their agricultural practices. Government subsidies further boost sales in this sector. Example: Mahindra and TAFE dominate the rural tractor market in India.

3. Consumer Durables and Electronics

There has also been an increase in demand for consumer durables like televisions, refrigerators and electronic products like mobile phones from the rural consumers. Today, the companies are offering low-cost durable goods that are specifically designed for rural needs. Example: Samsung and LG have launched durable appliances designed to withstand power fluctuations common in rural areas.

4. Healthcare and Pharmaceuticals

Rural healthcare infrastructure is improving. This is visible in the growing demand for medicines, hygiene products, and other healthcare services. Companies are expanding rural distribution networks to make medicines and healthcare products more accessible.

5. E-commerce and Retail

Rural consumers are increasingly using online platforms to purchase goods, making e-commerce a rapidly growing segment.

3.2.5 Classification of Products and Services in Rural Marketing

Classification of Products in Rural Markets helps businesses

understand the diverse needs and preferences of rural consumers. Rural markets differ from urban ones due to varying income levels, lifestyles, and availability of products. Segmenting products based on consumption patterns, utility, and economic value allows companies to strategize their offerings effectively.

Companies that produce seeds, fertilizers, pesticides, irrigation equipment etc. have a huge opportunity to penetrate into the rural market in a big way. They should come up with high yielding variety of seeds, better fertilizers and pesticides in the market and make profitable partnerships with the farmers who are eager to use their products.

Fast Moving Consumer Goods (FMCG)

This consists of personal care products such as soaps, shampoos, toothpaste, skin creams, food and beverages such as tea, biscuits, packaged snacks, edible oils, household items detergents, cleaning supplies, batteries and so on. FMCG products are affordable and cater to basic needs, making them highly sought after in rural markets.

Durable Goods

This includes Home Appliances such as fans, refrigerators, TV, washing machines. Electronic products such as mobile phones, radios, solar lamps, Furniture items such as beds, chairs, tables.

Agricultural Inputs

These are the products essential for farming and agricultural activities seeds, fertilizers, pesticides, farm equipment such as tractors, ploughs, threshers, irrigation tools such as pumps, sprinklers, animal feed and veterinary suppliers.

3.2.6 Marketing Mix for Rural Products

The marketing mix is made up of several variables that can be controlled, such as product, price, place and promotion. They are referred to as the 4 P's. Any business's ability to succeed depends on its marketing mix, and these four components are like marketers' most potent tools. It is difficult for marketers to create marketing mix strategies for rural sectors since the behavioural elements of rural consumers are diverse and nearly unforeseen. Marketers must create customized programs to meet the requirements and desires of particular groups due to the significant degree of variation.

- ◆ Combination of 4 P's - product, price, place and promotion

Product Mix

- ◆ Satisfy rural consumers mindset

One of an organization's most effective tools for success is its product. Rural consumers must find the products acceptable in a significant way. For this, the companies must tailor their products in such a way that they reflect the mindset and life of the rural consumers. The company must manufacture goods that meet the present and future needs of rural consumers. Size, form, colour, weight, attributes, brand name, packaging, labelling, services, and other pertinent details of the product must all be in line with the wants, desires, and capabilities of the rural consumers. Products should be designed based on the resource constraints, affordability, convenience of the rural consumers.

An excellent example of an FMCG product designed for rural consumers in India is Shampoo. Major brands like Clinic Plus, Sunsilk, and Chik introduced sachets priced as low as ₹1 - ₹2 in order to make them affordable to the low-income consumers. These sachets are also convenient to use as they are in easy to carry, store and use.

For the product to remain appropriate throughout time, it must go through the required modifications and enhancements. The product also determines how well other choices like location, pricing, and promotion work.

Price Mix

- ◆ Price sensitive

The most important component of the marketing mix, especially for rural markets, is price. Price is the most important factor in rural consumers' purchasing decisions as they are highly price sensitive. Care and attention must be taken while developing pricing policies and related initiatives. When determining prices for products that are specialized to rural areas, factors including price level, discounts and rebates, as well as credit and payment options, are crucial. Rural consumers are typically drawn to low-priced goods, but occasionally there are quality and status-conscious rural consumers.

Promotion Mix

- ◆ Reach out to the rural masses

The majority of businesses utilize television to promote their goods and services, and since many people in rural India are now addicted to their TVs, they are certain that the target audience will see it. Sales promotion, public relations, publicity, personal selling, and advertising are among the promotional tactics that marketers must choose.

The promotion strategy must satisfy the market's expectations. Reaching out to the rural masses has been accomplished

with the help of vehicle campaigns, edutainment movies, opinion leaders that generate word-of-mouth publicity, vibrant wall posters, etc.

Festivals and village fairs are great places to display these programs. Public gatherings with the Sarpanch and Mukhiya are occasionally utilized for rural marketing. Another useful and relatively inexpensive method for communication in rural areas is music cassettes.

The communication method, language, copy, theme, and message must all be appropriate for the rural setting. Eventually, innovation and imagination are needed in rural communication. Because it takes longer for rural buyers to embrace a product, there is a longer lag between a product's launch and its economic size sale in rural marketing. These days, educated young people in rural areas have the ability to affect rural customers' decisions. Television depictions of western lifestyles can have an impact on rural customers. Their lack of contact to the outside world renders them naive, and the influence of mass media, particularly television, has had a significant impact on their purchasing habits.

Place Mix

There are serious distribution problems in the rural market. The distribution strategies need to be strengthened by a marketer. To guarantee that items are easily accessible to rural consumers, special consideration should be given to both physical distribution and the distribution route. Some of the crucial choices in rural distribution include selecting the best kind of transportation, setting up warehouses at key locations, keeping enough inventory, setting up a sufficient number of retail locations throughout various regions, and using a sales force with specialized training. In general, indirect channels work better for reaching dispersed rural customers.

◆ Physical distribution

Wholesalers typically operate in metropolitan and semi-urban areas to cater to merchants in rural areas. Local rural farmers distribute directly to consumers in both progressive and backward states. Workers in rural branches can perform better when it comes to service marketing.

The markets for a number of industries, including banking, satellite and cable connections, cell phones, auto sales and services, etc., are expanding dramatically in several states' villages. Through the use of local rural area agents and specifically trained staff, service companies are attempting to expand into rural areas. Today, internet marketing is also slowly finding a place

in rural areas. As the nature and characteristics of rural markets may differ greatly from those of urban markets, marketers must periodically design and adjust their distribution strategies.

3.2.7 Selection of Markets

For companies looking to successfully reach rural consumers, choosing the appropriate markets is a crucial first step in rural marketing. This procedure entails a careful examination of all the variables that affect competitiveness, demand, and the viability of marketing initiatives.

3.2.7.1 Factors to consider when choosing rural markets

The following are important things to consider when choosing rural markets:

i. Demographics and Population Size

The demographics and population sizes of rural marketplaces might differ greatly. Product demand is frequently stronger in areas with more inhabitants. Additionally, there may be more room for commodities like consumer goods, cell phones, and educational resources in markets with younger populations or expanding households.

ii. Economic Activity and Income Levels

One important consideration when choosing a market is income levels. Higher purchasing power is more likely to be found in rural areas with better economic activity (such as local industries, government jobs, or agriculture) or higher income levels. Knowing the economic foundation, whether it is artisanal work, fishing, or agricultural, aids businesses in choosing their products and pricing policies.

iii. Agricultural Patterns and Seasons

Agricultural productivity is a major aspect in rural communities. Demand may increase after harvest in areas with seasonal harvests. Areas with strong agricultural output should be the focus of businesses that sell irrigation systems, farm equipment, and fertilizers. Harvest times can also be used to plan seasonal pricing and marketing initiatives.

iv. Accessibility and Infrastructure

The efficiency of rural marketing initiatives is impacted by the accessibility of essential infrastructure, including communication networks, roads, and energy. Better connection makes it simpler to distribute products and reach customers. On the other

hand, markets with inadequate infrastructure can call for cutting-edge distribution strategies like direct-to-consumer delivery networks or mobile vans.

v. Customer Preferences and Behaviour

It's critical to comprehend the preferences of rural consumers. Regional differences in customs, purchasing habits, and cultural aspects are significant. Businesses should tailor their products based on local preferences, such as those for herbal medicines, traditional foods, or community-based healthcare. To appeal to rural sensibilities, Patanjali, for example, markets itself as a company that sells natural and Ayurvedic goods.

vi. The Competitive Landscape

Determining market saturation and opportunities for differentiation in rural markets is aided by examining the degree of competition. While underserved areas may offer opportunity for early market penetration, highly competitive marketplaces may force businesses to innovate or adopt competitive pricing. Finding areas with fewer rivals or unmet demands increases the likelihood of success.

vii. Distribution and Retail Networks

It is essential to have established retail networks, such as weekly markets, kirana stores, or rural co-operatives. Product availability is influenced by accessibility to regional wholesalers and retailers. To guarantee product reach in remote locations, companies might need to work with regional distributors or create direct-to-consumer channels.

3.2.7.2 Segmentation, Targeting and Positioning (STP) Framework

In rural marketing, STP Framework occupies a predominant function in selection of markets. Through these three strategies namely - Segmentation, Targeting, and Positioning, the businesses and marketers can easily understand the varying needs of the different categories of rural consumers. This also makes it possible to tailor their products according to the different types of rural consumers.

A. Segmentation

The first step in STP Framework is the segmentation of rural consumers. Segmentation is the process of dividing the rural market into different categories or groups based on various characteristics or parameters such as income, needs, lifestyle and so

◆ Dividing into groups

on. In the context of rural consumers, the most common segmentation is based on their landholding and resource availability.

On the basis of land ownership, the rural consumers or farmers can be categorised into three categories. They are :

- i. **Landless labourers:** They are people who work as labourers who work on others' farms and earn daily wages. As they have minimum resources they normally depend on low-cost essentials.
- ii. **Small holders:** They form the largest segment of the rural population in India. Most of them usually own less than two hectares of land. They also have very limited financial and technological resources.
- iii. **Rich farmers:** They own larger plots and have better access to irrigation, credit, and markets, are more open to modern technologies, premium farm inputs, and machinery. They have higher capital and technological resources as compared to the other two categories.

B. Targeting

Once the rural market is segmented on the basis of some suitable basis such as land holding, the next step is targeting. This is the stage where marketers or businesses have to decide on which group they want to serve or sell their products. Low – cost farming tools and equipments, mobile phone sets with basic functions etc can be launched targeting the landless labourers. On the other hand, micro-irrigation systems, hybrid seeds or affordable insurance schemes and so on can be used for targeting the smallholders. Rich farmers can be targeted for products like advanced machines and agricultural equipments which require huge capital investment such as tractors, harvesters.

◆ Deciding group to serve

C. Positioning

Positioning means how the marketers or business firms want their consumers to perceive their products or services as compared to the products of their competitors. Simply, it means how the product is presented in the minds of the target customers. Positioning helps the rural consumers to understand how the products are relevant or beneficial to them.

◆ Perception about product

Products might be positioned as affordable, reliable, and essential for daily life in the case of landless labourers. In the case of smallholders, products can be positioned for their value for money and efficiency. Finally, technology, innovation, and status of the products can be highlighted while positioning the products for rich farmers.

Summarised Overview

To effectively sell goods and services, rural marketers must understand the requirements, inclinations, and difficulties faced by rural consumers. The shopping habits, income levels, cultural influences, and exposure to contemporary products of rural and urban consumers are different. Rural consumers are more price-sensitive, value-driven, and influenced by customs and word-of-mouth, whereas urban consumers are more affluent, have access to a greater range of goods, and are impacted by trends. Inadequate infrastructure, low literacy rates, seasonal income swings, and restricted access to technology are some of the challenges when it comes to rural markets. Businesses use a Rural Marketing Information System (RMIS) to gather and examine information on rural distribution routes, product demand, and consumer behaviour in order to address these issues. Given that a sizable section of the population lives in rural areas, these markets have huge potential and size, offering firms tremendous growth chances. Essential items including agricultural products, FMCG goods, healthcare, and services are frequently included in the classification of goods and services in rural marketing, with certain modifications required for the rural market. Affordability, accessibility, and product relevance must all be taken into account in a well-designed marketing mix for rural goods. Finally, choosing which markets to target in rural locations entails assessing variables including infrastructure, income levels, population size, and cultural preferences.

Self-Assessment Question

1. Differentiate between rural and urban consumers
2. What are the primary problems faced by businesses when marketing in rural areas, and how can they be addressed?
3. Explain the role and significance of the Rural Marketing Information System (RMIS)
4. Discuss the potential and size of rural markets in India.
5. Explain the classification of products and services in rural marketing?

Assignments

1. Compare the purchasing behaviour, income levels, and cultural factors that differentiate rural consumers from urban consumers. Discuss how these differences impact marketing strategies for businesses targeting both markets.



2. What is a Rural Marketing Information System (RMIS)? Explain its role in collecting and analysing data about rural consumers, and why it is crucial for businesses to have an effective RMIS when targeting rural markets.
3. Discuss the potential and size of rural markets, especially in emerging economies. How do factors such as population, income distribution, and growing infrastructure contribute to the market potential in rural areas?
4. Discuss how products and services in rural marketing are classified. How do businesses adapt their product offerings, packaging, and pricing to meet the specific needs of rural consumers?
5. Explain how the 4Ps of the marketing mix (Product, Price, Place, Promotion) should be adapted for rural markets. Discuss specific strategies businesses can use to tailor each element of the marketing mix to suit rural consumer needs and preferences.

