

Impact of Improving Socio - Economic Conditions on the Purchase Behavior of Customers in Central Rural Uttar Pradesh

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ABSTRACT

The Indian rural market with vast size and demand base offers great opportunities to marketers. Two – thirds of the country's consumers live in rural areas and almost half of the national income is generated here. The rural market is now bigger than the urban market for most categories. The socio economic conditions in rural India have been improving for the past decades. By 2020, it is expected that every village will be connected by an all weather road, will have internet, an almost every home will have electricity and possess a mobile phone. With significant improvement in rural infrastructure coupled with agriculture reforms, we can expect rural markets to reach inflection point. This will lead to an explosion in demand. In view of improving rural infrastructure, the paper aims at analyzing the impact of improving socio economic conditions on the purchase behavior of customers in central rural Uttar Pradesh. The research paper is the result of the research works of the thesis.

Keywords: Socio economic conditions, rural customers and purchase behavior.

INTRODUCTION:

The rural consumer market of India is growing at a healthy pace of 8-10 % per annum and is expected to add US\$ 100 billion in consumption demand by 2017, which can be translated as double of 2010-11 economy size, as per the report by IBEF. As per the report by Associated Chambers of Commerce and Industry of India (ASSOCHAM), the Indian rural retail economy is worth USD 113 billion which can be translated as 40% of the total Indian retail market worth USD 280 billion. Some of the firms which have already established their base in rural areas are Reliance, AV Birla and Godrej, while firms like DCM, Pantaloon-Godrej JV, Tata, Hindustan Unilever, etc. are all set to expand their retail business in rural market.

During the fourth quarter of the FY 2017, the demand for fast moving consumer goods (FMCG) increased steadily as compared to its urban counterparts, as per the research conducted by AC Nielsen. The rural FMCG market accounts for 40% of the overall FMCG market in India in revenue terms. The rural FMCG market is anticipated to expand at a /CAGR of 17-41% to US\$ 100 billion during 2009-25.

Companies like Dabur, HUL, Godrej, etc have started recruiting more and more deserving candidates from rural districts in an attempt to elevate their network and market. Firms like Nestle and Glaxo Smithkline Consumer Healthcare (GSK) are all set to introduce new products for the rural areas in order to promote their brand. This indicates that the FMCG firms no longer treat rural markets as an appendage to their metropolitan strongholds and are targeting the market for positioning their brands and for industrial set-ups.

REVIEW OF LITERATURE:

(Ahmed M., 2011) rural market is very important commercially to the corporate world. With the contribution of major share in earnings and expenditure of Indian rupee, hinterland is playing crucial role in development of the

country. For many years rural consumer was neglected segment by major companies to sell the product and concentrate the business, with many drastic changes in culture, behavior of the rural consumers, raising in incomes due to the support of governmental schemes, awareness that has come by the media and floating population from rural to urban areas. Needs and wants, thinking of rural consumers have changed which attracted the attention of the company to rural areas. Another major reason for companies coming to rural areas is saturation of urban market, stiff competition and market crowded with products.

(Kulkarni and Dr. Hundal B. 2011) rural market in India is quite fascinating and challenging in spite of all the difficulties existing. The potential is enormous. Even though, these markets have weaknesses, they also have tremendous opportunities which should be availed by the marketers. It is well known that "Markets are created and not born". The market so created should be tapped effectively. The rural consumers are different than the urban one. It is important for the rural marketers to understand the rural markets and consumers to be successful in the rural markets. There are companies like H.U.L., ITC and LG which are successful in the rural markets. The rural tiger is awaking the companies need to work on the controllable factors to face the challenge successfully.

(Siras M. 2012) rural marketing should not give the impression that rural markets have not been exploited at all. Its purpose is only to highlight the growing importance of rural markets in the fast changing economic situation. Already, substantial penetration has been made by the producers of most consumer goods. Though the cost of distribution and promotion is bound to be high and producers even may sustain losses in the initial stages, this should not discourage them from entering the market the potentialities of the rural market are great definitely. With the changing economic conditions in the country, and with better purchasing power, among the rural population, the newly emerging rural markets are bound to yield rich.

