CHAPTER 3

MARKETING AND RURAL DEVELOPMENT
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From the discussion of the meaning and implications of economic development made in the previous chapter, it is clear that economic development of a country is indicated by an increase in the gross national product and per capita income of the country which makes it possible for the people to have a higher and rising standard of living and welfare. Increasing gross national product and per capita income in a country requires an increase in the production of goods and services in the country. Hence the level of production is significant in determining the level of income whether of an individual economic unit or of the economy as a whole. But in a market economy an individual realises his income by selling his products in the market and thereby obtains the purchasing power over other products. Adequate marketing facilities are necessary for enabling the individual to realise higher money income and purchasing power over other products. From the macro point of view adequate marketing facilities have the benefit of sustaining higher levels of production.

The role of marketing in influencing the level of income of the economic units in the rural areas, and thereby
on rural development, is still greater on account of the fact that the rural sector of an economy is highly dependent on its urban sector for markets and as the suppliers of inputs for agricultural and rural productive undertakings and also as the suppliers of consumer goods for the rural people. Hence an efficient system of marketing in the rural areas or for rural products, which acts as a link between the rural and the urban sectors, is necessary for the rapid development of the rural areas of a country. This chapter will discuss the role of marketing in the rural development of a country by taking into consideration the nature, aspects and implications of marketing.

**Meaning of marketing:** Marketing is an important activity in a society. Marketing is defined by different writers in different ways. The Definitions Committee of the American Marketing Association defines marketing as "the performance of business activities that direct the flow of goods and services from producer to consumer or user." McCarthy has defined marketing as "the performance of business activities which direct the flow of goods and services from producer to consumer or user in order to satisfy

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customers and accomplish the company's objectives" (micro view) and "marketing is concerned with designing an efficient (in terms of use of resources) and fair (in terms of distribution of output to all parties involved) system which will direct an economies flow of goods and services from producers to consumers and accomplish the objectives of society" (macro view). According to Philip Kotler marketing is "the set of human activities directed at facilitating and consuming exchanges: .....

Three elements must be present to define a marketing situation— (i) two or more parties who are potentially interested in exchange; (ii) each possessing things of value of the other; and (iii) each capable of communication and delivery. The marketing faculty of Ohio State University has summed up the various aspects involved in the process of marketing and included in one way or the other in the definitions developed by different writers as follows: Marketing "has been described by one person or another as a business activity; as a group of related business activities as a trade phenomenon; as a frame of mind; as a co-ordinative, integrative function of policy making; as a sense of business purpose; as an economic process; as a structure of institutions; as the process of...

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exchanging or transferring ownership of products; as a process of concentration, equalisation and dispersion; as the creation of time, place and possession utilities; as a process of demand and supply adjustments; and as many other things

From a review of the foregoing definitions of marketing developed by different writers and the various aspects considered by them it is clear that marketing has both micro and macro aspects. In its micro aspect an efficient system of marketing enables the producer of a commodity to get a high price for his products and thereby enables him to earn larger income and thereby to maintain a higher standard of living. In its macro aspect it enables society to get the different products which its members need at reasonable prices and thereby enabling them to improve their consumption standards and levels of living. It avoids waste of economic resources by mobilising goods from places where they are in plenty, and hence do not have much value in terms of human satisfaction, to places where they are scarce and hence have a great value in terms of the satisfaction. Marketing is, therefore, said to be the delivery of a standard of living


'Marketing' and 'Selling': From the above discussion it is clear that marketing is a comprehensive, total process. In contrast selling is only partial in character. The emphasis of marketing in a business enterprise is on producing a product and then finding out ways and means of selling. Marketing starts with assessing the needs of consumers and then tries to meet them, by product planning, pricing and in many other ways.

Selling is not marketing. It concerns itself with the tricks and techniques of getting people to exchange their cash for the product. "Selling is an integral and important element of a system of business action". It is the one sub system that extends beyond the firm into its market environment and personally interacts with customers.