Suggested Reading

1. Singh, A. K., & Pandey, S. (2005). *Rural marketing: Indian perspective*. New Age International Publishers.
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2. Kashyap, P. (2016). *Rural marketing* (3rd ed.). Pearson Education India

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU

Unit 3

Marketing Mix for Rural Market

Learning Outcomes

After completing this unit, the learners will be able to:

- ◆ familiarise the concept of rural marketing mix
- ◆ understand the product strategy and product mix decisions
- ◆ gain insight into pricing strategies and policies
- ◆ understand the innovative pricing methods for rural markets

Background

The marketing mix plays a crucial role in the success of businesses targeting rural markets. Unlike urban consumers, rural buyers have distinct needs, preferences, and purchasing behaviours that require customized marketing strategies. The 4Ps of marketing—Product, Price, Place, and Promotion—must be adapted to effectively reach and engage rural consumers. A well-planned product strategy ensures that offerings align with rural consumers' lifestyles, affordability, and functionality. Businesses must make strategic product mix decisions to cater to varying needs, from essential goods to aspirational products. Competitive product strategies help brands differentiate themselves in rural markets by focusing on quality, value, and local relevance. Similarly, pricing strategy is critical, as rural consumers are highly price-sensitive. Companies need to adopt suitable pricing policies and explore innovative pricing methods like smaller packaging (sachets), flexible payment plans, or value-based pricing to enhance affordability. Understanding these elements of the marketing mix helps businesses design effective rural marketing strategies that drive growth and create long-term customer relationships in rural areas. This unit deals with the rural marketing mix, product strategy, pricing strategy for rural markets.

Keywords

Rural Marketing Mix, Product Strategy, Product mix, Pricing policies, Pricing methods

Discussion

Rural markets, characterized by distinct purchasing behaviours, consumer aspirations, and varying financial capacities, create a unique marketing landscape. To achieve success in these areas, businesses may need to implement various modifications and customizations to ensure their products meet the needs and preferences of rural consumers.

3.3.1 Relevance of Marketing Mix for Rural Market

3.3.1.1 4 A's of Rural Marketing

- ◆ Actual needs, constraints and preferences

The Rural Marketing Mix forms the foundation for designing strategies to serve rural consumers. However, to make these strategies more effective and relevant in the rural context, they need to align with the 4 A's of Rural Marketing namely Affordability, Availability, Awareness, and Acceptability. They reflect the actual needs, constraints, and preferences of rural buyers. So, before understanding the relevance of marketing mix, let's consider the 4 A's of rural Marketing.

Companies across various industries have realised the unlimited possibilities offered by the rural markets. As urban markets have become saturated now, they are now turning their attention to rural markets to sustain and boost their growth. It is well known fact that rural consumers are characteristically different as compared to their urban counterparts. So, the marketers must frame specialized marketing strategies in order to align with the unique characteristics and expectations of the rural consumers.

In order to effectively market the products and services to the rural consumers, the marketers need to give due emphasis on the 4 A's of Marketing namely Affordability, Availability, Awareness, and Acceptability. Unlike urban markets, rural areas face unique challenges such as lower income levels, dispersed geography, limited access to media, and cultural diversity. The 4 A's help the marketers to overcome these barriers and create meaningful value in rural markets.



Fig. 3.3.1 4 A's of Rural Marketing

1. Affordability

- ◆ Based on income level

Affordability of products is crucial in rural marketing. Rural consumers have lower and irregular incomes, Hence, the marketers must frame the pricing strategies keeping in mind the limited budget of the rural consumers. For this, companies can often offer smaller pack sizes or sachets or low-cost versions of their products to ensure affordability. For example, shampoo sachets of Clinic Plus priced at ₹1 or ₹2 became a huge hit in rural India because people could not afford full bottles.

2. Availability

- ◆ Partnership with local resellers

One of the major problems confronted in rural marketing is the poor infrastructure facilities in the rural markets. Villages can be geographically scattered. So even if a product is affordable, it won't sell if it's not available. To tackle this problem, companies should take efforts in developing deep distribution networks, create partnerships with local retail shops, use mobile vans or seek the help of local resellers to ensure last-mile delivery. For example, Hindustan Unilever's "Project Shakti" empowered the women in the villages to act as distributors in their villages, improving product reach.

3. Awareness

It is quite challenging for the marketers to create brand awareness in rural markets due to low literacy levels and limited access to traditional media. So the marketers should employ traditional

promotional medias like street plays, radio, wall paintings, exhibitions, and local influencers to spread awareness.

4. Acceptability

◆ Local traditions and customs

Rural consumers are highly culturally inclined and give prime importance to the local traditions, customs and practices. So even if a product is affordable, available, and known, it still needs to be culturally acceptable and relevant to their lifestyle. So Companies must customise their products to suit the local needs, tastes, and climate, and ensure that the packaging, branding, and messaging conform to the rural values. For example, in order to advertise a cooking oil brand, rural housewives may be featured in the advertisements. This helps to build a relatable and acceptable image.

In short, the marketers and companies must frame their marketing strategies considering the 4 A's of rural marketing so as to sell and build long lasting relationships with the rural consumers.

3.3.1.2 Relevance of Marketing Mix for Rural Market

Due to the large and growing consumer base, the rural markets presents a tremendous opportunity for developing countries like India. However, the rural consumers differ significantly from their urban counter parts in terms of income levels, spending patterns, purchase decisions, product awareness and price sensitivity. Hence, adapting or modifying the marketing mix which is a combination of product, price, place, and promotion is crucial in effectively catering to the requirements of the rural markets. It also helps in achieving greater penetration, acceptance and ensuring sustained presence in the rural market segment.

The relevance of marketing mix in rural markets is outlined below:

► Better understanding and satisfaction of rural needs:

Some of the predominant factors which affects the purchase decisions of products of the rural consumers are affordability of the products/ services, durability, practicality, and familiarity with local customs. As product is one among the predominant marketing mix elements, a well-designed marketing mix helps to tailor products that meet the requirements of these specific factors or determinants which influence the rural consumer behaviour. This allows the businesses to develop products that resonate with the specific requirements of the rural consumers. .

► Price sensitivity

Price is another crucial element of the marketing mix. Rural Consumers have low income as compared to their urban counterparts. Hence, rural consumers are highly price-sensitive. So price of the products must be carefully crafted to be affordable and at the same time should enable the businesses to still maintain profitability.

► Addressing the Distribution challenges

As rural populations are highly dispersed and has poor infrastructure, it very essential to tailor the physical distribution strategies to cater to the needs of the rural markets. A well-designed marketing mix enables the businesses to understand and overcome such constraints. For example, effective distribution channels like local retailers, village-level distributors, and mobile sales teams are crucial for enhancing the product availability in rural areas.

► Targeted promotion

Care must also be exercised by the rural marketers while promoting the products in the rural markets. It is vital to tailor the promotional strategies to effectively market the products in the rural markets. Utilizing local media, community leaders, and word-of-mouth marketing are vital for reaching rural consumers and building trust.

3.3.3 Product Strategy

Carefully identifying market gaps and developing the ideal product offering for customers are essential for any company hoping to become a major force in the rural market. Developing a product strategy for the rural market is different from its urban counterpart in a number of ways. When entering the rural market, it's important to strike the correct chord because the needs and demands of rural consumers may differ from those of urban consumers. Designing items to meet the needs of rural areas is the main goal.

The product serves as a core element in strategic marketing decisions. Before introducing a product into a specific market, it must be tailored to align with the socio-economic conditions and consumption patterns of the target audience. Products designed for rural consumers must be aligned with their needs, preferences, and affordability. Rural consumers often prefer durable, easy-to-use, and value-for-money products. Key product strategies include:

- ◆ Offering products in small, affordable packages, like sachets

i. Small Unit Packaging

Since the purchasing power of rural consumers are low as compared to their urban counterparts, offering products in small, affordable packages (e.g., sachets for shampoos and detergents) can drive higher sales. This approach has been tested with products such as toothpaste, pickles, shampoos, cough drops in single tablets, and biscuits. Small packaging possess a strong likelihood of being accepted in rural markets due to their low price, which makes them easily affordable for rural consumers. Red Label tea, for example, sells more units at Rs. 3.00 per pack than the large pack because it is very affordable for the lower income group and has the widest market reach, making it easy for the end user to be satisfied. A lot of rural consumers will undoubtedly be drawn to the small unit packagings.

ii. Sturdy / Durable Products

- ◆ Sturdy and durable products that can withstand harsh environments

Due to the particular difficulties they encounter in their surroundings, rural consumers require sturdy/durable products. These items must endure harsh use environments, including those seen in outdoor labour and agriculture, where they are subjected to wetness, dust, and uneven ground. Furthermore, consumers in rural areas do not have the means to replace or repair broken things on a regular basis, thus durability is essential because repair services and spare parts are usually difficult to come by. Sturdy products have longer lifespans, which means they are more affordable and require fewer replacements over time. In addition, products need to be able to withstand environmental stress because extreme weather is common in rural areas. Dependable and easy-to-use items become even more important given the inadequate infrastructure, which includes uneven electricity and bad roads.

For example, Eveready LED Lanterns provide a dependable lighting solution in villages with frequent power outages. These lanterns have long battery life and solar charging options, making them perfect for off-grid households. Their sturdy plastic body ensures they are shock-resistant and durable. Another example is that of Tata Agrico Hand Tools, such as sickles, spades, and hammers which are built from high-grade steel to withstand rough use in agriculture and construction. These tools are rust-resistant, affordable, and easy to use, making them essential for farmers and labourers in rural areas. Similarly, Parle-G biscuits are a widely consumed snack in rural India due to their affordability and long shelf life. They are packed in moisture-resistant wrappers, keeping them fresh even in hot and humid conditions. Their high energy content makes them a preferred snack for children and labourers.

iii. Offering Utility –Oriented Products

- ◆ Prefer functional, utility-driven products suited to their lifestyle

Instead of sophisticated products with rich features, rural consumers often opt for products that provide functional utility that fit the rural lifestyle. Basic necessities like solar lanterns, water filtration systems, energy-efficient appliances, sturdy footwear, hand tools, agricultural equipment, healthcare devices, and weather-resistant clothing are examples of utility-oriented products for rural consumers. For example, Godrej Chotukool, a low-cost, portable refrigerator, catered to rural households with unreliable electricity. Another example is HUL's Pureit, an affordable water purifier designed for areas with limited access to clean drinking water. By emphasizing practicality and affordability, such products effectively meet rural needs while ensuring greater adoption.

iv. Value based product offerings

- ◆ Substituting expensive raw materials without compromising quality

This strategy focuses on reducing costs by substituting expensive raw materials without compromising functionality. This approach has helped several Indian brands succeed in rural markets by offering affordable yet effective products. For instance, Parle-G became a household name by providing budget-friendly glucose biscuits, replacing costlier ingredients while maintaining quality. Another prime example is Nirma, which revolutionized the detergent market by offering a budget-friendly alternative to premium brands. Before Nirma, rural households relied on expensive detergents or local unbranded options. By formulating a low-cost yet effective detergent, Nirma gained massive popularity. Similarly, Berger Paints introduced Bison Acrylic Distemper, an economical alternative for rural households that traditionally opted for low-quality whitewashing before festivals. Another example is Ghadi Detergent, which entered the detergent market by offering a cost-effective yet efficient alternative to premium brands, catering to rural consumers seeking affordability. By focusing on price-sensitive innovations, these brands have achieved widespread rural penetration and significant market success.

v. Customisation of Products

- ◆ Tailoring products to meet local consumer needs effectively

India's rural market is diverse, with different cultural preferences and regional needs, as marketers are aware. Companies adjust their products to meet this need. For instance, Tata Tea provides blends tailored to specific regions to suit local preferences. To make Sunfeast biscuits more affordable in rural areas, different package sizes were introduced.

3.3.4 Product mix Decisions

Choosing the right product mix is essential to a business's ability to enter and remain in rural markets. Low spending power, seasonal income fluctuations, brand loyalty, and restricted access to contemporary retail establishments all contribute to the distinctive buying habits of rural consumers. In order to maximize market reach, affordability, and preference alignment, businesses must design their product mix. The entire range of products that a business sells across several product lines is referred to as its "product mix." Businesses in rural areas need to carefully consider availability, price, local tastes, and seasonal demand when designing their product mix. The four main components of a company's product mix are depth, width, length, and consistency. Each of these components must be thoughtfully designed to meet the varied and changing demands of rural consumers.

i. Product Mix Width

The amount of distinct product lines that a business offers is referred to as the product mix's width. Businesses can reach a wider range of customer segments and diversify their market presence by offering a wider range of products. Offering a broad range of products is crucial in rural markets since, because there are fewer retail locations. So, customers prefer to make their purchases all at once.

◆ Number of distinct product lines a business offers

For instance, ITC entered the FMCG industry to diversify its operations beyond the conventional cigarette manufacturing industry. The business now provides the following product lines in the FMCG sector:

Staples & Food Products (ex :Aashirvaad Atta, Sunfeast biscuits, Yippee noodles).

Personal Care (ex: Fiama soaps, Vivel shampoos).

Household Essentials (ex :Savlon sanitizers, Nimyle floor cleaners).

Agricultural Products (ex :Seeds, fertilizers).

By widening its product mix, ITC ensures that it captures a larger portion of the rural consumer's spending, offering products across multiple categories under one brand.

Similarly, Patanjali has built a vast product mix that includes Ayurvedic medicines, food products, and personal care items.

ii. Product mix length

The total number of goods a business sells in all categories is referred to as the product mix's length. A longer product mix guarantees that various consumer preferences, financial limitations, and consumption trends are taken into account.

An example of a long product mix is that of **Hindustan Unilever Limited (HUL)**, which offers an extensive range of products in various categories:

- ◆ **Personal Care** (ex: Lux, Lifebuoy, Dove, Hamam, Pears).
- ◆ **Detergents** (ex : Surf Excel, Rin, Wheel).
- ◆ **Tea & Coffee** (ex : Brooke Bond, Taj Mahal, Bru).
- ◆ **Food & Beverages** (ex : Kissan jams, Knorr soups, Horlicks).

For rural consumers, HUL ensures that affordable and premium versions of products exist. For instance, while Dove is positioned as a premium skincare soap whereas, Lifebuoy and Hamam are marketed as affordable hygiene solutions. This variety ensures that HUL serves both low-income and aspirational rural customers, increasing its market penetration.

- ◆ Total number of products a business offers across categories

Another example is Nestlé, which has a long product mix ranging from dairy products like Nestlé Milk and Everyday Dairy Whitener, beverages such as Nescafé and Nestea, instant food like Maggi noodles, and chocolates such as Kit-Kat and Munch. This broad product mix allows Nestlé to cater to a variety of rural consumers with different purchasing capacities.

iii. Product mix depth

- ◆ The number of variations offered within each product line

The number of variations offered within each product line is referred to as the product mix's depth. Because it enables businesses to serve customers with varying tastes, affordability levels, and regional preferences, depth is essential in rural marketplaces.

