International Journal of Science and Research (IJSR)
ISSN: 2319-7064
SJIF (2022): 7.942

Impact of Globalization on Rural Market and Farmers in India

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Abstract: ***Globalization is integration of nation's economic development with rural farmers in India. Globalization can be viewed as the integration of rural inputs and outputs into global markets. It is sharing the information and knowledge to the rural farmers to the global market. In developing countries like India, small and marginal farmers are the key players for taking agriculture goods to the global market. This paper presents impact of globalization and how it integrates the rural market and small farmers in global partners.***

Keywords: Global market, GDP, Rural employment, Heterogeneous market, Marginal farmers

1. Introduction

Some people think that the concept of globalization is the free movement of trade, investment, services and exchange of culture world over. But according to some experts, globalization is integration of nation's economic system with the international market forces. Ironically, some other describe globalization as a strategy of the imperialist forces to loot the 'Third World' countries. For us, globalization is the mobility of finance capital across the world, particularly of the poor countries. The unprecedented technological progress has enabled the easy flow of finance capital at the fastest speed to any country. In the process of globalization, the three International Institutions namely, International Monetary Fund (IMF), World Bank (WB) and World Trade Organization (WTO) play a major role. These three organizations in a close collaboration function as the "Intelligence Agencies" on the economic policies of the underdeveloped countries. Trade-Related Intellectual Property Rights System (TRIPS) appears to have the greatest impact. And lastly, some feel that Globalization stands for the ultimate rights of multinational companies to allocate resources according to their own criteria.

Globalization, liberalization and privatization started in India during 1991 when Government of India implemented the New Economic Policy under the directives of International Monetary Fund (IMF) and World Bank (WB). After that so many changes have been made in Indian economy. Government of India had opened Indian market for the multinational companies to carry on their trade, business with their Indian counterparts. Before starting globalization in India, IMF and WB had imposed some vital conditions on Indian Govt. to follow that. One of them is to withdraw subsidy from Indian agriculture. Thus, successive Indian Governments have been following the instructions of those agencies and subsequently withdrawing the subsidies from the agricultural sector. As a result, the cost of production of cultivation has increased in manifolds, making traditional farming an unprofitable option for the Indian farmers. On the other hand land acquisitions in the name of various developmental projects have rendered many peasants landless and jobless. Now days, Indian farmers are in deep trouble. The NSSO (59th round) Report ,which was held in 2003 ,revealed that 27 percent of farmers did not like farming because it was not profitable and 40 percent of the farmers have expressed their desire to quit farming and would take up some other profession. As a result, many marginal and poor peasants have been forced to migrate to urban areas for their livelihood. The report of National Commission for Enterprises in the Unorganized Sector says 77 percent of Indian population live on rupees 20/- or less per day. At this juncture multinational companies and big Indian corporate have entered the Indian rural market which no doubt would have long lasting effect on the rural economy and the livelihood of the rural people.

Large and Scattered Market

- It consists of approximately 75 crore rural consumer who live in approximately 6, 38,365 villages and the rural market is geographically scattered.
- About 1,45,098 villages or 23 percent of the total number of village in India have population less than 200 and another 21 percent have population between 200 and 500 and on the other hand 13 percent villages have 50 percent rural population and they posses 60 percent of the rural wealth.
- Heterogeneous Market
- It shows linguistic, religious and cultural diversities and economic disparities. As many as 20,000 ethnic groups are present in rural India and this poses a formidable challenge to the marketer.
- There are 24 languages and 1,642 dialects (boli) which varies every 100 km or so and thus it is extremely difficult to develop a uniform promotional message.

Income from Agriculture

Agriculture is the main source of income. Nearly 55 percent of rural income comes from the agriculture and the income being seasonal in nature is fluctuating. The type of crop production method of agriculture and the amount of land directly influence this income.

Standard of living

Over 70 percent of the rural population is employed in small scale agriculture and its related occupations the rural market is undeveloped, as the people who constitute it still lack adequate purchasing power. It is largely agricultural oriented, with poor standard of living, low-per capita income.

Infrastructure facilities

The infrastructural facilities like Roads, Warehouses, Communication system and financial facilities are inadequate in rural areas. Nearly 50 percent of the rural villages in the country are not properly connected by roads. Over 50 percent rural household has access to electricity as main source of lighting but 46 percent use kerosene or other means for lighting.

FMCGs companies are trying to reach rural consumers through village markets (hats), agricultural markets (mandis), rural fairs (melas) and many other ways. Hats are a public gathering of buyers and sellers of commodities, meeting at a customary location at regular intervals. Most of these periodic markets are held once a week. Haats function as physical markets for selling agricultural surplus as well as retail points for buying daily-use items and supplies for farming activities. Mandis or agricultural markets are set up by the state governments for facilitating exchange of agricultural produce and for the procurement of food grains by the government agencies. Companies use mandis to promote their brands by setting up "stalls" for carrying out sales promotion activities and for gathering market-research information. Melas or fairs are an integral part of human life. There are different types of fairs: commodity fairs, cattle fairs, and fairs in connection with religious festivals. Most of the fairs are held in connection with religious festivals and, have limited marketing value. But the remaining fairs are used by companies to promote their products and brands.

