



## A Study on Rural Marketing with Special Reference to ICICI Bank

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### Abstract

Rural marketing widely differs in terms of its geographical feature and social cultural factors with affect the marketing strategy for the specific region. Rural marketing basically a focused marketing activity of an organization and has become a fad to market product in the rural India still lacks in terms of availability of various products specially the risk oriented product. The aim of this paper is to study various aspect of rural marketing in the context of ICICI products. this paper discuss the conceptual framework of rural market and rural marketing strategy of rural banking , role of technology, financial literacy, future plan, impact of the innovation on business. Rural distribution channel. This is a kind of conceptual paper hence e the methodology used in exploratory in nature. The penetration of banking in rural India pitifully low to reach the rural customers bank should interact with local govt./development agencies. as well as other governing bodies . And the extension of the micro finance will bring to the rural market.

**Keywords:** Role of technology, designing the product, financial literacy, challenges and opportunities, micro finance services, future plan, impact of the innovation on business.

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### Introduction

Rural marketing(bank) in India become more competitive market and different bank playing a very vital role in rural India .we also observe that so many private sector bank come in rural market . ICICI also expanding its branches in rural marketing in India. the marketing of rural customers has been change due to increases of income they prefer to bank for deposit money. For capturing the rural market. bank also provide the better facility to the customers . Indian market both urban and rural offer tremendous growth opportunity for banks. Bank understands the consumer's needs and produce the product according to the customer needs. Rural India is going to become a biggest market of the world in the near future and it is transforming like anything.

## **Defination and Feature of Rural Market**

The meaning of the word 'rural' is multi-dimensional. 'Rural' has been viewed in at least four different ways (Halfacree 1993, Pandey 1996): urban–rural dichotomy view; census view; socio-cultural view; and rural as a state-of-mind (Modi, 2012).. According to 2011 census, rural population is 72% of total population and it is scattered over a wide range of geographic area. Planning Commission of India defined rural market as towns up to 15,000 populations are considered as rural market. There are 600,000 villages in India. 25% of all villages account for 65% of the total rural population. So we can contact 65% of 680 million or 700 million population by simply contacting 150000 villages – which shows the huge potential of this market. The meaning of rural market has changed over the past six decades. Kashyap and Raut (2006) have listed three distinct phase in the evolution of rural marketing during which the term change it meaning and connotation. During the first phase, pre 1960s, rural marketing was synonymous with agricultural marketing. During 1960s – 1990s the marketing of agriculture input and marketing of non farm rural product was considered as rural marketing. Post 1990s – with rising income and mushrooming middle class across the country, various companies focused on tapping rural market potential. Rural marketing now refer to FMCG and Consumer durable goods in rural area.

Rural markets have been playing a significant role in growth of our economy in the competitive environment. India is now seeing a dramatic shift towards prosperity in rural households. To expand the market by tapping the countryside, more and more MNCs are foraying into India's rural markets. Among those that have made some headway are Hindustan Lever, Coca-Cola, LG Electronics, Britannia, Standard Life, Philips, Colgate Palmolive and the foreign-invested telecom companies. As per the National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas (Behura and Panda, 2012). There are almost twice as many 'lower middle income' households in rural areas as in the urban areas.

Rural market is getting an importance because of the saturation of the urban market. As due to the competition in the urban market, the market is more or saturated as most of the capacity of the purchasers has been targeted by the marketers. So the marketers are looking for extending their product categories to an unexplored market i.e. the rural market (Kotni, 2012). Demand pattern of customers in rural market is fast changing due to increasing in income level, saving habits and credit facilities offered by banks. However, rural consumers have low standard of living because of low literacy, low per capita income and social backwardness. Facilities like roads, warehouses, communication system, etc. are inadequate in rural areas. The major roadblocks of Indian rural markets are standard of living, low literacy levels, low per capita income, transportation and warehousing, ineffective distribution channels, many languages and diversity in culture, lack of communication system, spurious brands, seasonal demand, Dispersed markets and etc.

## **Concept of Rural Marketing**

Rural marketing involves the process of developing, pricing, promoting, distributing rural specific product and a service leading to exchange between rural and urban market which satisfies consumer demand and also achieves organizational objectives. According to National Commission on Agriculture,

Rural marketing is a process which starts with a decision to produce a salable farm commodity and it involves all the aspects of market system, and includes pre and post harvest operations i.e. assembling, grading, storage, transportation and distribution.