For example, Britannia Biscuits has developed a deep product mix within the biscuit category:

- ◆ **Good Day** (Cashew, Almond, Butter, Pista).
- ◆ **Marie Gold** (Regular, Sugar-Free).
- ◆ **Tiger** (Glucose biscuits).
- ◆ **NutriChoice** (Multigrain, Diabetic-friendly).

By offering different flavours, price points, and nutritional

benefits, Britannia ensures that both health-conscious rural consumers and budget buyers have suitable options.

Another example is that of Coca-Cola, which provides different packaging sizes to match rural affordability. The company offers:

- ◆ **200ml returnable glass bottles** (low-cost single-use options for daily wage earners).
- ◆ **500ml PET bottles** (for aspirational buyers).
- ◆ **1-liter family packs** (for household consumption).

This depth helps Coca-Cola appeal to multiple segments, from low-income individuals to family buyers in rural areas.

iv. Product mix consistency

◆ Degree of similarity between the different product lines

The degree of similarity between the different product lines in terms of production, distribution, and consumption is known as the product mix's consistency. High levels of consistency aid businesses in creating a powerful brand identity and increasing the effectiveness of their distribution.

An example of a highly consistent product mix is that of Amul, which focuses entirely on dairy-based products:

- ◆ **Milk** (Toned, full cream, flavoured).
- ◆ **Butter & Ghee** (Regular and flavoured).
- ◆ **Cheese** (Slices, cubes, spreads).
- ◆ **Ice Creams & Yogurt** (Multiple flavours).

Since all products come under the dairy category, Amul benefits from simplified distribution, brand trust, and strong rural demand for fresh dairy products.

3.3.5 Competitive Product Strategies for Rural Markets

Due to their lower purchasing power, regional diversity, infrastructure constraints, and price sensitivity, rural markets differ from urban markets. Businesses must implement competitive product strategies that address the particular demands of rural consumers if they want to succeed in these areas. These strategies emphasize product customization, availability, price, and efficient distribution. The main competitive product strategies are listed here, along with pertinent examples.



i. Cost Leadership Strategy (Low-cost Products for Rural Customers)

- ◆ Offering quality products at the lowest cost, crucial for price-sensitive rural consumers

The goal of a cost leadership approach is to provide goods at the lowest possible cost without sacrificing quality. For price-conscious rural consumers looking for products that offer good value, this strategy is essential. Businesses use economies of scale, economical packaging, and effective production to achieve cost leadership. One common strategy is to sell goods in small, budget-friendly sachets, which enables rural customers to buy branded goods in reasonable amounts.

An example for this would be Hindustan Unilever's (HUL) sachet pricing model, where the company introduced ₹1 sachets for products like Clinic Plus Shampoo, Glow & Lovely Cream, and Wheel Detergent. This innovation made premium brands accessible to rural consumers who otherwise could not afford larger packs. By keeping the costs low while at the same time maintaining quality, HUL effectively captured a large share of the rural market.

ii. Differentiation Strategy (A Special Offer for Rural Customers)

- ◆ Making products unique

Making products stand out by providing distinctive features, exceptional quality, or high brand trust is known as differentiation strategy. Strong brand identity, long-lasting packaging, and product personalization are ways to stand out in rural markets. Rural consumers place a great value on dependability and trust, thus businesses need to position themselves as reliable and superior brands.

For example : Amul dairy products are known for their consistent quality, freshness, and ability to be tailored to local tastes. Rural consumers trust the company because it provides consistent, high-quality, and reasonably priced dairy products. Furthermore, Amul's use of tetra-packaging for milk guarantees product life, especially in remote locations with inadequate refrigeration infrastructure. Compared to local, unbranded dairy merchants, Amul is able to maintain a competitive advantage because of its differentiation strategy.

iii. Focus Strategy (Selecting Particular Rural Markets)

- ◆ Targets specific rural market segments

Using a focus strategy, a certain rural market segment is targeted, and products are customized to meet their demands. Businesses may target aspirational purchasers (luxury focus) or low-income consumers (cost focus). Due to regional and income-group variations in consumer requirements and purchas-

ing patterns, this method works well in rural marketplaces.

iv. Product Line Extension Strategy

- ◆ Expands existing product lines

In order to reach diverse rural market categories, a product line extension strategy involves expanding a current product line by adding additional variations, alternative pack sizes, or several pricing points. This strategy guarantees that companies may connect with both aspirational and budget-conscious customers. In order to accommodate local tastes and consumption patterns, businesses also introduce regional variations. For example : In order to serve a wider range of consumer categories, Britannia introduced Britannia Biscuits is an ideal instance of a successful product line extension in rural regions.

In order to serve a wider range of consumer categories, Britannia introduced:

- ◆ **Tiger Biscuits:** An inexpensive, mass-market choice for customers in rural areas.
- ◆ **Bourbon and Good Day:** High-end biscuits for prospective customers.
- ◆ **NutriChoice** (healthy biscuits for customers looking for nourishment).

By appealing to both high-end and low-income rural consumers with this varied product line, Britannia is able to increase its market share.

v. Customization Strategy (Localized Products for Rural Tastes)

- ◆ Crucial in rural markets due to regional differences

Given regional variations in dietary habits, tastes, and cultural influences, customization is an essential tactic for rural markets. Businesses that adapt their products to local preferences, packaging requirements, and consumption trends have a big competitive edge. Nestlé's Maggi noodles, which added regional flavours to accommodate local tastes, are a perfect example. For example: Masala Maggi was spiced up to appeal to customers in North India. Maggi was created with a curry flavour to appeal to South Indian palates. Atta & Oats Maggi catered to rural clients who were health-conscious.

3.3.6 Pricing Strategies

In order to maintain profitability, pricing strategies for rural markets must take consumer preferences, income fluctuations, and affordability into account. Key pricing strategies for rural

markets include the following:

- i. Value-Based Pricing:** Rather than solely considering manufacturing costs, prices are determined by the perceived value. For example, inexpensive detergents or smartphones with necessary functions offer affordability without sacrificing quality.
- ii. Penetration Pricing:** In order to draw in rural customers and increase their market share, businesses initially set their prices low. To gain popularity in the rural telecom industry, companies such as Jio introduced affordable mobile phones and data plans.
- iii. Psychological Pricing:** This technique, which is frequently applied to FMCG products like soaps and shampoos, involves pricing products just below a round number (for example, ₹99 rather than ₹100) to give the impression that they are affordable.
- iv. Skimming Pricing:** To appeal to rural consumers who are price conscious, new or innovative products are first offered at a premium price before being progressively lowered. Farm equipment and solar lighting solutions are examples of this.
- v. Geographic Pricing:** Depending on regional demand and shipping costs, prices are modified. For example, the cost of agricultural equipment may be higher in isolated areas but lower in areas with more competition.
- vi. Pay-as-You-Go Rate Structure:** a flexible payment plan that allows rural customers to make small, regular payments rather than one large payment. This is used by businesses such as M-Kopa for solar energy solutions, making them more accessible.
- vii. Low Unit Pack Pricing:** Brands like Clinic Plus and Surf Excel frequently offer compact, reasonably priced packaging that enables rural consumers to purchase in smaller amounts, such as sachets of shampoo, tea, or detergent.
- viii. Seasonal Pricing:** Agricultural cycles and purchasing power are used to modify prices. For instance, after harvest, when farmers have extra money, they give discounts on fertilizer or farm equipment.
- ix. Bundle Pricing:** To boost the perception of value, certain products are offered at a discounted rate when purchased together, such as mobile phones with prepaid SIM cards or combo packs of soap and detergent.
- x. Subsidized Pricing:** To promote rural development, gov-

ernments or non-governmental organizations may advocate for reduced costs for necessities like seeds, fertilizer, and medical supplies.

3.3.6.1 Digital Rural Marketing – Pricing Strategies on Digital Platforms

As a result of better internet and increased smartphone penetration in rural areas, rural consumers are gradually embracing e-commerce. As a result, the online shopping sites like Meesho, Amazon, Flipkart, and Jiomart are gradually framing their pricing strategies targeting the rural consumers. E-Commerce platforms like Meesho frame their pricing strategies to match the income levels, price sensitivity, trust and buying behaviour of rural consumers. In these markets, affordability and perceived value are the key drivers of purchase decisions. Some of the pricing strategies adopted by e-commerce websites like Meesho in rural areas are discussed below:

i. Penetration Pricing

Meesho is well known for its low priced products. Meesho is using low prices to enter and expand in the rural market. Rural consumers are highly price-conscious and are unwilling to shift their purchases from traditional markets. However, Meesho offers products at very affordable rates even cheaper than local retailers. This encourages adoption of online shopping in rural areas. For example, a saree costing ₹700 in a town market might be listed for ₹399 on Meesho, including free delivery. This will help to attract the rural buyers.

ii. Psychological Pricing

Here online shopping sites like Meesho set prices so that the products seem cheaper. They sell products for "₹99 instead of ₹100" or bundle of products for offers like "Buy 2 for ₹179." This strategy will definitely attract the price conscious rural consumers who are cautious about every rupee spent.

iii. Combination of Cost-Based and Value Pricing

Meesho focusses on sourcing products at low prices from the wholesalers and local manufacturers, especially for unbranded products. These products are then sold with just enough margin. This makes them look affordable and valuable.

iv. Discount and Flash Sale Pricing

Another pricing strategy employed by shopping sites like Meesho are frequent discounts, seasonal offers, and “₹1 sale”



promotions. This helps in attracting the new or first-time rural users.

3.3.7 Pricing Policies

i. Cost-Based Pricing

- ◆ Sets prices by adding production and distribution costs to a profit margin

In cost-based pricing, the price is set by adding up the cost of production and distribution. This approach guarantees that the business makes a respectable profit while covering its expenses. It is extensively utilized in rural marketplaces for necessities like fertilizer and agricultural supplies and is easy to implement. Nevertheless, it disregards rural consumers' inclination or capacity to pay. A small-scale manufacturer of organic agricultural equipment, for instance, might determine prices by adding a defined profit margin to production expenses.

ii. Competitive pricing

- ◆ Sets prices based on rival products to remain attractive to rural consumers

Setting prices based on what rivals are charging for comparable goods is known as competitive pricing. This tactic guarantees that a product will always be reasonably priced and appealing to rural customers. For example, another brand might price its milk similarly to or somewhat less than a local dairy company that sells it for ₹40 per liter. Although this strategy aids in preserving market presence, it may result in price wars that lower profitability. For businesses to maintain this pricing strategy, they must distinguish their items by quality or extra features.

iii. Value-Based Pricing

- ◆ Sets prices based on perceived customer benefits rather than costs

Value-based pricing is not based on production costs but rather on how much customers think a thing is worth. For branded and aspirational products that rural consumers perceive as advantageous, this strategy works well. Higher prices can be justified, for instance, by solar lanterns that are priced according to their capacity to produce dependable, long-lasting lighting. By prioritizing product benefits over price, this strategy aids brands in fostering strong customer loyalty. However, determining what rural consumers actually value necessitates extensive market research.

iv. Psychological Pricing

- ◆ Influences consumer perception by setting prices just below round numbers

By arranging prices to make goods appear more affordable, psychological pricing plays on consumer perception. Customers believe they are paying less when prices conclude in odd digits (for example, ₹9.99 rather than ₹10). In rural stores, this is frequently used for commonplace goods like tea packets, soaps, and biscuits. Even if there isn't much of a difference, the pricing

gives the impression that it is affordable. For rural consumers who round off figures when making purchases, it might not work as well.

3.3.8 Innovative Pricing Methods for Rural Markets

i. Dynamic pricing or Flexible pricing

- ◆ Changes product prices based on demand, season, or customer profile

Changing product prices according on demand, season, or client profile is known as dynamic pricing. Businesses can give discounts during off-peak periods and accommodate peak seasons with dynamic pricing in rural markets that prioritize seasonal goods and agricultural commodities. For example, an agri-supply company can manage stock levels and preserve customer loyalty by setting lower pricing during the off-season and higher prices during the sowing season when demand is high.

ii. Freemium pricing

- ◆ Offers a basic product or service for free while charging for premium upgrades

A basic product or service is provided for free under the type of pricing, with the option to upgrade to a premium version. For mobile-based services or apps, where rural users might be reluctant to pay up front, this approach works effectively. For example, a smartphone app that provides weather forecasts or agricultural advice could be free at first, with premium features like individualized consultations or sophisticated data analytics costing money.

Summarised Overview

Since customer demands, accessibility, and affordability in rural areas differ greatly from those in urban areas, the marketing mix is crucial for effectively serving these markets. The flexibility of the marketing mix to adapt distribution, price, promotional tactics, and product offerings to the particular tastes and financial circumstances of rural consumers makes it relevant in these markets. A solid product strategy guarantees that goods are made with durability, affordability, and utility in mind, meeting the needs of rural communities. To ensure broad acceptability, businesses must balance essential and aspirational items through well-informed product mix selections. Companies use competitive product tactics like Cost Leadership Strategy, Differentiation strategy, Focus strategy, Product line extension strategy, Customisation strategy to stay competitive. Given how price-conscious rural consumers are, pricing strategy is an important consideration. Companies can successfully market products in rural areas by using creative pricing strategies like penetration strategy, psychological pricing, value based pricing, geographic pricing and so on. Thus, Businesses can take advantage of rural prospects while maintaining long-term growth and sustainability with the support of a well-designed marketing mix.



Self-Assessment Question

1. Discuss the relevance of the marketing mix in rural markets.
2. Explain the concept of product mix decisions in rural marketing
3. What are competitive product strategies in rural marketing?
4. Explain the different pricing strategies for rural markets?
5. Elaborate the different pricing policies suitable for rural markets

Assignments

1. Explain how businesses can modify products to meet rural consumer needs.
2. Explain how rural pricing strategies differ from urban pricing strategies.
3. Explain how the 4Ps (Product, Price, Place, Promotion) need to be customized for rural consumers.
4. Explain how psychological pricing influences rural consumers' purchasing decisions.
5. How can rural brands compete with established urban brands entering rural markets? Discuss competitive product strategies used by rural-focused brands.