The globalization of the Indian economy has given an added advantage to sophisticated production, proliferation and mass distribution of goods and services. With the rapid pace of technological improvement and increase in peoples buying capacity, more and better goods and services now are in continuous demand. Rural India is the real India. The bulk of India's population live in villages. Today rural market is the largest potential market in India. At present about 70 percent of Indian population live in rural areas and the rural market scenario is changing rapidly almost every day. Now a days, rural consumers spend about USD 9 billion per annum on 'FMCG' (Fast Moving Consumers Goods) and these consumption are growing much faster than urban areas. The reasons why companies are going rural are manifold. Higher rural incomes driven by agricultural growth, increasing enrolment in primary schools, high penetration of TV and other mass media have increased the propensity to consume branded and value added products in rural areas. Most Fast Moving Consumer Goods Companies (FMCG) in India are introducing customized products especially for rural areas. Thus, the sales of FMCG products in rural markets is growing at a fast pace. Marketers and manufacturers are increasingly aware of the purchasing powers, vast size and demand base of the once neglected Indian hinterland. A survey by the National Council for Applied Economic Research revealed that the rural middle class is growing at 12 percent against the 13 percent growth of urban parts. Over 70 percent sales of total products are made to middle class households today and over 50 percent of the middle class is in rural India. According to a study by Chennai based Francis Kanoi Marketing Planning Services Pvt. Ltd., the FMCGs market in rural India is now worth Rs.45,000 crore and in addition to that the tractor and agri-inputs is worth Rs.45,000 crore and two to four wheelers rural markets is of 8000 crore today.

The impact of globalization has been felt by the Indian rural market as much as the urban counterpart. Hence, we can see that today changes are taking place rapidly in all walks of life and rural areas are no exception to this. Improved infrastructure facilities, economic liberalization, renewed emphasis on agribusiness and small industries, fast changing agricultural technology, scope for commercialization of agriculture, greater budgetary provision for rural people are few reasons to mention. Moreover, various socio-cultural, psychological and political aspects of rural life are also changing. Rural people today are less fatalistic, less attached to religious beliefs, getting more individualistic, achievement-oriented and aspiring than before. All this has opened up new vistas for the marketers at least in the states, which are leading in per capita income with a sustained growth, like Punjab, Haryana, Maharashtra, Tamilnadu, Karnatka, Gujrat, Delhi and Western UP etc. Many features of rural India have been analysed by National Council for Applied Economic Research (NCAER) and some of these are as follows:

Rural India constitutes of 70 percent of India's total population.

- It accounts for 56 percent of national income.
- It contributes to 1/3rd of India's total savings
- It accounts for 64 percent of total India's expenditure.
- Rural economy is estimated to reach a size of Rs 18 trillion by 2012-2013 as against Rs. 12 trillion in 2007-2008.
- Rural consumer's share of total ownership of low cost items like bicycles, pressure cookers and watches during 2006-07 was 60 percent.

The share of rural India in the FMCG market is around 53 percent and is expected to reach 60 percent in future. There are as many 'middle income and above' households in the rural areas as there are in the urban areas.

The Indian rural market is larger when it is compared to the urban counterparts in many respects. The rural areas earlier used to be dominated by so many factors like low per-capita income, low level of infrastructure facilities, problem of metal-roads, low literacy level and slow progress of industrialization etc. These factors were responsible for limiting the capacity for consumption of goods and services and the irony was that marketers were hardly interested in these markets. In recent times, however, the scene has changed in agriculture and allied activities like horticulture, animal husbandry and rural industrialization etc. In rural areas, the scope for marketing of goods and services depend heavily on agriculture, as it is the main occupation of the rural people. Good monsoons leading to bumper harvests, increase in procurement price for agricultural items, a fourfold increase in the outlay for rural development from ninth to the twelfth Five Year Plan and etc. have contributed to this rural boom. The market for agriculture inputs like fertilizers, tractors, irrigation equipments, and hybrid seeds has been in the growth phase for last few decades and hence contributing a major break-through in the earning capacity of the farmers.