Selling is pre-occupied with the seller's desire to convert his product or service into cash. This implies that selling focuses attention on the needs of the sellers whereas marketing is directed towards satisfying the needs of the buyer. Selling is pre-occupied with the need to convert product into cash but marketing is based on demand forecasting and product planning and other important requirements in marketing like research and development to fulfill the needs of the consumer.

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Significance of marketing: Any economy, developed, under-developed or developing, is a market oriented economy. Marketing is a critical factor at all stages of economic development. The significance of marketing in an economy can be analysed under the following heads.

(1) Marketing and want creation: Wants are the main springs of economic life. Our life styles, which reflect the sum of our activities, our interests, and our opinions are supported and fueled by marketing activities. It is in marketing that we satisfy our needs and wants through producing goods, supplying services, fostering innovation or creating satisfaction. Absence of efficient marketing system will retard the economic growth of a country. Since agriculture has not become specialised and commercialised in underdeveloped economies, a considerable proportion of the farm produce is normally consumed on the farm itself and payments are made in kind and a considerable part of the farm output is also retained by the farmer as seed, marketing seems to be less important in agriculture than in industry. But the self-sufficient farm is rapidly becoming more market oriented because of the commercialisation of agriculture. This is due to a variety of reasons. First, very often a farmer specialises in a group of products, for instance, dairy products. He has, therefore, to sell his output and secure a money income needed for the purchase of
other goods desired by him. Secondly, with the steady increase in his standard of living, the farmer requires a large variety of goods. He, therefore, finds it convenient to convert his crop into cash and to buy with this money the goods he needs. Thirdly, a number of farm products have to be processed before they are consumed. Now this processing can often be carried on more economically when it is organised on a large scale. Further, the farmer has to make a number of payments in money, such as payment of land revenue to government, etc., and to get the necessary cash he has to sell at least a part of his output. Today, therefore, "each farm produces for the market and must exchange its surplus for the surplus of the farms and for the output of the factories".

(2) **Marketing and income generation:** With the disappearance of self-sufficiency farms, agricultural marketing has acquired importance. The income of the farmer today, depends to a large extent on his ability to market his produce for a fair price.

It is efficient marketing system which augments capital formation in the agricultural sector of an economy. An increase in agricultural productivity, and consequently in the volume of agricultural production, is an indispensable

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A necessary pre-condition for rapid economic development of a country like that of India lies in the improvement of the production patterns in the primary, secondary and tertiary sectors that result in an increase in real national income of the country. It is a sound and efficient marketing system which completes the production cycle of these sectors and determines the basic pre-requisite of economic development. An efficient marketing and distribution system can promote growth of net income more efficiently than increased production with a defective marketing system.

(3) **Marketing and employment generation**: Creation of more and more employment opportunities is the urgent need of the developing countries. Just as every industry provides employment opportunities to thousands of skilled and unskilled labourers in various capacities, marketing provides the labourers with increasing employment opportunities. It is marketing which creates and increases such opportunities more than that of production. Since marketing is a complex mechanism involving number of functions and sub-functions,
such functions call for the employment of different special­ised persons. Marketing is an economic activity belonging to the tertiary sector of the economy which becomes important as the economic development of a country takes place. For example, in India, the number of employed persons in the tertiary sector has been increasing over the years; it was 25.06 millions in 1951 and it increased to 44.05 millions in 1981.7A.

(4) **Marketing and consumer satisfaction:** Utility in the economic sense refers to any object that can satisfy a human need. Production alone will not satisfy human wants. A necessary condition for the satisfaction of human wants is a marketing system and an exchange mechanism. Hence, marketing and exchange create the time, place and possession utilities which are essential to satisfy human wants. It is marketing which turns the objects of production into a valued satisfaction by creating time, place and possession utilities. Marketing is an instrument to lift the living standards of the people. Despite the differences in their levels of living, every member of the society requires certain commodities and services to enjoy, to make this living decent and gracious. By supplying goods and services, marketing promotes the satisfaction of consumers and wants. It raises the standard of living of the consumer by making available products of different varieties at reasonable prices.

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Supply of better quality of products, more useful packaging, better service, credit facilities, etc., contribute much to the standard of living of the consumers since marketing is the means through which production and purchasing power are converted into consumption and thereby consumer satisfaction.