(Vaswani L. et al 2005) made an attempt to bring to focus the role of rural marketing in bridging the widening difference between rural and urban economies in India. The suggested re conceptualization of rural marketing highlights the need for a dual perspective producers empowerment and strategic marketing and broad basing its domain to cover variety of market relationships which are part of growing rural-urban linkages. This difficult and complex task can be achieved by helping rural producers to effectively compete in the marketplace based on competitive/comparative advantage through consolidation of agriculture and rural enterprises. More specifically, agriculture and rural enterprises need to be linked to rural and/or urban markets through minimizing market resistance to rural products and maximizing market orientation of rural enterprises.

(Priyalatha P., 2011), the factors included was related to the personal care brands and rural consumers. The study did not take into consideration about the influence of advertising and other promotional factors. From the study it is evident that quality of personal care brands were given more emphasis and the difference in educational level of respondents is significant in case of certain factors namely quality, nearness to selling point and retailer. With increased education the rational thinking of rural consumers is improved and impulse buying is reduced. They make more rational decisions even though they belong to the rural regions. Income had a significant difference across Marital Status and Gender of respondents in influencing their purchase decision. Majority of the consumers do not mind visiting towns/city to purchase good quality brands of Personal care products.

(Singh V. and Bajaj A. 2012) studied that haats have gained a lot of importance in the rural market of India; this is an innovative marketing strategy that has helped in the development of the rural India. Each stall in the Haats creates a brand image and awareness among the villagers, due to which they purchase the products from Haats and many of the villagers sell their produced items. People who come to purchase items are able to have touch and feel experience of the products. From the above data it is clear that the rural people are inclined towards Haats, as they can purchase all the day to day items from haats and at a very reasonable price.

(Kotni V., 2012) found that there were almost twice as many "lower income households" in rural areas as in urban areas. There were 2.3 million "highest income" households in urban areas as against 1.6 million in rural areas. NCAER projections indicated that the number of "middle income and above" households was expected to grow to 111 million in rural India by 2007, compared to 59 million in urban India. Gone were the days when a rural consumer had to go to a nearby town or city to buy a branded product. The growing power of the rural consumer was forcing big companies to flock to rural markets.

Indian rural Healthcare Industry:

The Indian rural Healthcare market is 44% in 2015, totaling its worth to USD 8.8 bn, according to a survey carried out by McKinsey. Conglomerates like Sanofi - Aventis, has currently introduced a promotional activity to advertise generics in rural provinces called 'Prayas'. This initiative is considered as an attempt to share medicinal information with practicing medicos in rural districts through seminars.

Indian rural Automobiles Industry:

The recent development that the Indian rural Automobiles Industry saw was the declaration of the establishment of new sales and service channels in rural India by the President of Mahindra and Mahindra Group (M&M) Rajeev Dubey. These service outlets have a premeditated target of manufacturing 1,00,000 automobiles by FY 2017. India's top automobile manufacturers are expecting robust rural sales in the current fiscal year as a favourable monsoon and faster economic growth are likely to boost farm income. Maruti Suzuki India Ltd, Hero Honda and M&M Ltd. Generate about 35-50% of their sales from rural areas. Rural market demand for two wheelers has improved significantly after two straight years of motor cycle sales grew by over 10% in the year ended 31st march.

Indian rural Services Industry:

Surprisingly, more than 60% of the services industry of the nation is based in the rural areas, as per the research conducted by National Sample Survey Organisation (NSSO). In the fiscal year 2007, there were around 85% of the own account enterprises (OAEs) in India which deployed 76% of the manpower in rural districts of India.

FMCG:

According to a study by research firm The Nielson Company, the fast moving consumer goods market (FMCG) in rural India is tipped to touch US\$ 100 billion by 2025 on the back of "unrelenting" demand driven by rising income levels. According to the study, rural India now accounts for more than half of sales in some of the largest FMCG categories.

The study found that:

- Rural purchasing power has grown faster than urban in the last six quarters
- Faster growth in rural is not limited to penetration; today the rural consumer's frequency of consumption is growing faster as well, demonstrating their entrenchment in these categories
- Instant noodle sales are growing nearly twice as fast in rural India compared to urban in both penetration and frequency
- Seemingly 'urbane' brands in categories like deodorant and fabric softener are growing much faster in rural India than urban

Several FMCG firms, including ITC and DCM, have been registering faster and higher growth in the sales of their goods in the rural markets as compared to the urban markets.

Some of the FMCG companies such as Godrej Consumer Products, Dabur, Marico and Hindustan Unilever (HUL) have increased their hiring in rural India and small towns in order to establish a local connect and increase visibility.