It is thus obvious that rural India has become the hot target for FMCG companies. Indian rural market has been growing steadily over the years (53 percent share of the total market) and is now bigger than the urban market for fast moving consumer goods. For these FMCG companies are formulating their rural marketing strategy to catch this potential market. Big industries Like Hindustan Lever Ltd., Colgate-Palmolive, Britanica, Marico, Tata tea, Parle, P&G etc. are showing deep interest in rural India marketing. Recently, as strategy Godrej Consumer Products Ltd., introduced smaller pack sizes of its soaps and put them on the market for Rs.5/- only. HLL has also launched a special type of Lifebuoy soap for targeting the village folks. HLL has established a single distribution channel by consolidating their products and this channel seeks to build a network to sub-stockist. Likewise Coca-Cola India has started out by drawing up a distribution channel to reach to rural villages. Chennai based Cavin Kare Ltd. which makes hair dyes, organizes live demonstrations in remote areas where villagers gets a free of cost slice hair dye packet for their uses. Brook Bond Lipton India distributes their tea packet to village folks free of cost. Reckitt and Colemen use NGOs in rural areas to educate customers about their product benefits. LG India is targeting the rural and semi-urban markets and to keep foot consciously into the hinterland of rural India. These are some example of the big FMCG companies marketing strategies to target customers in rural India.

Rural population is about 74% of the total population in India. The demand for products and services has increased a lot in rural areas. Green revolution in the North and white revolution in the West has brought about a new prosperity in the lives of rural people. Government emphasis on rural development has caused significant changes in the rural sectors. Moreover, the special attention given for infrastructure development through the successive Five Year Plans has improved the buying and consumption pattern of rural folks.

But it is a fact that due to unawareness, many rural consumers are vulnerable to the unscrupulous and unethical marketing practices of the greedy marketers. Sub-standard and spurious products are being passed on to the rural consumers under the brand name which are deceptively similar to the popular brand names. For example: ‘Colgote’ for ‘Colgate’. Due to their lack of information, most of rural consumers have less bargaining power. On the pack of the products the ‘MRP’ is printed but many rural consumers do not check it. They are being deceived by the spurious traders. There are also other unethical marketing practices like selling of prohibited drugs, misleading advertisement etc., unscrupulous traders openly flout trade laws in rural areas.

To protect consumers from unethical and unscrupulous traders, Govt. of India and various State Governments have taken some preventive measures and enacted Acts. These are (1) The prevention of Black Marketing and Maintenance of Suppliers of Essential Commodities Act 1980 (2) The Standards of Weights and Measures (Enforcement) Act, 1985 (3) The Bureau of Indian Standards Act, 1986 (4) The Consumer Protection Act, 1986 (5) The competition Act, 2002 etc. Recently, some awareness programmes has taken by the Ministry of Consumers Affairs and here are few examples:

- A campaign programme ‘Jago Grahak Jago’ to focus on consumers rights.
- To educate students about their rights as a consumer and to mobilize youngsters to strengthen the consumer movement in the country.
- The national consumer helpline has been launched by Ministry of Consumer Affairs to attending consumer grievances from all over India.

The Dept. of Consumer Affairs has engaged IIPA, New Delhi as the nodal department of the Govt. of India, responsible to adopt consumer protection and welfare. However, traditional media can also create awareness of the rural consumer about the fake products and to protect them from unethical marketing.

In India, roughly 90 percent of the rural population is engaged in agriculture. In absolute terms they are nearly 600 million or 60 crore. Since 1990, when Globalization was implemented in India then many important changes were made in cultivation (e.g. multi-cropping, the shift from rain-fed to irrigation dependent farming in many areas) and a certain degree of development of productive forces (in inputs like HYV seeds, machinery, techniques, skills) due to the opening of agriculture sector for the multinational companies and big corporations. Consequently, the cost of agricultural production has increased because cost of chemical fertilizers, pesticides, irrigation etc. has increased in manifolds. The capital intensive and import based agricultural activity have naturally started displacing mostly poor, small and marginal peasants from land. Now, the estimated annual business from rural market of agri-inputs including tractors is worth Rs.45, 000 crore. Multinational agri-business companies like Cargill, Pepsico, Monsanto, ITC etc. are already in the field to monopolize this lucrative market. A new class has emerged in rural India during the period of globalization which has been benefited by this globalization. These are mainly the rich and high middle class farmers. Many of the owners themselves do not till land, they supervise the agricultural activities and such supervising families are basically engaged in services in the government or private sector or business especially related to agribusiness.

2. Conclusion

In some places they also act as moneylenders and lend money to poor peasants at a high interest and control the local political power. Basically, these classes have more purchasing power and are the main customers for durable and other luxurious goods in rural India. The remaining poor and marginal peasants ironically who constitute the major portion in rural areas have been subjected to deep trouble in the era of globalization and their purchasing power are too low and has been decreasing over the years. Small farmers in particular are least benefited by this globalization whereas big farmers with their economic and political influence, are able to reap the benefits of globalization as they can get best technologies, grow cash crops, negotiate agreements, and move their products. On the other hand distressed peasants who are feeding the nation are mostly indebted. According to the National Crime Bureau record, in the ten years period between 1998 and 2008 as many as 2 lakh farmers have committed suicide in India.

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