In India, the term rural marketing has been variously interpreted and referred to as marketing of agriculture produce, marketing of agro inputs, marketing of rural crafts and more recently as marketing of consumer goods to the rural poor. Rural marketing is also defined as marketing of products produced in rural area to urban areas as well as marketing Products produced in rural areas in rural markets. It is a function that manages all activities involved in assessing, stimulating and converting the purchase power of rural consumers into effective demand for specific products and services to create satisfaction and a better standard of living for achieving organizational goals.

Rural marketing is a two-way marketing process wherein the transactions can be

- Urban to Rural: It involves the selling of products and services by urban marketers in rural areas. These include: Pesticides, FMCG Products, Consumer durables, etc.
- Rural to Urban: Here, a rural producer (involved in agriculture) sells his produce in urban market. This may not be direct. There generally are middlemen, agencies, government co-operatives, etc who sell fruits, vegetables, grains, pulses and others.
- Rural to rural: These include selling of agricultural tools, cattle, carts and others to another village in its proximity.

Even though there are plenty of opportunities for marketers to be present in rural market, the problems of rural marketing are continuing in spite of efforts to improve. The position is improving but slowly the rural marketer has many challenges. But the vast & expanding markets call for good marketing strategies to create win situations to all parties in the chain of rural marketing. The problems of rural marketing are as follows:-

- Under developed people
- Under developed market
- Improper communication facilities
- Many languages
- Vastness & uneven spread
- Low per capita income
- Poor infrastructure facilities
- Seasonal demand

- Less distribution channel

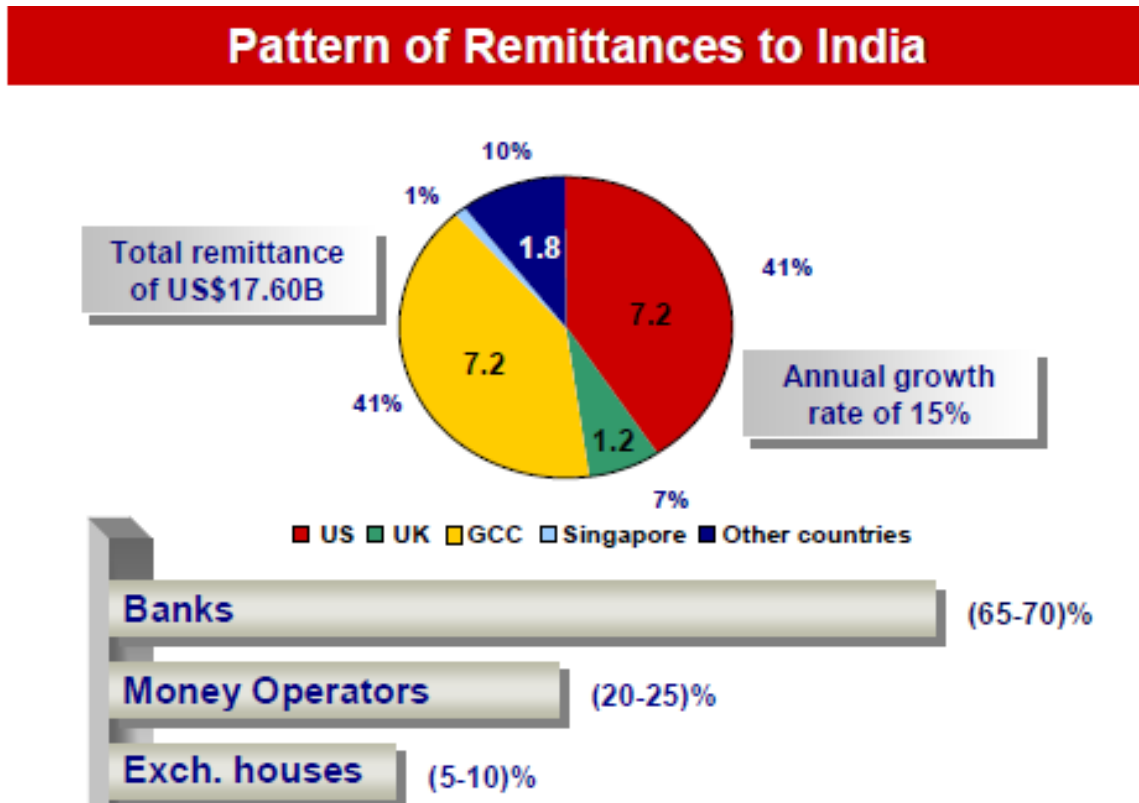
## Role of Technology

### I. Background on the Institution

ICICI Bank is India's second-largest bank. ICICI has 469 branches and offices and 1,790 ATMs. <sup>1</sup> ICICI Bank was established in 1994 by ICICI Limited, and offers a wide range of financial products and services to retail and corporate customers. The bank has over 10 million clients, of which one million are rural clients. The microfinance portfolio, small relative to the total portfolio, amounts to US\$41 million.