Consumer Durables:

India's rural consumer durable market will witness an annual growth of 40 per cent in the next fiscal year as against the current growth rate of 30 per cent owing to the change in lifestyle and higher disposable income of rural India which has fascinated the consumer durable market according to a study "Rise of Consumer Durables in Rural India" by an industry body. The consumer durables market in India is estimated to have reached Rs.1 trillion in 2017.

Retail:

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

Hindustan Unilever (HUL) is planning to significantly increase its rural reach. According to Harish Manwani, Chairman, HUL, the quality and quantity of rural coverage will go up to the extent that "what we have done in the last 25 years we want to do it in the next two years." Currently HUL products reach approximately 250,000 rural retail outlets and the company intends to scale it up to nearly 750,000 outlets in two years time.

Internet:

The number of internet users in rural India is estimated to have risen 186 million in 2017. The no. of internet users is expected to reach 500 million by June 2018, according to a joint study conducted by the Internet & Mobile Association of India (IAMAI) and market research firm IMRB.

OBJECTIVES:

The objectives of the research work are stated as follows-

- 1- To study the socio economic factors in the rural areas of central Uttar Pradesh.
- 2- To analyze the impact of socio economic conditions on the purchase behavior of customers in central rural Uttar Pradesh

METHODOLOGY:

At the initial stage, rural areas of central Uttar Pradesh have been clustered in zones and out of these clusters, four districts viz. Barabanki, Sitapur, Hardoi and Raebareli, which are developing fast, have been taken into consideration for the study. From each districts, two villages have been selected on the basis of population, distance from each other, nearness to the districts and the fast developing villages in that districts. 150 respondents from each of eight villages have been taken into consideration from each identified strata. The respondents for the study will be the mixture of villagers as customers and shopkeepers in the town markets. Thus the total number of sample turns out to be at least 1200.

FINDINGS AND DISCUSSIONS:

The data have been ordered, analyzed and interpreted by applying various statistical techniques – mean, standard deviation, and coefficient of variation, rank, range and Chi-square for arriving at generalizations, interpretations and inferences from the data.

Socio economic factors:

- i) Age a)<20 :352 , b) <20-30 :306 , c) 30-40: 244 , d) 40-50:176 , e) >50 :122
- ii) Gender a) Male - 670, b) Female - 530
- iii) Income/monthly a)< 5000 -432, b) 5000-10000-318, c)15001-25000-216, d)25001-40000-152, e) above40000-82
- iv) Education:
 - a) Primary-146, b) High School-233, c) Intermediate-271, d) Graduate-214, e) Post Graduate-163, f) Professional Qualification-86, g) Others -32 e)No Education-55
- v) Occupation:
 - a) Agricultural Laborer-343, b) Private Employee-134, c) Construction Laborer-211, d) Government Employee-82, e) Housewife-110, f) Non - profit Organization-34, g) Self Employed Group-56, h) Trader-163, i) Others-67

From the primary data available as mentioned above regarding age, gender, income and levels of education and occupation, it is evident that there was maximum participation of the persons aging between 20-40 years in the total respondents participated in the research drive. The ratio of male to female respondents is 14:11. 64% of the respondents earn more than Rs. 5000 per month. This indicates that economic conditions of the people living in the rural areas of the four districts under consideration have improved and the size of rural middle class has also increased. It is also clear that more than 72% of the respondents are employed in other than agriculture sector, both in organized and unorganized, which clearly indicates that the number of skilled work force is rapidly increasing in rural areas. This is why the socio economic conditions of the rural areas are changing fast and resultantly the gap between urban and rural India is getting reduced. The rural market is getting matured to experience the new and branded products.

Factors affecting buying decision of a customer:

- 1-H0- There is no difference in the responses of the respondents for the ten factors considered above.
 - 1-H1-There is difference in the respondents' responses for the ten factors – functionality, reliability, benefits, value for money, ease of use, price, guarantees, design/style and size of packaging
- From table 1, it is clear that reliability, value for money, price, benefits and guarantees are ranked from first to five, hence are highly effective factors in influencing the decision making. Mean awareness (μ) of the above ten under consideration factors' affecting buying decision of a product is 3.29 with a standard deviation (σ) .28. Except functionality, design/style and reliability, all the rest of the factors fall within the range of variation of mean μ from standard deviation σ ($\mu \pm \sigma$), which covers two third (68.27% of the area) of the observations. Reliability falls within $\mu \pm 2\sigma$ (i.e. 95.45 % of the area), which is in the right side of the area. Coefficient of variation is 8.5% which is less variable and hence more uniform. This connotes that all the factors except

functionality and design/style are uniformly and consistently affecting the buying decision making process. The calculated values of χ^2 are greater than the table value of 9.48 at 5% level of significance. This rejects the null hypothesis and hence, the alternate hypothesis is accepted that there is difference in the respondents' responses for the ten factors – functionality, reliability, benefits, value for money, ease of use, price, guarantees, design/style and size of packaging.