(5) Marketing and economic integration: Marketing helps create an organisational, transportation and communications network which links small, geographically isolated markets with larger, interregional markets which have enough demand to make mass production possible. This also helps to distribute goods from surplus area to deficit areas under changing supply conditions. It further encourages innovation, research effort and investment in the production of new goods or services as per the demand of the consumers.

It is marketing which integrates various economic sectors of the economy such as agriculture and industry and makes full utilisation of the existing assets and productivity capacity possible. The link between the farm and the factories benefits both the sectors and also the society as a whole. This link leads to two-way transactions: (a) supply of agricultural commodities from the village to the urban areas; and (b) supply of manufactured goods from the cities to rural areas. It is doubly beneficial. On the one hand better marketing results in agricultural development and happiness in farmers families and, on the other,
the urban markets are widened, consumption is increased and prices decline due to economies of large-scale production.

The agricultural revolution and the marketing revolution will take place simultaneously. This contact between the rural people and their counterparts in the cities influences the tastes, consumption patterns, attitudes and outlook of the people in the rural areas and making them more favourable to modern economic development through the demonstration effect of the modern ways of urban life on the rural people.

Marketing and 'rural development'. The need for rural development in India was highlighted in the previous chapter. The preceding sections of this chapter have brought out the role of marketing in the economic development of the country. The following pages will now be devoted to a discussion of the role of marketing in rural development in the country.

The contribution of an efficient system of marketing to the rural development of a country like India is great, since the rural sector of the economy, all the economic advantages of marketing or the contributions of marketing to economic development, discussed above, are available to the rural sector of the economy and hence to its development. In addition to the above, the interesting and integrating aspects
of marketing will bring about such a strong link between the rural and urban sectors of the economy that the distinction between the two sectors will eventually become more spatial than economic.

Before discussing the direct contribution of marketing to rural development in the country, it is pertinent to make a review of the structure of rural markets in general and of those which prevail in the country at present.

Types of rural markets: A market is a centre "about which the forces leading to exchanges of title operate and towards which and from which the actual goods tend to travel. It leads to clarity of thought to bear those two aspects of market structure constantly in mind i.e., that the market structure is built about two processes: the transfer of the title to goods from producer to consumer, and the physical transfer of the goods themselves. But the physical presence of the goods is not essential to a market for the distinguishing characteristic of a market is the fact that the transfer of title to take place therein." Hoddé has described a market as "an authorised public gathering of buyers and sellers of commodities meeting at an approved

place at regular intervals". In brief, a market is an arena for organizing and facilitating business activities and it determines what to produce, how much to produce, how to produce, and how to distribute production. A market is based on a location, a product, a time or a level of the market. Hence, a market is "any place or locality in which persons collect with the object of selling any kind of article whether agricultural or otherwise." The concept of a 'market' in economics is 'functional' rather than 'spatial' in nature. The term market refers to the process of exchange of goods among individuals and the resulting price. Hence what is important is the existence of the forces of supply and demand, interaction between the two and the resulting price. These changes need not occur in a definite area or market centre. However, since the present thesis is a case study of the functioning of weekly village markets in Dakshina Kannada district and since these weekly village markets and their transactions occur in a specified area or locality, the spatial aspect of the market is significant to the present study.


Markets can be divided into different classes on the basis of certain criteria. At least four such criteria can be pointed out and they are: (i) items transacted; (ii) nature of transactions; (iii) place of location; and (iv) time or periodicity.

II. Markets can be classified on the basis of visibility and invisibility. Visible markets can be subdivided on the basis of area, time, business, goods dealt in, operation and competition. Invisible market has only one branch i.e., black market. The following are the classification of markets on the basis of visibility and invisibility.