### II. Background on Remittance Products

The remittances business in India, estimated at about US\$17.6 billion in May 2004, is mainly channeled through banks, which control about 70% of the market share. The market is growing at an annual rate of 15%, with the bulk of remittances coming from the USA and the UK, at US\$7.2 billion respectively.



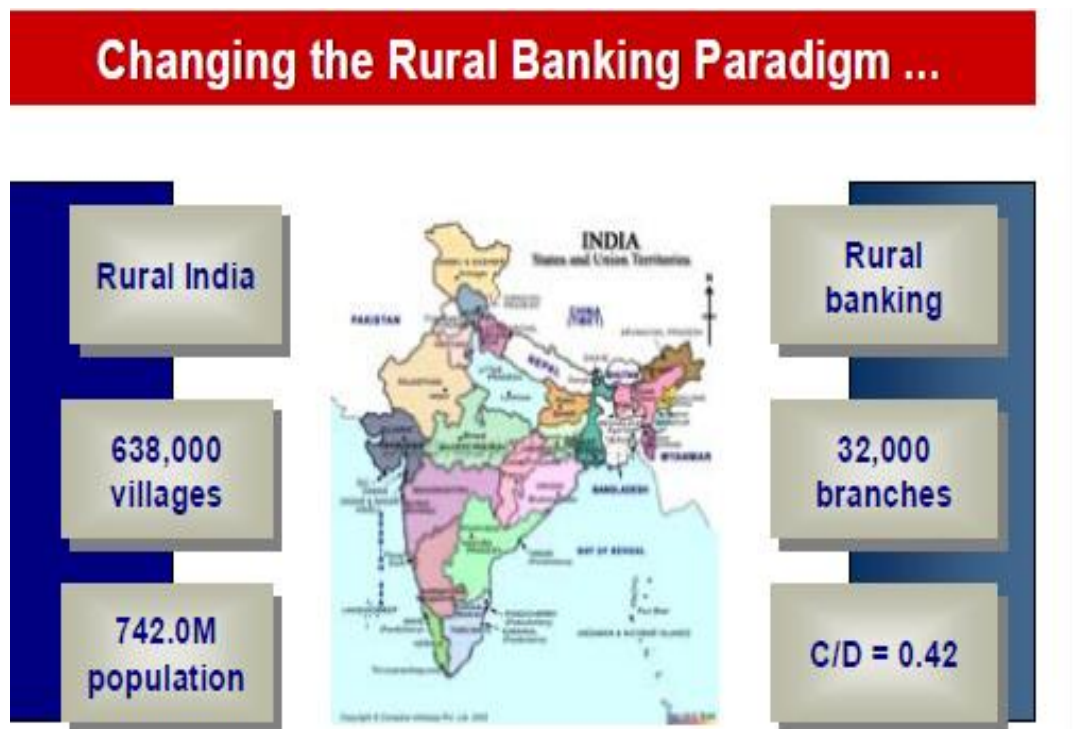
In an effort to tap this huge market, ICICI began offering remittance services in 1999. The principal targets were non-resident Indians (NRIs) as well as potential clients in rural India. Currently, ICICI offers

a number of on-line and off-line remittance products that cater to different geographic markets. ICICI markets its remittance products in 23 major cities and towns in the country as well as among NRIs living abroad.

ICICI has discovered that, in India, there is a large untapped rural market which lacks awareness of financial services as well as convenient access to remittance delivery services. To service this market, ICICI faced two challenges: first, designing a tailored product specific to these customers and, second, providing them with easy access to funds. To address the needs of the rural population, ICICI decided to pilot a rural remittance product.

### III. Innovation in Remittances

In February 2004, ICICI launched a pilot program in six villages in the southern state of Tamil Nadu (TN). TN was selected for the pilot due to its status as one of the largest receivers of remittances in India and because ICICI has a wide distribution network in the area. The objective of the pilot was to offer remittance services to rural clients who receive remittances as well as to provide them with financial literacy services. The vehicle for achieving this goal was introducing low-cost ATMs and rural kiosks.