Purchase location:

2- H0- There is no difference in the responses of the respondents for the four purchase locations considered above.
2- H1- There is difference in the respondents' responses for the four purchase locations – local shops, haats, melas, and mandies.

From table 2, it is clear that haats and local shops are ranked first and second respectively, hence are most preferred purchase locations. Mandies and melas are ranked third and fourth respectively, hence are less preferred locations. Mean awareness (μ) of the above four purchase locations under consideration is 2.88 with a standard deviation (σ) .23. All the four purchase locations fall within the range of variation of mean μ from standard deviation σ ($\mu \pm \sigma$), which covers two third (68.27% of the area) of the observations. Coefficient of variation is 7.99% which is less variable and hence more uniform. This connotes that all the factors are uniformly and consistently chosen as purchase locations. It is clear that the calculated values of χ^2 are greater than the table value of 9.48 at 5% level of significance. This rejects the null hypothesis and hence, the alternate hypothesis is accepted that there is difference in the respondents' responses for the four purchase locations – local shops, haats, melas, and mandies.

Impact of small packs and sachets on the purchase decision of FMCG products:

4-H0- There is no difference in the responses of the respondents for purchasing the 12 FMCG products in small packs and sachets considered above.

4-H1- There is difference in the respondents' responses for purchasing the 12 FMCG products in small packs and sachets – biscuits, coconut oil, shampoos, coffee, hair oil, washing powder, tooth powder, talcum powder, tea packaged, fairness cream, ketchup sauce and tooth paste.

From table 3, it is clear that biscuits, coconut oil, shampoos, coffee and hair oil are ranked from 1 to 5 respectively, hence are extremely preferred to be sold in small packs and sachets. Washing powder, tooth powder, talcum powder, tea packaged, fairness cream, ketchup sauce and tooth paste are ranked from 6 to 12, hence are very effectively sold in small packs and sachets. . Mean awareness (μ) of the above 12 FMCG products under consideration is 3.18 with a standard deviation (σ) 0 .31. Hair oil, washing powder, tooth powder, talcum powder, tea packaged, fairness cream fall within the range of variation of mean μ from standard deviation σ ($\mu \pm \sigma$), which covers two third (68.27% of the area) of the observations, whereas Biscuits, coconut oil, shampoos, coffee, ketchup sauce and tooth paste fall within $\mu \pm 2\sigma$ (i.e. 95.45 % of the area). Coefficient of variation is 9.75% which is moderately variable and hence moderately uniform. This connotes that majority of the above 12 FMCG products are highly preferred to be sold in small packs and sachets. It is clear that the calculated values of χ^2 are greater than the table value of 9.48 at 5% level of significance. This rejects the null hypothesis and hence, the alternate hypothesis is accepted that there is difference in the respondents' responses for purchasing the 12 FMCG products in small packs and sachets – biscuits, coconut oil, shampoos, coffee, hair oil, washing powder, tooth powder, talcum powder, tea packaged, fairness cream, ketchup sauce and tooth paste.

CONCLUSION:

Given the distribution of rural and urban population, it can be seen that the number of literates in rural areas are more than in urban areas. It is interesting to note that there has been a considerable increase in the number of literate persons in rural areas since the last two decades. This has its implication in communicating with the rural population. It appears that communication should not prove to be such a big hurdle.

At the end of the study it can be concluded that the majority of the respondents is educationally matured to understand its needs and wants for services belonging to middle class income group of the rural market, which gives the largest market potential with comparatively high paying capacity. This indicates that economic conditions of the people living in the rural areas of the four districts under consideration have improved and the size of rural middle class has also increased. More than 72% of the respondents are employed in other than agriculture sector, both in organized and unorganized, which clearly indicates that the number of skilled work force is rapidly increasing in rural areas. This is why the socio economic conditions of the rural areas are changing fast and resultantly the gap between urban and rural India is getting reduced. The rural market is

getting matured to experience the new and branded products.