1. Classification of visible markets:
   A) On the basis of Area; (i) Local market, (ii) National market, and (iii) International market.
   B) On the basis of time; (i) very short period, (ii) short period, and (iii) long period
   C) On the basis of Business; (i) Wholesale and (ii) Retail
   D) On the basis of Goods dealt in:
      a) Commodity market; (i) Produce Exchange, (ii) Manufactured and semimanufactured goods market, and (iii) Bullion market
      b) Capital Market; (i) Money market, (ii) Stock exchange market, and (iii) Foreign exchange market.
   E) On the basis of operation; (i) Primary market, (ii) Secondary market, and (iii) Terminal market
   F) On the basis of competition; (i) Perfect and (ii) Imperfect

(1) Items Transacted: On the basis of the items transacted in a market, markets can be divided into two types, viz., specialised and general markets. Any market specialised in certain commodities is a specialised market. This factor of specialisation has become so significant that a specialised market is always known after that commodity or commodities attracting buyers and sellers from remote parts of the region. With the advent of industry and improvements in the techniques of production and transport, there arose the need for specialisation in the market. Cotton market, cloth market etc., are the examples of specialised markets.

A general market is the earliest stage of marketing. In a general market a great variety of commodities are brought and sold, they may be either producer goods or consumer goods or both. Here buyers and sellers gather to undertake their business and prices are usually fixed by bargaining based on one's own judgement in regard to supply and demand.

(ii) Nature of Transactions: On the basis of transactions made, markets can be divided into regulated and unregulated markets. Regulated markets are under the supervision and control of market committees. These regulated markets promote an orderly marketing of agricultural products and
provide facilities like market yards, warehouses and other supporting facilities needed by the sellers and buyers who use the market. The system of regulated markets provides opportunity for competitive buying, helps to eradicate malpractices, ensures the use of standardised weights and measures. The better regulated markets have ample display facilities, adequate warehouses and storage space, offices for traders and commission agents, and suitable rest and comfort facilities for farmers and their families. Whereas in an unregulated market place there is no control by any public authority, and traders conduct their transactions as they wish. In an unregulated market area transactions are made mostly through middlemen and brokers. In the absence of a well organised market within a reasonable distance of the production point and because of lack of basic facilities and amenities the producers in rural areas are forced to conduct these type of activities. In an unregulated market sales are usually made by mutual negotiations.

(iii) **Place of location:** On the basis of the place of location, markets can be divided into primary and secondary markets. Primary markets are the village and roadside markets which are located close to the farms. These dispersed village and roadside markets are small, containing a limited number of buyers and sellers and a variety of commodities
that are purchased in periodic markets for resale. Stimulants, fruits, sweets, hard goods and almost any commodity that can be divided into very small lots is sold here and perishability is not a crucial factor. These markets are located in most villages and at the junctions of roads, and they are convenient and facilitate the last stage in the break-in-bulk process before goods reach the consumer. Selling normally takes place every day or until the supply of commodity is exhausted. Thus, transactions in village and roadside markets are between peers; transfers are in extremely small lots; and the services are useful and convenient to villagers.

Secondary markets are located in main towns, taluk headquarters or in the district headquarters towns, important trade centres or near railway stations. These markets are permanent markets and are of two types, viz., retail markets and wholesale markets. Retail markets are found scattered all over the town or a city or concentrated in particular localities. They are owned by the retailers subject to control by public authorities. They usually deal in all types of products and serve the needs of the city people as well as the surrounding villages. Cloth market, grain mandi, vegetable and fruit markets, etc. are usually located in different parts of the city and are the examples for retail markets. Wholesale markets or mandis...
spread over a wide area and in these markets transactions are generally between wholesalers or between wholesalers and traders and in these markets the bulk of the arrivals is from other markets. These secondary markets are generally connected to distant consuming and terminal markets by roads.

(iv) Time or periodicity: Periodicity is an essential characteristic of the indigenous market-structure of most underdeveloped countries as it was in medieval Europe. This is equally true for a developing country like India with a strong rural base and with a large number of rural markets with periodicity as one of their characteristics.