Suggested Reading

1. Singh, A. K., & Pandey, S. (2005). *Rural marketing: Indian perspective*. New Age International Publishers.
2. Velayudhan, S. K. (2002). *Rural marketing: Growing the non-urban consumer*. Taylor & Francis.

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1. Krishnamacharyulu, C. S. G. (2011). *Rural marketing: Text and cases*. Pearson Education.
2. Kashyap, P. (2016). *Rural marketing* (3rd ed.). Pearson Education India

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU

04 BLOCK

Promotion And Distribution in Rural Marketing

Block Content

- Unit - 1 Promotion and Communication Strategy
- Unit - 2 Innovations in Rural Marketing
- Unit - 3 Digital Village

Unit 1

Promotion and Communication Strategy

Learning Outcomes

After completing this unit, the learners will be able to:

- ◆ familiarise the concept of promotion
- ◆ comprehend the meaning of media planning
- ◆ gain insight into the planning of distribution channels

Background

Rural consumers differ significantly from their urban counterparts. They are highly sensitive towards price and are highly value-conscious. Cultural norms have a predominant influence on their purchase decisions. The local traditions, customs and practices, collective decision-making, and influence of regional leaders all have a significant impact on rural buying behaviour. Hence, marketers must carefully structure the rural promotion and communication strategies so as to achieve the intended goal. A well-designed promotion and communication strategy ensures that the right message reaches the rural consumers through appropriate channels. When it comes to rural markets, the most impactful media must be selected for communicating the marketing messages; therefore, proper media planning must be done. *Media planning refers to the series of steps undertaken by marketers to deliver the advertising message to the targeted audience using the most appropriate communication channels at the right time and right place.* Another component of rural marketing is the planning of distribution channels. Planning of distribution channels is essential in order to ensure that the products reach the consumers cost-effectively and efficiently. Hence, the choice of appropriate channels of distribution is necessary. This unit discusses various concepts, such as promotion strategies for rural markets, media planning, and distribution channels in rural markets.

Keywords

Promotion, Media Planning, Distribution Channels

Discussion

The majority of rural consumers depend on agriculture as their source of livelihood. Due to the seasonal nature of agriculture, wide fluctuations are observed in the income levels of rural consumers. This, in turn, impacts their spending pattern. Income fluctuations make them price and value-conscious. They mostly prioritise their income on essential products and postpone their purchases to festivals and special occasions. Another distinguishing feature of rural consumers is their traditional lifestyle. They mostly purchase traditional products, and their purchase decisions are influenced by culture and traditions. Rural consumers have low media exposure as compared to their urban counterparts, and they mostly rely on traditional communication channels like print media, TV and radio for advertisements. Local retailers, friends, family, and regional influencers significantly impact the purchase decisions of rural consumers.

These characteristics of rural consumers, such as fluctuating incomes, traditional lifestyles, and limited media exposure, necessitate that marketers adopt strategies tailored for rural markets. This is where the four A's of Rural Marketing, namely Affordability, Availability, Awareness, and Acceptance, have relevance.

Due to their irregular and seasonal incomes, affordability plays a key role in the purchase decisions of the rural consumers. Rural consumers always prefer low-cost, value products. Availability is equally important. Even if a product is affordable, it won't sell if it's not available. The poor infrastructure of the rural areas highlights the need for strong distribution systems to ensure products reach remote areas. Another aspect of Rural marketing is Awareness. Rural consumers have low literacy levels and limited access to traditional media. So marketers must create awareness through conventional and trusted media like radio, TV, and word-of-mouth. Even if a product is affordable, easily accessible, and well-promoted, it must still align with the cultural norms and lifestyle of rural consumers. Therefore,

companies should tailor their products to match the local preferences, traditions, beliefs and values of rural consumers. In other words, the products have to be accepted by the rural consumers.

◆ Features of Rural Consumers

As mentioned above, it is imperative to make rural consumers aware of the products. Marketers must adapt their promotional strategies to create awareness about the products in rural areas. Similarly, it is also crucial to frame the distribution strategies to ensure the timely availability of products in rural markets. This highlights the importance of adapting Promotion and Distribution to suit rural market requirements. The following sections discuss the promotion and distribution strategies that could be adopted in rural markets.

4.1.1 Meaning of Promotion

◆ Inform, persuade, remind and influence consumers in favour of their products or services

Awareness about the products is critical in influencing the consumer's purchase decision. There is no point if the consumers are not aware of the products offered to them. Marketers must devise effective promotion strategies to make consumers aware of the products they offer. For this, the businesses need to focus on the fourth 'P' of the marketing mix, namely Promotion. Marketers undertake promotion to inform, persuade, remind and influence consumers or users in favour of their products or services. Promotion is a kind of persuasive communication whereby marketers try to inform and convince consumers regarding the functionalities of their product and influence the consumer to make a purchase decision in their favour.

◆ Elements of Promotion Mix

Promotion mix is an important component of the marketing mix, and it pertains to the combination of various promotional strategies and tools employed by marketers to communicate the marketing message to consumers in rural areas. This consists of different promotional tools that marketers could use to market their products and services effectively. Advertising, Sales Promotion, Personal Selling and Public Relations constitute the elements of the Promotion mix. Each component has a distinct role in influencing consumer behaviour and ensuring brand success in the marketplace. They are explained below:

i. Advertising

Advertising refers to any paid form of non-personal presentation and communication used to promote products and services. It helps to communicate marketing messages to a larger audience and aids in persuading potential customers to initiate a purchase. There are different categories of advertising, including Television advertising.

◆ Paid form of non-personal presentation and communication

- ◆ **Television and Radio Advertising:** These two media outlets help reach a large audience in rural and urban areas. Television advertisements present marketing messages using visual and audio elements. Radio advertisements present the marketing messages through sounds, and they are effective only in areas with a large number of radio listeners.
- ◆ **Print Advertising:** This includes advertising through print media like newspapers, magazines, brochures, or leaflets. Print media help present detailed information to targeted customers and are widely used to target specific audiences.
- ◆ **Digital Advertising:** Due to increasing digital penetration, marketers are increasingly using digital advertising to promote their products. This includes social media ads, search engine marketing, and online display advertisements, which are gaining popularity due to increasing internet penetration.
- ◆ **Outdoor Advertising:** This includes presenting ads through posters, billboards, and hoardings. These are usually displayed in outdoor areas with high traffic and visibility.

For example, Hindustan Unilever's (HUL) Wheel detergent campaign in rural Uttar Pradesh is a good example of how advertising can blend traditional media with visual media. Recognising the poor reach of television and print media in villages, HUL partnered with local theatre groups to stage interactive street plays in regional dialects. The performances of the theatre groups were presented in a way that combined entertainment with the brand messaging of HUL. This captured the attention of rural audiences. After the play, live demonstrations and product samples were offered as proof of Wheel's effectiveness, making the brand memorable and relatable. This helped build brand awareness and trust among rural households.

ii. Sales Promotion

It consists of short-term incentives which are designed to encourage quick purchases or promote higher sales volumes. This technique helps gain the attention of prospective customers, holds the present customers, and counters competition from rivals. Some of the various sales promotion techniques used include:

- ◆ **Rebate:** This involves offering products at a price less

than their actual or original price. It is normally done to clear excess inventory.

◆ Short-term incentives are designed to encourage quick purchases

- ◆ **Discount:** Here, a reduction of a certain percentage from the price of the products is allowed. It is normally given for a limited period. Discounts induce customers to buy more.
- ◆ **Refunds:** This involves refunding a part of the product price to the customers.
- ◆ **Product Combination:** It involves providing one product as a gift when the consumer purchases a main product.
- ◆ **Quantity Gift:** This is the practice of offering the consumer an extra quantity of the main product, like a gift.
- ◆ **Instant Draws and Assigned Gift:** Here, companies offer scratch cards to win gifts instantly upon purchase of the product.
- ◆ **Lucky Draw:** In this method, customers are given coupons when purchasing a product, and the lucky winners are decided by a drawing of lots. The winner of the lucky draw gets a gift.
- ◆ **Full Finance:** Under this, products will be sold on an instalment basis at zero per cent interest. For example, consumer durables like washing machines may be offered at zero per cent interest, and payment for the same can be made in instalments.
- ◆ **Sampling:** Here, the goods will be distributed as free samples through sales representatives. This can be seen in the case of daily products, like detergents, agarbattis, soaps, toothpaste, etc.
- ◆ **Contests:** Businesses use this strategy to organise events. This enables consumers to participate in such events and win prizes and gifts.
- ◆ **Container Premium:** This means offering products in specially designed reusable containers or boxes. The reusability of packages will help to stimulate purchases. For example, Bottles, Jars and containers of cake and milkshakes can be used in the kitchen to store spices, milk, etc.
- ◆ **Packaged Premium:** In this, gifts are placed inside limited product packages. The excitement of winning a gift

induces people to buy the products, which helps to increase sales.

For example, Samsung introduced a zero-interest EMI scheme, allowing rural customers to purchase smartphones without a down payment or added interest. This scheme was often promoted through local dealers and mobile vans. Thus, Samsung enabled rural customers to access modern technology while building brand loyalty. Samsung's mobile EMI scheme in rural Maharashtra is a classic example of full-finance sales promotion tailored to low-income rural consumers.

iii. Personal Selling

◆ Direct face-to-face interaction between a salesperson and potential customers

In personal selling, there is a direct face-to-face interaction between a salesperson and potential customers. This method helps to influence purchasing decisions as there is scope for persuading consumers to buy the product. This promotional tool is effective for selling complex products requiring a detailed explanation. Personal selling involves door-to-door selling, retail selling (where sales representatives assist customers in physical stores to provide product information and recommendations), and B2B selling, where direct selling is done to businesses through presentations and meetings.

For example, Eureka Forbes' door-to-door sales strategy for water filters in Andhra Pradesh is a relevant example of personal selling. Trained sales representatives visited rural households, offered live demonstrations, and explained the health benefits of clean drinking water in the local language. This face-to-face approach helped to address doubts and create a sense of credibility and familiarity about the product among the rural consumers. Thus, Eureka Forbes effectively penetrated the rural market by educating consumers on the long-term health benefits of using their product.

iv. Public Relations (PR)

Public relations involves managing a brand's image and reputation by maintaining positive relationships with the public, media, and stakeholders. PR activities focus on gaining trust and credibility through unpaid or earned media. Key PR strategies include:

- ◆ **Press Releases:** These comprise announcements about the company's new product launches, upcoming events, and company or business firm achievements.
- ◆ **Media Relations:** This includes engaging and building collaborations with journalists and influencers to create

- ◆ Managing a brand's image and reputation by maintaining positive relationships with the public, media, and stakeholders

positive media coverage.

- ◆ **Sponsorships:** Firms use sponsorships to enhance their brand visibility among customers. This is done through undertaking various activities such as supporting sports teams and sponsoring events.
- ◆ **Corporate Social Responsibility (CSR):** CSR initiatives include following ethical business practices that enhance brand reputation, undertaking initiatives for social causes, and organising programmes for the benefit of society.

v. Direct Marketing

In Direct marketing, personalised one-to-one communication with target customers is done to generate responses or sales. Unlike mass advertising, direct marketing focuses on one-to-one interaction and measurable engagement. Common direct marketing channels include

- ◆ Personalised one-to-one personalised communication with target customers

- ◆ **Email Marketing:** This includes sending promotional emails to a group of selected customers to inform them about new product offers and updates.
- ◆ **SMS Marketing:** Customers receive text messages regarding discounts, special offers, etc., through SMS services.
- ◆ **Telemarketing:** In this case, customers are directly contacted through phone calls to promote products and engage customers.
- ◆ **Catalogue Marketing:** Printed or digital catalogues are distributed to customers in catalogue marketing.
- ◆ **Social Media Messaging:** This includes marketing of products to consumers on social media platforms like WhatsApp and Facebook Messenger.

4.1.1.1 Promotional Strategies for Rural Consumers

Rural consumers are characteristically different from urban consumers. The promotion mix in rural marketing refers to the combination of promotional tools used to communicate and influence rural consumers. Rural promotion requires a mix of print media, radio, television, outdoor promotions, interpersonal engagement and digital marketing to reach and influence rural consumers effectively. Companies that adapt their strategies to rural needs can successfully build strong brand recognition and customer loyalty in rural markets. Some of the key promotional

strategies that could be employed for marketing products in the rural markets are discussed below:

i. Print Media

Due to their affordability and accessibility, print media remains a trusted source of information for rural consumers. Print media such as newspapers, magazines, pamphlets, etc., can be used for advertisements, posters, and informative articles.

For example, Godrej advertised their small refrigerator brand, Godrej Chotukool, in local-language newspapers to reach rural consumers. Another example of print media promotion can be seen in the case of Dabur. Dabur advertises its ayurvedic products by distributing pamphlets in rural areas.

ii. Radio and Community-Based Advertising (Broadcast Media)

The majority of rural consumers use radio as a source of information and entertainment. Marketers can use this opportunity to advertise on local FM or community radio stations to rural audiences, especially in areas with limited television access and in reaching non-literate consumers. For example, Nokia successfully used the radio to promote its durable and affordable mobile phones to the rural audience.

iii. Television Advertising

Television is one of the influential tools that could be used to advertise products in rural markets for several reasons. Television helps to reach the rural population residing even in remote villages. Though rural consumers have low literacy levels, television advertising allows them to connect easily as advertisements are presented through video and audio formats. Moreover, it also helps to influence their purchase decisions as advertisements feature trusted personalities or celebrities.

iv. Outdoor Promotion using Haat and Mela (Fair) Marketing

In this type of promotion, the marketers set up temporary stalls in village fairs or “Melas”. Similarly, they also set up their stalls in weekly markets or “Haat”. This helps them to display, demonstrate and thereby sell their products to the rural consumers. Such events will help to attract large crowds in rural markets. For example, Hindustan Unilever (HUL) promotes its products in rural areas by participating in haats and melas.

v. Outdoor Promotion using Wall Paintings and Murals

In this promotional strategy, the companies use wall paintings in villages in the form of advertisements. This is a cost-effective way to enable brand recall. This is also effective in rural areas, as there is limited digital media access. For example, Tata Salt painted advertisements on village shops and houses.

vi. Outdoor Promotion using Van Campaigns & Mobile Roadshows

It is a promotional strategy in which a vehicle travels through rural areas, showcasing products of companies or businesses. The vehicle conducts live demonstrations and distributes free samples. For example, Coca-Cola's "Splash Bar" campaign used mobile vans to distribute free samples in villages. This helped popularise the product among consumers by providing free trials.

vii. Interpersonal Promotion through Door-to-Door Selling

Local sales representatives or influencers (such as village leaders or SHGS) visit homes to explain product benefits and encourage adoption personally. Such strategies help build trust and promote product penetration in rural markets. Amul used this promotional strategy by partnering with self-help groups (SHGs) to sell dairy products directly to rural households.

viii. Free Sample Distribution and Product Demonstrations (Outdoor & Interpersonal Promotion)

Here, the Companies distribute free samples of products or conduct product demonstrations, which enable rural consumers to experience the product before purchasing it.