Reliability, value for money and price are extremely effective factors affecting buying decision of a product. Value for money, price, benefits and guarantees are highly effective factors in influencing the decision making. It is evident that haats and local shops are used for frequent purchases whereas mandies and melas are used for less frequent or bulk purchase. The haat is very basic and local platform promoted by the rural people and for the rural people, and which has already gain a good acceptance level by rural consumers, so company should thinks to take the advantage of the same market by making their presence available in to the haat culture and make the rural people feel that the products are made for them only. Mobile vans, news papers and periodicals and commercials pasted on public transport are highly effective promotional means. Doctors and youngsters visiting rural areas are the most effective opinion leaders in influencing the purchase decision of customers in the rural markets in comparison to the Mukhiya and village school teacher.

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TABLES:

Table 1: Factors affecting buying decision in a product, rated from one to five.

Rating ↑ / Factors ↓	Not at all effective	Not very effective	Somewhat effective	Very effective	Extremely effective	Total	Weighted Average	Rank	Mean of WA (μ)	SD (σ)	Range ($\mu \pm \sigma$)	CV	χ^2 Calculated Value	χ^2 Table Value at 5% d.f.-4	Null Hypothesis Rejected / Accepted
Functionality	336	324	192	192	156	1200	2.59	10	3.299	0.28	3.01 to 3.58	8.56	174	9.48	Rejected
Reliability	156	162	184	242	456	1200	3.59	1					135.6		
Benefits	144	174	212	294	376	1200	3.44	4					149		
Value for money	156	168	196	290	390	1200	3.48	2					163.2		
Ease of use	152	184	224	286	354	1200	3.34	6					109.3		
Price	142	164	210	296	388	1200	3.48	3					578.3		
Discounts	152	174	230	286	358	1200	3.34	6					1020.1		
Guaranties	144	184	208	284	380	1200	3.44	4					481.6		
Design/style	218	278	216	222	266	1200	2.97	9					14.6		
Size of packaging	152	230	204	266	348	1200	3.33	8					89.5		

Table 2: Purchase location, rated from one to five.

Rating ↕ / Factors	Not at all effective	Not very effective	Somewhat effective	Very effective	Extremely effective	Total	Weighted Average	Rank	Mean of WA (μ)	SD (σ)	Range ($\mu \pm \sigma$)	CV	χ^2 Calculated Value	χ^2 Table Value at 5% d.f.-4	Null Hypothesis Rejected / Accepted
Local Shops	216	274	176	234	300	1200	3.11	2	2.88	0.23	2.65 to 3.11	7.99	39.4	9.48	Rejected
Haats	192	246	236	286	240	1200	3.11	1					18.6		
Melas	416	236	154	198	196	1200	2.6	4					878.1		
Mandies	270	344	236	182	168	1200	2.7	3					1058.9		

Table 3: Impact of small packs and sachets on the purchase decision of FMCG products, rated from one to five.

Rating ↕ / Factors	Not at all effective	Not very effective	Somewhat effective	Very effective	Extremely effective	Total	Weighted Average	Rank	Mean of WA (μ)	SD (σ)	Range ($\mu \pm \sigma$)	CV	χ^2 Calculated Value	χ^2 Table Value at 5% d.f.-4	Null Hypothesis Rejected / Accepted
Tea Packaged	286	228	144	218	324	1200	3.06	9	3.18	0.31	2.86 to 3.49	9.75	79.2	9.48	Rejected
Coffee	134	176	216	272	402	1200	3.53	4					1056.3		
Shampoos	136	166	218	276	404	1200	3.54	3					1065		
Talcum powder	172	236	296	294	202	1200	3.1	8					50.5		
Tooth powder	176	224	304	276	220	1200	3.12	7					42.2		
Washing powder	178	278	218	258	268	1200	3.13	6					15.7		
Coconut oil	136	162	212	288	402	1200	3.55	2					1037.7		
Hair oil	156	232	278	224	310	1200	3.25	5					57.1		
Tooth paste	384	256	256	168	136	1200	2.51	12					962.5		
Fairness cream	218	306	196	210	270	1200	3.01	10					35.7		
Ketchup sauc	336	244	152	258	210	1200	2.8	11					75.8		
Biscuits	128	164	216	264	428	1200	3.58	1					965.7		