Periodic markets are a temporary feature, held either on a specific day or days of the week, fortnight or a month or once, twice or thrice in a year. The former is popularly known as a weekly or bi-weekly market while the latter is known as a 'fair'. The evolution of the periodic market, although differing in nature and growth from one cultural region to another, is a three-stage sequence. "The first involves socially administered exchange. In the second, barter, and later, money provided the standards of value permitting market place transactions in peasant societies. Finally, the peasant dualism between subsistence


In brief, periodic markets have emerged out of the needs of producers to fulfill the demand of consumers in a society where permanent markets are absent or the socio-economic conditions of that region are such that daily marketing is not possible. Like the weekly markets, fairs are also a periodic phenomenon and are significant in the regional economy. The difference between weekly markets and fairs lies in the fact that a weekly market is primarily a weekly assemblage of local traders and buyers whereas the fairs occur occasionally, may be once or twice a year, and serve the given area not only economically but also socially, religiously and culturally. On the basis of the primary function for which a fair is organised, fairs may be grouped into two broad types, viz., (i) economic fairs, including buying and selling of cattle, commodities and articles of daily use, and (ii) religious fairs.
This thesis is primarily concerned with the case study of weekly village markets which fall into the category of periodic markets and hence an elaboration of the nature of periodic markets is relevant to the present study.

**Periodic markets:** The term 'periodic market' denotes the assembling of people at a particular place at least once in a week in order to buy and sell. "Throughout the under-developed world periodic markets usually appear in areas with low purchasing power, poor transport systems, poor or poorly utilized resource bases, and low population density."14

Whilst periodic markets in Europe and North America seem to rely on a seven day market interval, there are some parts of Asia and Africa where different lengths of market intervals have also been noted. The frequency of the days on which the markets meet can show whether or not any particular day within a market interval is favoured as the most convenient day for marketing. Some studies15 of the periodic markets seem to be convinced that the frequency of the choice of the market day is a sufficient factor by itself in


explaining the basic structure of periodic markets in a region. In India markets in rural areas are "mostly periodic rather than permanent and continuous."

Periodic market systems are vital features of the space economy of most developing countries in Africa, Asia and Latin America. The markets comprised by these systems are greatly diversified in terms of location pattern and timing, size and nature and socio-economic functions. Since the goods and services of a permanent market are not available to the rural consumers in such countries, there is an excess dependence on periodic rural marketing opportunities in the form of weekly village markets or bi-weekly markets and fairs. These periodic markets are normally held once or twice in a week on a regularly scheduled basis, since the per capita demand for goods is small in these markets. Themes relating to size, location, periodicity, evolution, spacing

and time and hierarchy of these markets have received attention from scholars.\(^{17}\)

The existence of periodic markets is a common phenomenon in countries which are underdeveloped or developing. These markets are more rural in character and this shows that these markets have an important role in filling the marketing-gap that exists in the rural areas of the developing countries. Table 3.1 gives the estimated number of rural markets in some selected developing countries of Asia. From the data in Table 3.1 it is evident that India has got the largest number of 22,000 rural markets, whereas it is 500 each in Sri Lanka and Malaysia. On the whole, about 2000-3000 farm households are served by one rural market in most of the Asian countries.

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Table 3.1

Estimated Number of Rural Markets and Number of Farm Households per Rural Market in 1980

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Rural Markets</th>
<th>Number of Farm Households (‘000)</th>
<th>Farm Households per market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>6,000</td>
<td>10,600</td>
<td>1,730</td>
</tr>
<tr>
<td>India</td>
<td>22,000</td>
<td>61,870</td>
<td>2,800</td>
</tr>
<tr>
<td>Indonesia</td>
<td>6,000</td>
<td>14,400</td>
<td>2,400</td>
</tr>
<tr>
<td>Korea</td>
<td>1,415</td>
<td>2,380</td>
<td>1,690</td>
</tr>
<tr>
<td>Malaysia</td>
<td>500</td>
<td>745</td>
<td>1,500</td>
</tr>
<tr>
<td>Nepal</td>
<td>660</td>
<td>970</td>
<td>3,200</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1,080</td>
<td>6,750</td>
<td>6,700</td>
</tr>
<tr>
<td>Philippines</td>
<td>1,600</td>
<td>2,260</td>
<td>1,260</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>600</td>
<td>1,540</td>
<td>3,200</td>
</tr>
</tbody>
</table>

Source: Rural Markets, FAO of the UN, Bangkok 1980 p.9

Advantages: The periodic markets have certain advantages. They reduce travel distance to obtain needed services and goods and they initially operate in the territorial gaps created by more permanent markets. These markets not only represent an institutionalised channel of marketing, but also perform non-economic, social, cultural and entertainment functions. Additionally, they seem to enjoy lower overhead costs of operation than permanent establishments as a result of which they are able to compete with establishments.