A pertinent example of this strategy was P&G's Shiksha program, which distributed free Whisper sanitary napkins in rural schools to educate young girls about menstrual hygiene and encourage the purchase and adoption of their product.

ix. Folk Media and Street Plays (Interpersonal & Outdoor Promotion)

This strategy includes using traditional storytelling art forms like street plays, puppetry, and folk songs to communicate brand messages to rural consumers in an engaging and relatable way. For example, street plays were organised by LIC (Life Insurance Corporation of India) to educate people about life insurance benefits. Such street plays help promote an easy understanding of the concept among rural consumers.

x. Interpersonal and Institutional Promotion using Microfinance and Self-Help Groups (SHGS) Collaboration

Sometimes, companies collaborate with self-help groups and microfinance institutions to promote their products. The involvement of local groups helps in gaining the trust of rural consumers. For example, ICICI Bank worked with rural SHGS to introduce banking services and promote financial literacy among rural customers.

xi. Local Retailers and Influencer Endorsement

Rural consumers rely heavily on recommendations by local retailers, shopkeepers, village leaders, and influencers. Marketers can collaborate with such individuals to recommend their products. ITC's e-Choupal project used local farmers as brand ambassadors to promote quality seeds and fertilisers.

4.1.2 Media Planning

- ◆ Determining the most effective way of communicating a message to the targeted audience

Media planning refers to the process employed by marketers to determine the most effective way of communicating a message to the targeted audience. It comprises various steps, such as analysing the characteristics of the intended audiences and evaluating the multiple channels and platforms that could be employed to communicate the marketing message. Through thorough media planning, marketers are able to reach potential customers with the right message through the right channel at the right time.

For example, let's consider Mann Deshi FM, which is a community radio station in Maharashtra. The FM station teaches women and spreads awareness about financial matters like saving, taking loans, and starting small businesses. The programs are in a regional language, which makes them easy to understand and more trusted by listeners. Since many people in rural areas may not read newspapers or have internet, radio is a great way to reach them. This shows how using the right media, like community radio, can help educate and support rural communities and effectively.

4.1.2.1 Media for Rural Communication

Choosing a medium for communication is one of the crucial elements of media planning. Rural communication may employ Traditional or Mass Media.

A. Traditional Media

Traditional media is most effective for marketing products in

rural markets. It includes various media such as demonstrations and Exhibitions, puppetry, Wall Paintings, and Folk Theatre. The advantage of using traditional media for communication is that they are highly affordable and have high accessibility. However, traditional media often lacks in its inability to create retention of marketing messages in consumers' minds. Moreover, the effectiveness of the marketing messages heavily relies on the artist or the presenter who presents the marketing message to the audience.

i. Demonstrations and Exhibitions

Here, the businesses arrange a demonstration of their products in order to spread awareness regarding the peculiarities, features, and directions for the use of the products to the rural audience. FMCG products and consumer durables are often promoted in this manner. This method enables businesses to obtain instant, valuable feedback and insights into the rural requirements. Consumers also benefit from this method as they are able to gain product knowledge.

ii. Puppetry

Puppet shows are shows in which the puppeteer sings and narrates stories through puppets. They are a very popular entertainment medium in rural areas. Puppet shows are often used by the Government of India and State Governments to communicate social messages and ideas of literacy, cleanliness, and other social values and issues to the rural masses. This media is often used by the Life Insurance Corporation of India (LIC).

iii. Folk Theatre

It is an ancient and powerful entertainment medium in rural areas. Theatre shows can be used to present mythological stories or modern-day satires. Government departments can effectively use this medium to spread awareness of social issues to the rural masses. Different types of folk theatre are peculiar to each state in India. Some of them are Tamasha, Nautanki, , Burra Katha, Veedit Jataka etc. Companies often use Folk Theatre to promote their products.

iv. Wall Paintings

Here, the boards and walls of shops, as well as large walls at important places like village haats, are used to paint and advertise. Bright colours featuring village scenes and people are presented in wall paintings. Simple and direct messages in the local language are used to grasp the attention of the rural masses. Companies like Nestle, coffee, Coke, and Pepsi often use this

method. They help create a powerful and lasting impression in the minds of consumers.

B. Mass or Conventional Media

Today, mass media are increasingly being used by most businesses to promote their products. They are able to create a lasting and strong impression in the minds of the rural consumers as the advertisers use local language and present good audio visuals. The mass media presents the workings of products, their functions, and their benefits effectively for attraction and retention. Mass media include the following:

◆ Mass media communicates information to large audience

i. Word of Mouth recommendations by Opinion Leaders

Opinion leaders in the rural areas such as village mukhiya or sarpanch, village doctor, bank manager, school teacher, post-master and others have a significant influence on the purchase decision of rural consumers. They give recommendations on what and how much to buy, sources of purchase and popular brands for making purchases. So the companies are now educating and influencing this group about their products and services.

ii. Radio

Radio is a medium with a wide reach all over India. It can reach the rural audience even in remote villages. It features various programmes like news in regional languages, soap operas, family dramas, and agricultural bulletins. Companies use radio for advertising products as it is relatively cheaper and has large coverage, especially in rural areas. Various products like FMCG products, fertiliser, pesticides, textiles, etc., are often advertised on the radio.

iii. Television

After radio, television has increasingly become the most popular medium in rural areas. Like Radio, Television has a reach across India. It is also a cost-effective advertising medium that is popularly used by companies due to its large viewership even in rural areas. It helps to advertise a wide range of products and services to the rural masses.

iv. Print

Since the literacy rates in a few states are high and rising, print media is becoming more and more popular for advertising products to the rural masses.

4.1.2.2 Role of Early Adopters in spreading brand awareness in rural areas

In villages, mass media may not always reach everyone for various reasons, such as language barriers and a lack of infrastructural facilities. But every town has certain opinion leaders or influential people. They play a crucial role in popularising products among the rural population.

The Diffusion of Innovation Theory, developed by Everett Rogers, explains how awareness regarding products or technologies spreads through a population over time. It classifies adopters of ideas, products, or technologies into five categories: innovators, Early Adopters, Early Majority, Late Majority, and Laggards.

In the context of rural marketing, early adopters are usually the opinion leaders or influential people mentioned above. They may be well-respected individuals in the village, such as progressive farmers, school teachers, local shopkeepers, or panchayat members. These people are more open to trying new products, technologies, or services. They often have a higher level of exposure to media such as radio, TV or the internet. In rural markets, early adopters play a crucial role in influencing others and driving the adoption of new brands or products. When they use and recommend a product, it builds trust among other villagers who may be otherwise unwilling to adopt the product.

Let's take the example of Mahadev, a school teacher in the village who is known for his progressive mindset. A local NGO introduced a low-cost water purifier in the town, which is designed to work without electricity. However, most villagers were hesitant to adopt it, believing that boiling water was sufficient. But Mahadev decided to use the purifier for his household. Within a few weeks, he noticed a decline in stomach-related illnesses among his family members. Seeing the benefits, he began discussing the purifier with parents during school meetings and emphasised its health advantages. Because Mahadev is educated, well-respected, and trusted within the community, the villagers also began to use the water purifier. His willingness to adopt and promote a new idea early makes him a typical early adopter. He evaluates the products thoughtfully and influences others through personal experience.

- ◆ Early adopters influence others by accepting new ideas quickly

4.1.3 Planning of Distribution Channels

Marketers face a lot of challenges in rural marketing, such as scattered population, poor infrastructure facilities like poor road connectivity, poor storage facilities, inadequate banking and

◆ Challenges in rural marketing

credit facilities, lack of availability of local dealers, low density of shops per village and diverse consumer behaviours. Hence, the marketers need to frame innovative and localised distribution strategies to penetrate the rural markets. Marketers have to choose the right distribution channels for marketing products to rural consumers.

◆ The process of designing the supply chain

Marketing channels, also known as distribution channels, are a set of interrelated institutions or organisations that participate in the distribution of goods from the producers or manufacturers to the ultimate consumers. In other words, they refer to the group of various intermediaries through which the goods pass from the producers until they reach the ultimate consumers. Planning distribution channels refers to the process of designing the supply chain so that products and services reach rural consumers in an efficient and cost-effective way.

4.1.2.1 Members/ Participants in Rural Distribution Channels

The selection of the intermediaries is one of the key factors to be considered in the planning of rural distribution channels. Some of the traditional marketing intermediaries include the wholesalers, distributors and retailers. However, as it is difficult to access rural consumers, companies also rely on a network of intermediaries like stockists, sub-stockists, and village-level entrepreneurs who ensure last-mile delivery. Large companies also use local kirana stores, mobile traders, and village haats (weekly markets) to increase their sales. In addition to this, cooperative societies, self-help groups (SHGS), and the Public Distribution System are also part of the rural distribution channel.

These members/ Participants in Rural Distribution Channels are discussed below.

i. Carrying and Forwarding Agents (CFA)

They distribute products from corporate depots, offer storage, and redistribute goods to stockists in urban and rural areas. They are often hired by Fast-Moving Consumer Goods (FMCG) and consumer goods businesses to augment their depots.

ii. Redistribution stockists

They serve as a vital link between a business and its rural channels. These intermediaries purchase products from a manufacturer or distributor and then resell them to wholesalers. They can be considered the company's first clients.

iii. Wholesalers

Wholesalers are one of the significant channel members in rural distribution. As direct distribution still cannot reach a major proportion of rural markets in India, and companies do not have direct access to rural retailers, they still depend on wholesalers. So wholesalers continue to have a monopoly on supplies and consumption in rural areas.

iv. Retailers

Retailers are the final link in the supply chain. However, for rural consumers, retailers serve as the first point of contact. Retailers buy the goods from wholesalers residing in adjacent feeder towns. Retailers own permanent stores. They may also be mobile retailers who sell goods from door to door to customers directly instead of maintaining a permanent store.

v. Cooperative Societies

They play a vital role in rural areas. There are different categories of cooperatives, such as farmer cooperative societies, dairy cooperatives, credit cooperatives, consumer cooperatives, and marketing cooperatives. As these societies have a link with higher-level societies at the taluk, district, or state level, they can arrange for centralised procurement and distribution through their respective state-level federations. These cooperatives can procure and distribute consumable items and other low-value durable items to the member societies in order to sell to rural consumers.

vi. Public Distribution Systems

India has a well-efficient Public Distribution System (PDS). PDS aims to supply consumers with essential commodities such as food grains, sugar, kerosene, edible oils, and other goods at a reasonable price. Such shops, which distribute such commodities and are run by state civil supplies corporations, cooperatives, and private entrepreneurs, are referred to as Fair Price Shops. These shops can also arrange for centralised procurement and distribution, and can be used to market consumables and low-value durable items in rural areas.

vii. Self-Help Groups (SHGs)

Today, businesses are increasingly using self-help groups to reach rural consumers. SHGs encourage members to save from their daily wages and increase their collective savings.

◆ Distribution channel vary depending on the industry and product type

viii. Hawkers

Hawkers generally trade in vegetables, fruits, clothes, utensils, cosmetics, etc. They move from door to door at defined intervals and from village to village. Hawkers are a vital aid to rural consumers who do not have access to retail outlets.

4.1.4 Dynamics of Distribution

There are a lot of challenges and opportunities involved in distribution in rural markets. So, the businesses must frame innovative strategies in order to ensure efficient product delivery and market penetration. The key elements of the Dynamics of Distribution in rural markets are discussed below:

4.1.4.1 Key Elements of Rural Distribution Dynamics

1. Channel Structure

Market intermediaries in rural distribution networks include multiple intermediaries such as Carriers and forwarding agents (CFAS), redistribution stockists, wholesalers, and retailers. These intermediaries play a major role in bridging the gap between manufacturers and rural consumers scattered in different locations.

2. Logistics and Infrastructure Issues

The distribution process in rural markets is quite challenging due to various reasons, such as poor road connectivity and poor warehousing facilities. Hence, Companies have to depend on regional stockists and local distributors to ensure supply consistency.

3. Role of Intermediaries

Intermediaries play a significant role in rural marketing. While CFAS handle bulk storage and redistribution, the wholesalers and stockists help to ensure product availability in rural markets. Retailers, Self-Help Groups (SHGs) and cooperative societies play a critical role in last-mile connectivity.

4. Direct and Alternative Distribution Models

Both direct and alternative distribution models can be used to distribute goods in rural markets. For example, Companies like Hindustan Unilever's Project Shakti leverage SHGs for direct selling.

5. Technology Integration

Today, rural distribution is gradually getting improved as a

result of digital payment systems, mobile ordering apps, and e-commerce platforms.