ICICI's innovative approach in launching the pilot has three phases.

#### Phase 1: Designing and Simplifying Access via Technology

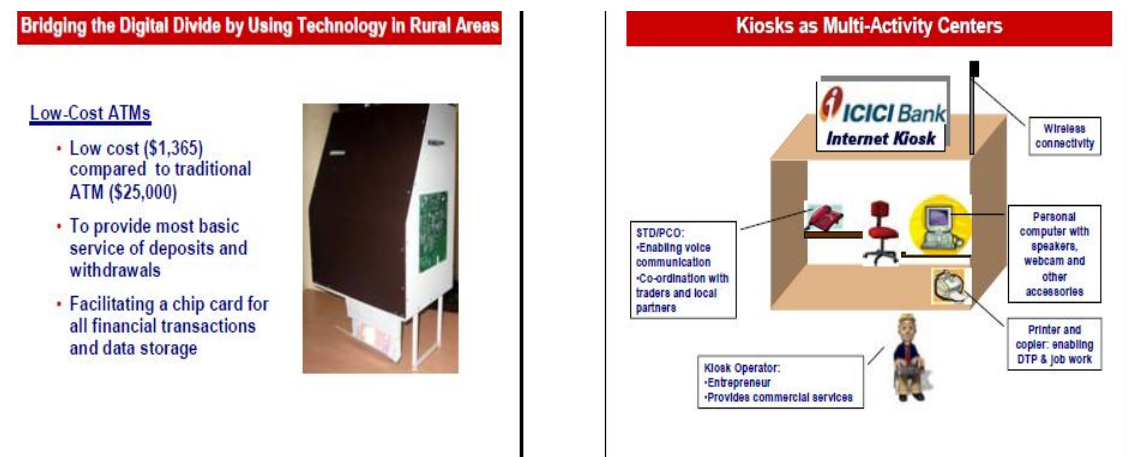
The challenge in providing remittance services to rural India was not just the design of a remittance product, but also the design of access to the product. With this in mind, ICICI adopted a two-pronged approach for clients to access its remittance funds: through ATMs and in cash.

## Rural ATMs

Since ICICI Bank has a strong branch distribution network in Tamil Nadu, a low-cost ATM network was deemed to be an ideal solution for the delivery of remittance funds. The development of this ATM was a joint venture with the Indian Institute of Technology, Madras, and had already been pilot tested.

## Cash Agent Model

This model was piloted via existing Internet kiosks that were present in local ICICI centers and owned by local entrepreneurs. These kiosks used Internet connectivity through Wireless Local Loop (WLL) technology. In this pilot program, the kiosks were converted into cash agents and kiosk owners became distributors of remittance funds to the rural public. The kiosk owner maintains a working capital of approximately US\$100. There are numerous checks and balances from ICICI Bank to eliminate any possibility of fraud; for example, daily MIS reports are generated and reconciled with bank data on a regular basis.



ICICI Bank also provided online chat systems to villagers so that they could inform remittance senders of ICICI Bank's services. The sales personnel from ICICI Bank sent out printed, personalized invitations to households with NRI relatives. These invitations informed remittance recipients about the timing and schedule of the chat well in advance so that they could inform their relatives abroad. This scheme was a tremendous success and elicited an enthusiastic response from the villagers. The bank also implemented a bonus scheme wherein one beneficiary receiving more than US\$100 qualified to participate in a lucky draw contest and win a five gram gold coin.

## **Phase 2: Designing the Product**

ICICI Bank offers a range of remittance products that target the Indian diaspora worldwide. The bank identified some of these products as potentially attractive to its rural clients as well. The two most attractive products are Speed Transfer and Insta Transfer, both of which offer the rapid transfer of funds. Speed Transfer offers a transfer of funds within 24 hours, while funds sent through Insta Transfer are deposited within three hours. Both of these products are popular with NRIs living in the Gulf countries, where payments and fees are made to international exchange houses and are received for free by the remittance recipient.