18. From this it may be come true that lack of regular marketing facilities in the rural areas is the main reason for the emergence of these weekly village markets.
shed market places. These markets are useful to rural producers, non-resident traders and urban as well as rural consumers. Hence rural periodic markets provide the integrating force in the socio-economic life of small holders. More importantly, information necessary for both daily and longer term decision making originates in rural markets which is specially significant in the context of the farmers commitment of scarce resources to specific production programmes. Thus, rural periodic markets link exchange systems in such a way as to stimulate economic dependence on inter and intra regional exchange thereby providing the necessary stimulus to productive activity in the region.

Weekly village markets in India: An important aspect of the rural marketing system in the country is the weekly village markets, which appears to be a system having certain unique features of their own and which have various advantages for both the producers and consumers. These markets have a peculiar structure, size, service area and organisation. These markets are held once in a week on a certain appointed week-day and time in a public place in a village centre or taluk headquarters, where there is a larger concentration of people than in the other parts of
rural areas. Locally these markets are known "as 'hats' in the Northern parts and as 'shandies' in Southern parts of India". These markets are popularly known by certain other local or regional names in other parts of the country.

These weekly markets are usually held along the main-street of the village centre or in open places, some of the bigger markets being provided with enclosures and sheds. In small villages where most of the population lives, there are no retail shops and the marketing needs of the villagers are met by these weekly village markets. These markets are important centres for the small producers and for the people belonging to the weaker strata of the rural community. The big farmers and the rural rich generally utilise the wholesale assembling markets for selling their produce and they purchase the items of daily necessity from city or town markets whereas the small farmer who has a nominal surplus and a nominal purchasing power does not find it economically viable to travel long distances and hence falls back upon these weekly markets for his marketing needs.

These weekly village markets perform non-economic, social, cultural and entertainment functions and they link exchange

systems in such a way as to stimulate economic dependence on the basis of inter and intra regional exchange. These markets generate markets for goods and thereby stimulate productive activity.

The popularity of these weekly village markets in India can be understood from the fact that "in Tamil Nadu there is a rural market, on an average, for every four villages. This number is as high as 97 in the case of Orissa. Similarly the average population served by a rural market varies from 3,857 in Himachal Pradesh to 49,278 in Andhra Pradesh and these markets serve on an average an area of 9 to 16 kilometers radius although some of the bigger markets serve a wider area." 20.

Management and supervision: There are no uniformity among the markets as regards the management and supervision of rural markets. These markets are generally supervised by the Panchayats either directly or through annual auction, in which case the highest bidder gets the supervisory control over the market for a specified period. Panchayats also supervise these markets directly through their Panchayat Secretaries in some parts of the country and in some cases markets are jointly owned by individuals and Gram Panchayats.

In "Uttar Pradesh, Bihar and Orissa almost all panchayats, who own the markets, auction the market to the highest bidder. In Madhya Pradesh, panchayats are supervising the markets through their panchayat secretaries. In Karnataka, a number of rural markets are supervised jointly by the panchayats and market committees. There are also instances where the supervision of the market is by the market committees and municipal committees. In Tamil Nadu and Uttar Pradesh, a number of markets are owned by private individuals".

Method of transaction: The method or mode of transaction in these markets varies from place to place depending on the volume of transactions and the nature of the products transacted. While bulky and wholesale transactions are undertaken on the basis of auctions, retail transactions take place through a process of bargaining. These weekly markets are regulated in some states and the transactions undertaken in such markets are more of the wholesale type and the terms of such transactions are fixed on the basis of auctioning.

Market charges: In case of regulated weekly markets, the market fee is decided under the Act. The charges for different services are also prescribed by the market.