4.1.4.2 Channel Conflict

◆ Channel conflict can disrupt the smooth flow of goods and services

Online shopping is becoming popular in rural areas. In this context, the D2C models are also becoming quite prevalent. D2C (Direct-to-Consumer) models refer to a business strategy where brands sell their products directly to customers, without using traditional intermediaries like wholesalers, distributors, or retail stores. In such models, sales happen through online platforms, brand websites, or mobile apps. Companies manage their marketing, sales, delivery, and customer service. For example, platforms like BigBasket follow a D2C approach by delivering groceries directly to consumers' homes, bypassing local kirana stores or middlemen. Though such models offer numerous advantages, such as convenience, competitive pricing, and door-step delivery, they can also create tensions with traditional retail channels, especially local kirana stores and wholesalers in rural areas, in several ways. The following are discussed below :

i. Price Competition

D2C platforms offer products at lower prices due to bulk purchasing and bypassing middlemen. This creates pressure for local kirana stores and wholesalers and makes it harder for them to compete with respect to staple goods and branded FMCG products.

ii. Shift in Consumer Behaviour

Rural consumers have gradually shifted from purchasing certain products at neighbourhood stores to online shopping, especially during and after the pandemic. They have become more comfortable with online shopping, which threatens local retailers.

iii. Pressure on Local Retailers to Modernise

To keep up with the D2C players, local retailers may feel pressured to digitise their operations in terms of inventory management, mobile payments, etc. This can be a financial and technical burden for retailers in rural areas.

iv. Disruption of Supply Chains

Wholesalers serve as the backbone for local retailers. They supply goods in bulk and also provide credit and personal service. When manufacturers or brands directly sell to consumers through platforms like BigBasket, wholesalers are sidelined. This causes them great loss, and they also lose relevance in the supply chain.



Summarised Overview

Rural consumers are characteristically different from urban consumers. Rural marketing presents unique challenges to marketers. The promotion mix in rural marketing refers to the combination of promotional strategies used to communicate and influence rural consumers.. Some of the key promotional strategies that could be employed for marketing products in the rural markets include Print media, Radio and Community-Based Advertising, television advertising, Haat and Mela (Fair) Marketing, Wall Paintings and Murals, Van Campaigns & Mobile Roadshows, Door-to-Door Selling, Free Sample distribution and Product Demonstrations, Folk Media and Street Plays, Promotion using Microfinance & Self-Help Groups (SHGs) Collaboration, Local Retailers and influencer Endorsement. Media planning refers to the process employed by marketers to determine the most effective way of communicating a message to the targeted audience. Choosing a medium for communication is one of the crucial elements of media planning. Rural communication may be done by employing Traditional Media or Mass Media. Traditional media is the most effective way to market products in rural markets. It includes various ways such as demonstrations and Exhibitions, puppetry, Wall Paintings, and Folk Theatre. Mass media provide word-of-mouth recommendations by opinion leaders, as well as radio, television, and print media. The marketers need to frame innovative and localised distribution strategies to penetrate the rural markets. Carrying and Forwarding Agents, Redistribution stockists, Wholesalers, Retailers, Cooperative Societies, Public Distribution Systems, Self-Help Groups, and Hawkers are the members in the rural distribution channels.

Self-Assessment Question

1. What do you mean by Promotion?
2. What is the promotion mix?
3. What is media planning?
4. Who are Redistribution stockists?
5. Who are Hawkers?

Assignments

1. Explain in detail the Promotion and Communication strategy for Rural Consumers.

2. Elaborate on the different participants in the rural distribution channel.
3. Elucidate the different media used for Rural Communication.

Suggested Reading

1. Velayudhan, S.K. (2020). *Rural Marketing: Developing the Non-urban Consumer* (3rd Edition). Sage Publications.
2. Bhatt, S. (2021). *Digitalisation of Rural India: Digital Village*. Vision: Journal of Indian Taxation.

Reference

1. Krishnamacharyulu, C. S. G. (2011). *Rural marketing: Text and cases*. Pearson Education.
2. Kashyap, P. (2016). *Rural marketing* (3rd ed.). Pearson Education India

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.



SGOU

Unit 2

Innovations in Rural Marketing

Learning Outcomes

After completing this unit, learners will be able to:

- ◆ gain knowledge about rural marketing
- ◆ identify the rural marketing innovations
- ◆ evaluate the importance of E-commerce in rural marketing
- ◆ analyse the impact of E-marketing on rural customers

Background

The entrepreneur Rewaj Chettri leads successful rural e-commerce and digital marketing integration from his base in Sikkim, India. The educational foundation at the North Eastern Regional Institute of Science, where Chettri studied Forestry, gave him knowledge about regional resources and traditional heritage practices.

Chettri started his company, NE Taxi, as a student in 2013 to operate a taxi service across India, Nepal and Bhutan. Through this platform, travellers found access to local drivers who helped increase tourism options in the area. He expanded his achievements by starting NE Origins as an e-commerce marketplace to market indigenous Northeast Indian products. Through its marketplace connections, NE Origins establishes links between local creators and producers and bigger markets while promoting and sustaining the exclusive cultural heritage of the area.

His business ventures received important recognition in the market. Forbes Asia included him in their 2018 Under 30 list because of his work in rural marketing and development. Through his business ventures, Chettri has achieved financial success and successfully advocated for rural Northeast Indian entrepreneurial growth and economic progress.

Chettri uses e-commerce platforms and digital marketing to connect rural products and services with national and international markets, thus proving that digital tools are powerful tools for rural entrepreneurship.



Keywords

Innovations in Rural Marketing, Importance of E-Commerce, Impact of E-Marketing on Rural Consumers

Discussion

4.2.1 Rural marketing

Rural marketing denotes the promotion and sale of goods and services to consumers in rural areas. It includes understanding the unique needs, interests, and behaviours of rural consumers and creating tactics that meet their demands. Kashyap (2016) defined rural marketing as not merely an extension of urban marketing; it necessitates unique strategies connected to the socio-economic and cultural disparities present in rural India.

4.2.1.1 Features of Rural Markets

Rural markets significantly differ from urban markets in numerous aspects. The notable differences are as follows :

1. **Large and Spread:** Out Population: People who live in rural areas live in many different settlements, which makes it harder to spread goods.
2. **Low Income:** People who live in rural areas usually can't afford as much as people who live in cities.
3. **Traditional Ways of Buying:** People in rural areas rely on word-of-mouth and prefer to buy things from local stores.
4. **Seasonal Demand:** Farmers' needs change with the seasons and their pay cycles.
5. **Infrastructure Limitations:** Poor road connections, insufficient storage space, and limited access to modern stores make it harder to get goods to customers.

Given that around 63.64 per cent of India's population lives in rural regions, rural marketing offers substantial prospects for enterprises. (Macrotrends. (2024). Kashyap (2016) asserts that enterprises must implement rural-specific tactics to exploit this expanding consumer sector. The primary reasons for the significance of rural marketing are:

- ▶ Rural India has a large number of consumers with growing incomes, making it an important market for businesses.
- ▶ People in villages are becoming more aware and want better, branded products, which is increasing demand.
- ▶ Government programs like Digital India and rural electrification have also improved internet access and electricity, making it easier for companies to reach these areas.

4.2.2 Innovations in Rural Marketing

Rural marketing is transforming as companies increasingly focus on the vast potential of rural markets. In simple terms, rural marketing involves adapting business strategies to reach people living in villages and small towns, who often have very different needs and purchasing habits compared to urban consumers.

1. Digital and Mobile Marketing

◆ Businesses are using digital platforms, mobile marketing, and regional-language content to engage rural consumers, even those with limited literacy, effectively

With increasing smartphone penetration and improved internet connectivity in rural areas, businesses are leveraging digital platforms to reach rural consumers effectively. Mobile marketing through WhatsApp, SMS, and voice-based campaigns has become a popular strategy to engage non-literate or semi-literate audiences. Companies like Hindustan Unilever (HUL) have successfully used interactive voice response (IVR) campaigns, allowing rural consumers to listen to free content, including entertainment and advertisements, through simple phone calls. Similarly, YouTube and social media platforms are widely used to promote products in regional languages, ensuring a broader reach.

2. Door-to-Door & Influencer Marketing

◆ To increase trust and involvement in rural areas, companies use roadshows, demo vans, and local celebrities

Traditional word-of-mouth marketing remains powerful in rural areas, but it has evolved with the inclusion of local influencers. Businesses collaborate with trusted figures such as village heads, farmers, and self-help group leaders to promote their products. For instance, Coca-Cola's "Parivartan" program trained rural shopkeepers in merchandising and customer engagement, using local influencers to enhance brand trust. Additionally, brands employ mobile demo vans and roadshows, where representatives travel to villages, showcase products, and educate consumers about their benefits. Tractor manufacturers like Mahindra & Mahindra frequently organise demonstration events in rural areas, allowing farmers to experience the performance of their equipment firsthand.



- ◆ Companies use small-sized packaging to make products more affordable for rural, price-sensitive consumers while also adopting eco-friendly packaging to reduce costs and attract environmentally conscious buyers

- ◆ Promoting cashless transactions

- ◆ Creating a self-help group and cooperative societies for marketing

- ◆ Design products and services according to the needs of rural areas

3. Low-Cost Packaging & Small SKUs

Affordability is a key factor in rural markets, leading companies to introduce small-sized packaging, also known as stock-keeping units (SKUs). This strategy allows consumers to purchase products in smaller quantities, making them more budget-friendly. For example, FMCG companies like Nestlé and P&G offer shampoo sachets, toothpaste, and detergent in small packs, catering to daily-wage earners and price-sensitive customers. Additionally, the use of eco-friendly and biodegradable packaging is gaining attraction, appealing to environmentally conscious rural consumers while reducing packaging costs.

4. Rural E-Commerce & Digital Payments

The rise of digital commerce has transformed the way rural consumers access products and services. E-commerce platforms such as Meesho, JioMart, and Amazon India have made online shopping more accessible by offering regional language support, cash-on-delivery options, and affordable pricing. Additionally, the adoption of digital payment systems like UPI and mobile wallets has facilitated cashless transactions in rural areas. Paytm and PhonePe, for example, have actively promoted digital payments among rural shopkeepers and small businesses, reducing dependency on cash transactions.

5. Community-Based Marketing

Engaging with local communities is an effective strategy for building brand loyalty and trust in rural markets. Companies collaborate with self-help groups (SHGs) and cooperative societies to distribute and market their products. Amul, India's largest dairy cooperative, has successfully empowered rural farmers by involving them in milk production and distribution, ensuring fair pricing and direct market access. For example, ITC leverages village fairs to promote its FMCG products, reaching a large audience through interactive stalls and product demonstrations.

6. Customised Products for Rural Needs

Understanding the specific needs of rural consumers is essential for product innovation. Companies design products that cater to the unique challenges of rural life, such as unreliable electricity and limited infrastructure. For instance, Godrej introduced the ChotuKool, a battery-operated, low-cost refrigerator designed for areas with frequent power cuts. Similarly, Hero MotoCorp launched low-maintenance, fuel-efficient motorcycles tailored to rural road conditions, making transportation more affordable and accessible for rural consumers.

Businesses now use rural marketing innovations to create new customer relationships in regions with limited market connections. Companies access rural market success through digital technology integration alongside community support, budget-friendly packages and location-specific methods of operation. Rural marketing will become progressively important for business sector expansion because connectivity and infrastructure development keep increasing.

Rural marketing innovations experience continuous evolution, and e-commerce plays an essential role in modifying rural consumer behaviour patterns. Better access to internet services and smartphones allows rural customers to shop online because they appreciate the advantages of convenience and wider selection. Through its platform, Meesho enables rural-based entrepreneurs to sell products through social media. Amazon India extends delivery services to distant areas, thus providing rural customers with better access to regional languages. The implementation of UPI and Paytm digital payment systems has cut down rural consumers' dependence on cash, so they can effectively operate between conventional farming markets and contemporary e-commerce.

4.2.3 Importance Of E-Commerce

Rural marketing has been transformed through e-commerce by uniting urban suppliers with rural customers. For example, JioMart provide rural customers with an online shopping platform to buy groceries and essential goods, thus decreasing their need to travel long distances to physical stores. This transition resulted in better convenience while boosting economic development through the rural supply chain and logistics sectors, which created new job opportunities.

Through e-commerce, rural manufacturers, along with farmers, now sell directly to consumers without intermediaries, which leads to higher financial gains. Through Amazon Saheli and Flipkart Samarth, rural entrepreneurs gain the opportunity to sell their products throughout India and internationally. The Digital India program, along with Common Service Centres (CSCs), have proven essential in building digital proficiency and letting rural shoppers join the online market. Digital enhancement will sustain e-commerce as an essential factor in rural economic growth, which supports both consumer empowerment and business expansion.

◆ E-commerce helps rural sellers expand their Business

◆ **Expanded Market Reach**

E-commerce enables rural consumers to access products and brands beyond their local markets. For example, Amazon India has introduced the "I Have Space" program, collaborating with small store owners in rural areas to ensure last-mile delivery, making a diverse range of products available even in remote locations.

◆ **Cost-Effective Distribution**

Digital platforms eliminate the need for extensive physical retail infrastructure, reducing businesses' costs and offering affordable products to rural consumers. Meesho, a social commerce platform, allows small businesses and individuals to sell products online without significant investment, thus expanding rural entrepreneurship opportunities.

◆ **Employment and Entrepreneurship**

E-commerce creates job opportunities for rural artisans, farmers, and small business owners. Jharcraft, an initiative by the Jharkhand government, enables rural artisans to sell handcrafted products globally through platforms like Amazon and Flipkart, helping them achieve financial independence.

◆ **Convenience and Accessibility**

Rural consumers often have limited access to retail stores. E-commerce platforms like Flipkart's Samarth program focus on making shopping accessible to rural and remote consumers by onboarding local artisans, weavers, and small businesses, ensuring that unique, handcrafted goods reach a wider audience.

◆ **Adoption of Digital Payments**

The rise of UPI and digital wallets has encouraged cashless transactions in rural areas. Platforms like Paytm and PhonePe have played a crucial role in promoting financial inclusion, allowing rural consumers to shop online without relying on cash.

◆ **Customised Marketing Strategies**

E-commerce companies leverage data analytics to offer localised promotions and vernacular-language support. Reliance JioMart provides a seamless shopping experience with regional language options, catering to rural consumers who may not be fluent in English.

◆ Improved Supply Chain Efficiency

Direct-to-consumer (D2C) models reduce dependency on intermediaries, ensuring cost-effective and timely deliveries. Big-Basket partners with rural farmers through its Farmer Connect program, enabling direct sales to consumers, improving their earnings, and reducing supply chain inefficiencies.

◆ Government and Private Sector Initiatives

Initiatives like **Digital India and the Common Service Centres (CSCs)** have facilitated internet penetration, digital literacy, and access to e-commerce services in rural areas. CSCs serve as e-commerce access points, helping villagers place online orders and receive deliveries conveniently.