## **Phase 3: Financial Literacy, Marketing, and Launching the Pilot Product**

During the first few weeks of the pilot, ICICI focused primarily on building awareness among the villagers. Sales personnel of ICICI Bank housed themselves in the kiosks and disseminated information on the free receipt of remittances. They distributed promotional material like leaflets and posters and took the opportunity to explain the various products and features of ICICI's remittances program during regular interactions with clients. In this phase of the pilot, ICICI Bank received remittances of approximately US\$11,000.4 In researching the use of remittance funds by clients, ICICI Bank discovered that the remittances were being utilized for monthly sustenance. As such, withdrawal of funds was highly likely. During this phase of the pilot, ICICI Bank began to influence withdrawal patterns and succeeded in altering the withdrawal frequency from once at the beginning of each month to several times in smaller amounts throughout the month, leaving more funds in the client's account for a longer period of time. Customers are now typically withdrawing the money in four installments instead of the conventional bullet withdrawal which was prevalent earlier.

## **IV. Challenges and Opportunities**

As a bank, ICICI faces some challenges as well as opportunities in offering remittance products. In India, banks are perceived as having a higher standard of safety and reliability and can offer better exchange rates than other money transfer organizations. Most of ICICI's competition comes from other banks and from Western Union. In fact, Western Union has entered into an arrangement with the post office for fund disbursements and also has banks acting as its agents.

However, ICICI is the first bank in India to have entered into the rural market with a targeted, innovative strategy that combines access with financial literacy. The biggest challenge so far has been in providing the money at the customer's doorstep. However, with the appropriate technology design and distribution network, ICICI Bank has been able to provide the client with an invaluable service; ICICI saves the customer both time and money by eliminating the need to travel to the nearest town to collect the remittance. In addition, it offers the client a safe and reliable means for accessing and saving funds.

## **V. Implications for Institutions Offering Microfinance Services**

The success of ICICI's remittance pilot program can be a lesson for other financial institutions and even MFIs that operate in rural areas. Combining financial services with financial literacy programs can be a successful strategy towards not only increasing outreach, but meeting client needs. For ICICI, this could have a tremendous impact on the other microfinance products it offers to rural clients. ICICI sees remittances as the entry point in obtaining new clients, the main objective being to subsequently offer other financial products such as loans and savings.

## **VI. Future Plans**

ICICI Bank is planning to expand the pilot to several more areas. At present, 60 more locations in Tamil Nadu and 50 locations in Andhra Pradesh (a neighboring state) have been identified. The variety of products offered in each of these locations has been improved, and customers now have access to:

- Life Insurance
- General Insurance
- Investments (Mutual Funds, Bonds, IPOs etc)
- Gold Coin - ICICI Bank Pure Gold
- Rural Saving Accounts

ICICI Bank considers remittances a segue to offering clients other asset-building products such as savings and insurance. Through remittances, clients can also access better credit products and lending methodologies can gradually move away from group lending to individual loans.

## **VII. Impact of the Innovation on Business**

The rural remittance program reinforced the idea that the rural market in India has tremendous potential. The main issue in tapping this potential was determining the access vehicles that would be most suitable to the client. ICICI Bank has always been a technology-oriented financial institution, and this pilot confirms the belief that the solution lies in technology. It is aligned with the bank's guiding strategy and has paved the path for further broadening the inroads into rural India. ICICI Bank also provided online chat systems to villagers so that they could inform remittance senders of ICICI Bank's services. The sales personnel from ICICI Bank sent out printed, personalized invitations to households with NRI relatives. These invitations informed remittance recipients about the timing and schedule of the chat well in advance so that they could inform their relatives abroad. This scheme was a tremendous success and elicited an enthusiastic response from the villagers. The bank also implemented a bonus scheme wherein one beneficiary receiving more than US\$100 qualified to participate in a lucky draw contest and win a five gram gold coin.

## **Conclusion**

The rural market is fast growing and banking product is intangible products and the period is usually very long. Given the unique feature, the rural customer tends to invest their earned money in secured places. But there is need of awareness and understanding the concept of bank and its products especially private bank. and the operation of private bank in rural areas should be according to the customers' needs. There is confusion in the minds of customers between public sector undertaking and private banks and its products.

So therefore ICICI bank should be educate to the customers particularly rural market. The commitment of the individual bank (private) towards social objective cans enhance the rural market coverage. the rural sector is a vibrant market and that it hold tremendous potential for the growth of banking business in India.

The penetration of private bank in rural areas pitifully low, to reach the rural investor private bank should interact with local govt./development agencies and other bodies and identify various market / products for the penetration of services areas credit plan in the rural areas. And flexibility in services needs and micro finance channels should be playing a significant role in improving the lives of rural customers.

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