21. Ibid., p.8
committees according to local conditions. In the case of unregulated markets, instead of market fee, a ground rent, which is decided by the gram panchayat, is levied.

Wherever markets are auctioned by the gram panchayats to the contractors, the contractors fix and collect the ground rent. The ground rent is levied on the basis of the estimated value of transactions made by the sellers who bring their products to these markets and is collected either by the contractor or by the panchayats.

Source of revenue: These markets form a source of revenue to the village panchayats and the income comes in the form of the annual auction amount which the panchayats get or in the form of the amount of ground rent or entry fees charged.

"The average annual income of the rural market is between Rs.1000/- to Rs.4000/-.

The exceptions are the markets of Andhra Pradesh and Tamil Nadu. The average income per market in Andhra Pradesh works out to more than Rs.64,000/- and that in Tamil Nadu to over Rs.13,000/-" 22.

Marketing and income generation: It has been pointed out earlier that marketing plays a significant role in economic development of a country through its income generating effect. The role of marketing in the rural development of a

country is, therefore, very great in that the availability of sufficient marketing facilities influences the cropping pattern and extent of land-use in the rural areas and thereby increases rural income, giving rise to higher per capita income and standard of living in the rural areas.

Economists have analysed the influences of various factors on the level of farm income, such as crop selection and combination, family and farm size, efficiency of

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Nadkarni M.V., Marketable Surplus and Market Dependence in a Millet Region, Allied, Bombay (1950).
labour²⁵, production efficiency²⁶, efficient use of capital²⁷, farm prices²⁸, tenure status²⁹ and marketing practices and distance³⁰.

The study is primarily concerned with the influence of marketing facilities on the level of farm income, and thereby on rural development. Hence the study concentrates on

²⁶ and ²⁷,


the influence of marketing facilities on cropping pattern, extent of land-use and thereby on the level of farm income. It is assumed that higher level of farm income implies higher level of rural development and standard of living.

It was pointed out earlier that availability of sufficient marketing facilities and the nearness of marketing facilities has an income generating effect. In order to test this contention a case study was conducted in the District of Dakshina Kannada in Karnataka.

Cropping pattern in Dakshina Kannada: The agrarian character of the district of Dakshina Kannada is chiefly attributed to the cultivation of paddy followed by commercial crops like arecanut, coconut, cashewnut, cocoa and sugar-cane. Now a days, agriculture is becoming more commercialised in the district because the cost of production in these crops is comparatively low when compared with food crops and again the increasing price trend of these commercial crops influenced the farmers to grow these crops in their land. Availability of sufficient demand and hence market for these non-food crops brought more and more area under the commercial crops and made better utilisation of the available land. This can be observed from the data contained in Table 3.2.
<table>
<thead>
<tr>
<th>Year</th>
<th>Total area (in ha)</th>
<th>Food under cultivation (in ha)</th>
<th>Grain (in ha)</th>
<th>Commercial (in ha)</th>
<th>Total area</th>
<th>Percentage of area under cultivation</th>
<th>Percentage of area under food</th>
<th>Percentage of area under commercial</th>
<th>Percentage of area under total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955-56</td>
<td>418949</td>
<td>203986</td>
<td>23703(a)</td>
<td></td>
<td>23703</td>
<td>48.69%</td>
<td>5.68%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1960-61</td>
<td>450435</td>
<td>221276</td>
<td>20433(b)</td>
<td></td>
<td>20433</td>
<td>49.25%</td>
<td>4.53%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1965-66</td>
<td>466702</td>
<td>224011</td>
<td>30532(c)</td>
<td></td>
<td>30532</td>
<td>48.14%</td>
<td>6.54%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970-71</td>
<td>404435</td>
<td>191930</td>
<td>41281</td>
<td></td>
<td>41281</td>
<td>47.46%</td>
<td>10.20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975-76</td>
<td>405699</td>
<td>192330</td>
<td>46739</td>
<td></td>
<td>46739</td>
<td>45.14%</td>
<td>11.52%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980-81</td>
<td>378525</td>
<td>159143</td>
<td>60541</td>
<td></td>
<td>60541</td>
<td>42.04%</td>
<td>18.13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1983-84</td>
<td>399613</td>
<td>161292</td>
<td>84492</td>
<td></td>
<td>84492</td>
<td>40.36%</td>
<td>21.14%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: (i) Food grains include Paddy, Ragi, Pulses and Cereals
(ii) Commercial crops include Arecanut, Coconut, Cashewnut, Cardamom, Chilies, Groundnut, Sugarcane and Tobacco.