E-commerce is transforming rural marketing by breaking geographical barriers, fostering digital inclusion, and promoting economic empowerment. With the continuous expansion of internet connectivity and digital payment infrastructure, the role of e-commerce in rural markets is expected to grow, benefiting both consumers and businesses.

The success of e-commerce in rural areas depends on e-marketing strategies. Through e-commerce, businesses get a platform to sell their goods and services, yet e-marketing helps to attract customer presence and brand awareness. Companies can gain better marketing of their products through e-marketing strategies, whether they belong to urban or remote areas. The location does not matter. Social media marketing combined with search engine optimisation techniques, collaborations with influencers, and online advertisements helps sellers to attract customers in rural areas. Online e-commerce platforms launch a regional language interaction system to make the system more user-friendly. E-commerce and e-marketing help rural businesses increase their revenue, attract customers, and effectively retain loyalty.

◆ E-commerce success in rural areas relies on e-marketing strategies to enhance visibility, attract customers, and drive business growth

4.2.4 Impact of E-Marketing on Rural Consumers

E-commerce involves selling goods and services through the Internet, and e-marketing involves using digital platforms to promote goods and services. Marketing has significantly influenced rural areas by increasing economic opportunities, improving access to information, and fostering community development. By leveraging digital tools, rural businesses and communities have experienced notable transformations.

E-marketing has emerged as a powerful tool in rural areas, bridging the gap between businesses and consumers through

digital platforms. With increasing internet penetration and the widespread use of smartphones, rural businesses can now market their products and services more effectively. Social media platforms such as Facebook, WhatsApp, and Instagram, along with search engine optimisation (SEO) and targeted advertising, have enabled businesses to reach a wider audience. This shift has helped rural entrepreneurs, farmers, and artisans gain visibility in competitive markets without relying solely on traditional marketing methods.

◆ Direct-to-customer interaction

The impact of e-marketing in rural areas is evident in various economic and social aspects. It has boosted local businesses by allowing direct engagement with consumers, eliminating intermediaries, and increasing profit margins. E-marketing has played a crucial role in the agricultural sector, with platforms like E-Choupal providing farmers access to real-time market prices, weather forecasts, and expert advice, thus improving their decision-making and overall productivity.

◆ Employment opportunities

Furthermore, e-marketing has contributed to employment generation in rural areas. The rise of digital marketing agencies and freelancers specialising in social media management, content creation, and online advertising has created new job opportunities. Additionally, the adoption of digital payment systems and e-commerce logistics has streamlined transactions, making online shopping more convenient for rural consumers. However, challenges such as digital literacy, internet connectivity issues, and trust in online transactions still need to be addressed for e-marketing to reach its full potential in rural regions.

◆ Economic Growth and Income Enhancement

E-marketing is transforming rural economies by providing businesses with affordable promotional strategies and expanding their market reach. It has not only improved sales and economic opportunities but also enhanced consumer awareness and accessibility to a wide range of products and services. With continued investment in digital infrastructure and literacy programs, e-marketing will play an increasingly vital role in rural development.

◆ Entrepreneurship

The integration of e-commerce and e-marketing strategies has been instrumental in boosting rural incomes. A study on China's National Rural E-commerce Comprehensive Demonstration Project (NRECDP) revealed a significant increase in rural income by approximately 12.97% in participating counties. This growth is attributed to improved market access and the elimination of intermediaries, allowing farmers and artisans to reach broader markets directly.

E-marketing has opened new avenues for employment and

◆ Improved Access to Goods and Services

entrepreneurship in rural regions. The development of "Taobao villages" in China exemplifies this trend, where clusters of e-commerce businesses have emerged, leading to increased local entrepreneurial activities. These villages have become integral to rural revitalisation strategies, demonstrating the potential of digital platforms in transforming local economies.

Digital marketing facilitates better access to a variety of goods and services for rural consumers. Initiatives like ITC Limited's e-Choupal in India have provided farmers with real-time market information and a platform to sell their produce directly, thereby enhancing their bargaining power and reducing reliance on traditional intermediaries. This model has improved supply chain efficiencies and increased transparency in transactions.

◆ Increased Internet Penetration and Digital Engagement

E-marketing has significantly influenced rural consumers in India, leading to notable changes in their purchasing behaviours and economic participation. The rapid growth of internet usage in rural India has transformed consumer behaviour. As of recent reports, approximately 442 million users in rural areas are accessing the internet, facilitating greater engagement with digital platforms.

◆ Influence of social media on Purchasing Decisions

Social media platforms have become pivotal in shaping the purchasing decisions of rural consumers. A study revealed that 65% of rural consumers made purchases based on social media recommendations, highlighting the persuasive power of these platforms in rural markets.

◆ Adoption of E-Commerce Platforms

E-commerce has gained traction among rural consumers, offering access to a diverse range of products and services. The availability of flexible payment options, such as cash-on-delivery, has further encouraged online shopping in these regions.

◆ The digital divide is a major limitation

Digital initiatives like ITC's e-Choupal have empowered rural communities by providing real-time market information and direct access to markets, thereby enhancing their bargaining power and reducing dependency on intermediaries. Despite these advancements, challenges such as limited digital literacy and infrastructural constraints persist. Addressing these issues is crucial to fully harnessing the potential of e-marketing in rural India.

E-marketing has positively impacted rural consumers in India by influencing their purchasing behaviours, expanding market access, and empowering communities through digital engagement. E-marketing has proven to be a catalyst for economic development in rural areas, offering increased income, employment opportunities, and access to diverse products and services. Addressing infrastructure challenges and promoting

- ◆ E-marketing in India enhances rural consumer engagement, expands market access, and supports e-commerce growth through digital strategies

digital literacy are essential to fully harnessing the benefits of e-marketing in these communities. E-marketing stands as a vital element for e-commerce success because it helps businesses retain and attract clients through internet-based communication methods. The vast digital marketing potential exists in India because it has 820 million internet users, who make up more than 55% of its population in 2023. (Times of India, 2025) Different e-commerce businesses utilise search engine optimisation (SEO), social media marketing and email campaigns together with pay-per-click (PPC) advertising methods to reach their diverse audience base. Internet service penetration in all regions, including rural parts of the country, enables marketers to begin marketing to untouched market segments.

Summarised Overview

The adoption of rural marketing innovations through technological solutions and area-specific products and distribution networks enables companies to serve distant customers better. The e-commerce sector has a significant influence on rural marketing by aligning producers with their buyers through its enhancement of vast product selection and price competitiveness with home delivery services. Rural consumers experience major benefits from e-marketing because it improves their access to quality products and makes them more aware of available products at a more affordable price. Through digital platforms such as mobile apps and social media platforms, rural consumers make better purchasing choices, which boosts their purchasing confidence along with regional economic development.

Self-Assessment Question

1. Briefly explain the impact of E-marketing on rural consumers.
2. Essay on the importance of E-commerce in rural marketing.
3. Short note on rural marketing.
4. Explain the Features of the rural markets.
5. List the innovations in the rural market with examples.
6. Are urban and rural market innovations the same? Short note on your opinion.
7. Importance of e-commerce in rural market innovations.

Assignments

1. Analyse the success story of a rural marketer and evaluate their strategies.
2. Evaluate a firm in a rural area and suggest methods for improvement in their marketing strategies.
3. Assess the impact of e-marketing on rural consumers.
4. Explain the importance of E-commerce in rural marketing innovations.

Suggested Reading

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Space for Learner Engagement for Objective Questions

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SGOU



Unit 3

Digital Village

Learning Outcomes

On completion of this unit, the learners will be able to:

- ◆ explain the concept of digital village
- ◆ identify the components of digital village that empower rural communities
- ◆ comprehend the role of social media marketing in the rural sector

Background

India's first digital village – Akodara

Akodara is a small village in Gujarat, India. It was transformed into India's first fully digital village in 2015 through a joint initiative between ICICI Bank and the Government of India. The case of Akodara highlights how digitalisation can improve the quality of life, enhance financial inclusion, and bridge the urban divide. Key digital initiatives in Akodara include:

- ◆ E-governance and digital identity
- ◆ Digital financial inclusion
- ◆ Tele-education and digital learning
- ◆ Telemedicine and healthcare services
- ◆ Smart agriculture and digital marketplaces
- ◆ Social media for rural marketing.

Akodara had demonstrated how digital literacy and internet connectivity can significantly improve the standard of living in rural sectors. The success of Akodara has inspired similar digital village projects in different parts of India, including the 'Digital Village 2.0' initiative. The transformation of Akodara as a digital village is considered a model for the future of rural India. It highlights how inclusive development can be achieved through ICT-based solutions in governance, finance, education, healthcare, and agriculture. As digital villages continue to transform, they will play a crucial role in bridging the digital divide, promoting economic growth, and empowering rural communities in India.

Keywords

Digital Village, Social Media, Rural Development, Social Media Marketing

Discussion

◆ Digitally empowered communities

4.3.1 Concept of Digital Village

The digital village concept characterises a rural community as a technologically empowered ecosystem that integrates information and communication technology to improve governance, education, healthcare, financial services, and economic opportunities. This concept aims to bridge the digital divide among urban and rural communities by leveraging internet connectivity, digital literacy, and e-governance services.

According to the Ministry of Electronics and Information Technology (2021), “a digital village encompasses key elements such as Wi-Fi hotspots, LED street lighting, telemedicine services, digital financial literacy, and skill development programs. The initiative aligns with India’s broader goal of Digital India, which seeks to transform India into a digitally empowered society and knowledge economy.”

4.3.2 Meaning of Digital Village

A digital village represents a rural community that has digitalised essential services and activities to improve the quality of life of its residents. It comprises digital infrastructure, connectivity, and ICT-based governance solutions to enable efficient service delivery in the rural sectors.

According to Bhatt (2021), the concept of digital village involves the empowerment of rural communities through:

1. **E-Governance Services:** The E-governance services in rural areas consist of:
 - a. Flawless access to government services such as subsidies, welfare programs, and financial assistance through online portals.
 - b. Enabling digital identity verification and authentication with the help of Aadhaar-linked services, thus ensuring transparency and reducing fraud.

- c. Making the grievance redressal mechanisms available in real time through digital complaint portals, mobile applications, and helplines.

2. Digital financial inclusion: This includes:

- a. Promote cashless transactions by incorporating digital payment methods like the Unified Payment Interface (UPI), mobile wallets, and online banking.

3. Tele-Education and Telemedicine: Providing tele-education and telemedicine includes:

- a. Expanding access to quality education through online learning platforms, virtual classrooms, and interactive digital courses specially designed in local languages and to address local needs.
- b. Establishing e-libraries and e-learning centres in villages to bridge the educational gap that exists between rural and urban students.
- c. Strengthening healthcare access through telemedicine platforms, facilitating remote consultations, digital health records, and mobile health applications for monitoring disease and creating awareness.

4. Agricultural digital services: Digital agricultural services include:

- a. Offering real-time weather forecasts, pest control, and crop management advice through mobile applications and SMS.
- b. Connecting farmers with online marketplaces where they can directly sell their produce eliminates the role of intermediaries and ensures better pricing.
- c. Implementing smarter irrigation systems, precision farming methods, and AI-driven analytics to optimise agricultural productivity and sustainability.

◆ Harisal Digital Village

Incorporating these digital solutions will enhance inclusive growth, economic opportunities, and overall quality of life in rural sectors. Furthermore, the 'eDost' initiative by BAIF Development Research Foundation emphasises the women-led digital empowerment models, wherein trained women play the role of service providers. This will ensure inclusiveness in the digital transformation (AESANetwork, 2023).

Harisal is located in the remote and tribal Melghat region of Maharashtra. This community was transformed into India's first Digital village in March 2016 through a collaborative initiative by the Chief Minister's office of Maharashtra, in partnership with Microsoft, HP, NIC, BSNL, TCS and others. The purpose of this initiative was to address Harisal's severe challenges, including malnutrition, poor infrastructure, lack of healthcare, and educational backwardness, by leveraging digital technologies and ICT-enabled services. The key initiatives of this collaboration included:

1. Telemedicine, which served over 1200 patients.
2. Digital classrooms
3. E-learning
4. Skill development for women and youth.
5. Agricultural advisory services through the Kisan Suvidha app.

The village now has access to Wi-Fi, banking services (including mobile banking and ATMs), and a Common Citizen Service Centre, reducing the need for long-distance travel for essential services. Smart card-based PDS, solar energy for backup, and vocational training programs (like dress designing and ICT) have significantly improved the quality of life. Harisal stands as a model of how technology can enhance rural transformation, particularly in tribal areas.

4.3.3 Role of social media in Rural Marketing

Social media has transformed rural marketing by improving communication, brand engagement, and consumer reach. Social media platforms such as Facebook, WhatsApp, Instagram, and YouTube play a significant role in facilitating rural consumers' access to market information, interacting with popular brands, and making informed purchasing decisions. For example, Digital Green NGO, a global development organisation, create participatory content to train farmers. This includes producing short, locally relevant videos featuring farmers who demonstrate their best practices in agriculture, nutrition and health. By making use of participatory videos, Digital Green effectively bridges knowledge gaps, empowering smallholder farmers with practical, accessible and culturally appropriate information to improve their agricultural practices and livelihoods.

◆ Significance of social media



4.3.3.1 Key roles of social media in rural marketing

The key role played by social media in rural marketing involves:

- 1. Market awareness and brand visibility:** Social media platforms help rural farmers spread awareness about their products and services by reaching a wider audience. Also, they help bridge the rural-urban divide through digital campaigns that make global brands accessible to rural customers (Velayudhan, 2020).
- 2. Consumer engagement and trust building:** WhatsApp groups and Facebook pages will help local businesses interact directly with their customers, enhancing trust and personalised services. In addition, influencer marketing has also gained popularity in rural sectors, with local content creators playing a crucial role in promoting brands (Bhawna, 2022).
- 3. E-commerce and digital transactions:** Social media marketing has enabled the growth of rural entrepreneurship by allowing artisans and small-scale industries to sell their products online. Digital payment facilities such as WhatsApp Pay and Google Pay have encouraged digital transactions, thus reducing the dependency on cash for trading (Ministry of Electronics and Information Technology, 2021).
- 4. Agricultural and livelihood promotion:** Farmers are using social media handles to get real-time agricultural advice, weather forecasting, and direct market linkages. Government and non-government organisations (NGO) are also using these digital platforms to educate farmers on sustainable agricultural practices.

4.3.3.2 Challenges and prospects of social media marketing

Despite the several advantages enumerated above, social media penetration in the rural sector faces some challenges, such as

1. Digital literacy
2. Limited internet access, and
3. Cybersecurity

However, initiatives like ‘Digital Village 2.0’ and the Information Technology Rules, 2021, aim to enhance digital literacy and data security. This will ensure the sustainability of digital marketing initiatives in rural sectors (Ministry of Electronics and Information Technology, 2021).

Thus, it can be concluded that digital villages play an im-

portant role in India's rural development by providing ICT-based solutions for governance, financial inclusion, healthcare, and education. Social media platforms like WhatsApp, Facebook, and YouTube act as catalysts in rural marketing by enhancing brand reach, consumer engagement, and e-commerce. With the rapid changes in digital infrastructure, the role of digital villages and social media in rural development will continue to grow and promote inclusive economic progress.

Summarised Overview

The digital village concept empowers rural communities with the help of technology-driven solutions for governance, education, healthcare, finance, and economic growth. It aims to bridge the digital divide by improving internet access, digital literacy, and e-governance services. The digital village initiative, which is a part of India's Digital India Mission, includes WiFi hotspots, telemedicine, digital finance, and skill development programs. A key feature of the digital village is e-governance, which enables rural residents to access government benefits, Aadhaar-based identity verification, and real-time grievance redressal. Education and healthcare benefits from tele-education platforms, e-libraries and telemedicine services provide quality learning and remote healthcare access. In the agricultural sector, farmers make use of digital tools for weather updates, online marketplaces, and AI analytics, enabling increased productivity and better income opportunities. Social media also plays a crucial role in rural marketing, helping rural businesses expand their reach through platforms like WhatsApp, Facebook, and YouTube. Digital marketing and influencer promotions also help in creating brand awareness and direct consumer engagement. However, challenges like low digital literacy, limited internet access, and cybersecurity concerns persist in the implementation of the digital village. Initiatives like Digital Village 2.0 and Information Technology Rules (2021) will help to address these challenges. The expansion of digital villages will continue to improve inclusive economic growth by integrating rural communities into the digital economy.

Self-Assessment Question

1. Define the concept of digital village.
2. How does the digital village contribute to rural development?
3. What are the key elements of Digital Village as mentioned in the Ministry of Electronics and Information Technology (2021)?
4. Discuss the role of e-governance services in improving the transparency and efficiency in rural areas.



5. How does digital financial inclusion help in the promotion of economic empowerment in rural sectors?
6. What are the challenges and prospects of implementing social media marketing in rural sectors?
7. Explain how tele-education and telemedicine bridge the gap between rural and urban communities.
8. How do agricultural digital services improve the productivity of farmers?

Assignments

1. Examine a similar example of the Digital Village Initiative, like Akodara, and prepare a report covering:
 - a. Key digital services implemented
 - b. Challenges faced at the time of implementation
 - c. Socio-economic impact on the rural community.
2. Imagine you are a policymaker working on a Digital Village project. Design a detailed proposal keeping in mind the following points:
 - a. Digital infrastructure required
 - b. Services to be offered (e-governance, telemedicine, financial inclusion, etc.)

Suggested Reading

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MODEL QUESTION PAPER SETS





SREENARAYANAGURU OPEN UNIVERSITY

Model Question Paper (SET- A)

QP CODE:

Reg. No :

Name:

THIRD SEMESTER MASTER OF COMMERCE (M.COM) DEGREE EXAMINATION

DISCIPLINE SPECIFIC ELECTIVE

M21CM11DE AGRICULTURAL AND RURAL MARKETING

Time: 3 Hours

Max Marks: 70

Section A

Answer any five of the following questions in one or two sentences each. Each question carries 2 marks.

(2 x 5 = 10)

1. Define Agricultural Marketing.
2. What is Rural Marketing Information System?
3. What do you mean by Agribusiness?
4. Who are Redistribution stockists?
5. What is Rural Marketing?
6. What do you mean by Agricultural marketing system?
7. What do you mean by Minimum Support Price?
8. Define digital village.

Section B

Answer any six of the following questions. Each question carries 5 marks.

(5 x 6 = 30)

9. Explain the features of the Agriculture Sector in India.
10. Briefly explain the features of rural marketing.
11. Differentiate between rural consumers and urban consumers.



12. Discuss the role of e-commerce in rural marketing
13. Briefly explain the significance of agricultural marketing.
14. Write a short note on the components of Agribusiness Sector.
15. Discuss the role of social media in rural marketing.
16. Discuss the participants in the rural distribution channel.
17. Discuss the characteristics of rural consumers
18. Briefly explain the different media used for Rural Communication.
19. Explain the impact of E –marketing on rural consumers

Section C

Answer any two of the following. Each question carries 15 marks.

(15 x 2 = 30)

20. Write a note on the non –conventional forms of Agribusiness in India.
21. Explain the objectives of agricultural marketing.
22. Explain
 - a. Rural Pricing Strategies
 - b. Rural Pricing Policies
23. Elucidate the different government agencies involved in rural development





SREENARAYANAGURU OPEN UNIVERSITY

Model Question Paper (SET- B)

QP CODE:

Reg. No :

Name:

THIRD SEMESTER MASTER OF COMMERCE (M.COM) DEGREE EXAMINATION

DISCIPLINE SPECIFIC ELECTIVE

M21CM11DE AGRICULTURAL AND RURAL MARKETING

Time: 3 Hours

Max Marks: 70

Section A

Answer any five of the following questions in one or two sentences each. Each question carries 2 marks.

(2 x 5 = 10)

1. What is Agriculture?
2. What do you mean by Agricultural Marketing?
3. What is Agripreneurship?
4. What do you mean by e-NAM?
5. What do you mean by Contract farming?
6. Define Rural Marketing.
7. What do you mean by Media Planning?
8. What is NABARD?

Section B

Answer any six of the following questions. Each question carries 5 marks.

(5 x 6 = 30)

9. What is the role of agriculture in the national economy?
10. Discuss the limitations of Rural Marketing.
11. Differentiate between Rural Marketing and Urban Marketing.



12. Briefly explain the key components of agricultural marketing.
13. Briefly explain the problems faced by agriculture sector in India.
14. Write a short note on FCI
15. Explain the factors motivating the export of agricultural products.
16. Explain marketing mix for rural products.
17. Discuss the innovations in rural marketing.
18. Briefly explain the promotional strategies for rural consumers.
19. Write a short note on Public Distribution System.

Section C

Answer any two of the following. Each question carries 15 marks.

(15 x 2 = 30)

20. Write a note on the emerging branches of Agri-business
21. Write a note on the impediments in Agricultural Marketing.
22. Explain
 - a. 4 A's of Rural Marketing.
 - b. Competitive Product Strategies for Rural Markets.
23. Explain the Non –Government Agencies involved in Rural Marketing.





SREENARAYANAGURU OPEN UNIVERSITY

Model Question Paper (SET- A)

QP CODE:

Reg. No :

Name:

THIRD SEMESTER MASTER OF COMMERCE (M.COM) DEGREE EXAMINATION

DISCIPLINE SPECIFIC ELECTIVE

M21CM02DE ADVANCED COST AND MANAGEMENT ACCOUNTING

Time: 3 Hours

Max Marks: 70

Section A

Answer any five of the following questions in one or two sentences each. Each question carries 2 marks.

(2 x 5 = 10)

1. Define marginal cost with an example.
2. Define margin of safety.
3. What are the possible causes of idle time variance?
4. What is standard costing?
5. What is Activity-Based Costing?
6. What is Competitive Benchmarking?
7. What is labour cost variance?
8. Name two components of sales variance.

Section B

Answer any six of the following questions. Each question carries 5 marks.

(5 x 6 = 30)

9. Explain important features of marginal costing.
10. Describe the use of marginal costing in make or buy decisions.
11. Discuss the significance of marginal costing in managerial planning and control.



12. Define material cost variance and explain its components with formulas.
13. Explain the meaning of material quantity standards and their role in standard costing.
14. What is material price variance? Explain how it is calculated
15. Differences between Activity Based Costing Method and Traditional Absorption Costing Method
16. What are the Advantages of Activity-Based Costing?
17. Discuss the role of Cost Accounting Standards in effective cost control and decision-making
18. Describe the process of identifying activities and assigning costs in ABC.

Section C

Answer any two of the following. Each question carries 15 marks.

(15 x 2 = 30)

19. Calculate the Margin of Safety in each of the following cases.

- ◆ Profit = ₹9,400, P/V ratio = 30 %
- ◆ Break-even Sales = 15% , Actual Sales = ₹ 25,00,000
- ◆ Profit = ₹6,600, Contribution (per unit) = ₹ 8
- ◆ Actual Sales = 5000 units, Break-even sales = 2300 units
- ◆ Profit = ₹4,300, Contribution = ₹25,200
- ◆ Break-even sales = 60%

20. Manu Ltd manufactures two products – Product A and Product B. The annual data of the company is given below.

Products	Annual Output (Units)	Total Machine Hours	Total Number of Purchase Orders	Total Number of Machine Setups
Product A	6,000	35,000	150	20
Product B	40,000	1,20,000	300	40

The annual overhead costs are as follows

Particulars	₹
Volume-related activity costs	5,50,000
Set-up related costs	8,50,000
Purchase-related costs	6,20,000



Calculate the cost per unit for Product A and Product B using:

The Traditional method of charging overheads.

The Activity-Based Costing (ABC) method

21. Define Sales Value and Explain its classification. Also, discuss the significance of analysing sales variances in managerial decision-making.
22. Explain Cost Accounting Standards (CAS) and their significance in cost accounting. Discuss the key Cost Accounting Standards.

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SREENARAYANAGURU OPEN UNIVERSITY

Model Question Paper (SET- B)

QP CODE:

Reg. No :

Name:

THIRD SEMESTER MASTER OF COMMERCE (M.COM) DEGREE EXAMINATION

DISCIPLINE SPECIFIC ELECTIVE

M21CM02DE ADVANCED COST AND MANAGEMENT ACCOUNTING

Time: 3 Hours

Max Marks: 70

Section A

Answer any five of the following questions in one or two sentences each. Each question carries 2 marks.

(2 x 5 = 10)

1. What is meant by segregation of cost?
2. Define contribution in marginal costing.
3. What does a high angle of incidence indicate?
4. List the main steps involved in the standard costing process.
5. What are overhead standards in cost accounting?
6. What is Competitive Benchmarking?
7. List two limitations of break-even analysis.
8. What are labour cost standards?

Section B

Answer any six of the following questions. Each question carries 5 marks.

(5 x 6 = 30)

9. Discuss the limitations or drawbacks of marginal costing.
10. From the following details, calculate the amount of profit earned during the year.

Variable Cost - ₹ 25 per unit



Fixed Cost – ₹5, 50,000

Selling Price - ₹50 per unit

Number of units produced – 60,000 units

11. How is the P/V Ratio useful in determining the break-even point and margin of safety?

12. Sales – ₹ 55,00,000, Variable Cost – 60%, Profit - ₹ 5,50,000,

Determine the

- a. P/V ratio,
- b. Fixed Cost and
- c. Sales Volume to earn a profit of ₹ 7, 50,000
- d. Profit when sales are ₹ 18, 00,000

13. X Ltd. sells a product for ₹80 per unit. The fixed costs for the company amount to ₹2.00, 000, and the variable cost per unit is ₹40. Actual sales = ₹ 20, 00,000. Calculate the

- a. Break-even point in units, b) break-even point in value, and c) break-even point in percentage.

14. Explain five factors that influence the setting of labour time standards.

15. Define fixed overheads and provide suitable examples

16. What is overhead variance? Explain its types.

17. What is negotiated transfer pricing? Explain its key features.

18. Define Enterprise Performance Management and explain its key components.

Section C

Answer any two of the following. Each question carries 15 marks.

(15 x 2 = 30)

19. Discuss the various types of transfer pricing methods used by organizations. Explain each method highlighting their advantages and disadvantages.

20. Arun Ltd produces three products, X, Y, and Z, for which the standard cost and quantities per unit are given below :

Particulars	Products		
	X	Y	Z
Output (units)	30,000	40,000	50,000
Direct Labour (per unit)	₹ 40	₹ 50	₹ 58
Direct Material (per unit)	₹ 60	₹ 50	₹ 42
Machine Hours per unit	5	5	8
Labour Hours per unit	4	5	6
No: of Purchase requisitions	700	1000	1,100
No: of Machine setups	130	140	160

Production Overhead Split by Departments:

Department P (Labour-intensive): ₹17,00,000

Department Q (Machine-intensive): ₹21,00,000

Department P requires 3,00,000 Labour Hours.

Department Q requires 7,00,000 Machine Hours.

Overhead Cost Split by Activity:

Receiving and Inspection	: ₹23,00,000
Production Scheduling	: ₹17,00,000
Total	: ₹39,00,000

Prepare cost statements using the traditional absorption costing method and Activity-based Costing method.

21. Define revenue management and explain its role in production channels and customer profitability analysis. Discuss how revenue management can be applied to optimize production decisions and improve customer profitability
22. Explain the concept of Enterprise Performance Management (EPM) and discuss its application in cost accounting. How does EPM help businesses in managing costs, improving efficiency, and enhancing decision-making?



സർവ്വകലാശാലാഗിതം

വിദ്യാൽ സ്വതന്ത്രരാകണം
വിശ്വപൗരരായി മാറണം
ഗ്രഹപ്രസാദമായ് വിളങ്ങണം
ഗുരുപ്രകാശമേ നയിക്കണേ

കുരിട്ടിൽ നിന്നു ഞങ്ങളെ
സൂര്യവീഥിയിൽ തെളിക്കണം
സ്നേഹദീപ്തിയായ് വിളങ്ങണം
നീതിവൈജയന്തി പറണം

ശാസ്ത്രവ്യാപ്തിയെന്നുമേകണം
ജാതിഭേദമാകെ മാറണം
ബോധരശ്മിയിൽ തിളങ്ങുവാൻ
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