(a) Area under Arecanut is not available
(b) Area under Arecanut and Sugarcane is not available
(c) Area under sugarcane is not available


From the data in Table 3.2 it can be observed that the total area under food grain cultivation has been decreasing over the years; it was 2,03,986 hectares in 1955-56 and it declined to 1,59,143 hectares in 1980-81. On the other hand, the total area under commercial crops has been increasing
steadily over the years; it was 23,703 hectares in 1955-56 and it increased to 34,492 hectares in 1983-84. This clearly indicates that the farmers' interest in the cultivation of the commercial crops is increasing since the production of these products improves their economic condition and it is also clear that there is a wider market for these products. The area under commercial crops out of the total cultivable area in the district shows an increasing trend. It was only 5.65 per cent in 1955-56 and it increased four fold (21.14 per cent) in 1983-84; whereas the percentage of area under foodgrains out of the total cultivable area has been decreasing over the years, decreasing from 48.69 per cent in 1955-56 to 40.35 per cent in 1983-84. Hence, from the above, it is clear that market oriented production activities among the farmers is increasing in the district.

The importance of mixed crops, fruit crops and rotation crops in the district is also increasing in recent years. The available data for 1973-79 and 1980-81 for area under vegetables and fruit crops in the district makes this point clear. It can be observed from Table 3.3 that the area under fruit crops in 1973-79 was 7,658 hectares and it increased to 9,209 hectares in 1980-81. The area under vegetable crops increased from 9,294 hectares in 1973-79 to 11,103 hectares
Note: (i) Fruit crops include Mango, Banana, Sapota, Pineapple, Jack and Papaya
(ii) Vegetable crops include Srinja, Bendi, Tapioca and Sweet Potato.

Source: Office of the Joint Director of Horticulture, (Development), Bangalore,
in 1980-81. Hence, from the above data, it is clear that more and more market oriented agricultural production activities are taking place in the district.

A case study was made in the district in 1985 in order to see whether (i) nearness to market has any influence on cropping pattern and land-use, and (ii) whether nearness to market has any possible effect on the level of farm income. The case study covered a sample survey of 150 farming households situated at a range of 10 to 30 kilometers from the secondary market in the two taluks, Mangalore and Udupi, in the district.

Mangalore is considered as the Secondary Market Centre for the Mangalore Taluk while Udupi is for Udupi Taluk.

The different aspects of the data collected through the sample survey are presented in Table 3.4, 3.5, 3.6 and 3.7.
The findings of the study: The main findings of the study are the following:

(i) Influence of marketing facilities on cropping pattern and land use: It is generally felt that availability of markets and nearness to market influence the cropping pattern in an area. Agriculturists owning and cultivating land near a market place are often found to make intensive use of their land by adopting the practice of mixed farming by cultivating paddy, vegetables, fruits, etc., in their land.

This contention is conformed by the fact that out of the 150 farmers interviewed 66 per cent pointed out that nearness to market influence the type of crops they cultivate in their land. From the data in Table 3.4 it is clear that farms situated near the secondary market follow the mixed cropping pattern.
**Table 3.4**

Distribution of farms on the basis of distance from the secondary market and cropping pattern

<table>
<thead>
<tr>
<th>Distance (in Kms)</th>
<th>Mixed farming</th>
<th>Specialised farming</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of farms</td>
<td>Number of farms</td>
</tr>
<tr>
<td></td>
<td>gaged in</td>
<td>gaged in</td>
</tr>
<tr>
<td>Upto 5</td>
<td>76</td>
<td>2</td>
</tr>
<tr>
<td>5 - 10</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>10 - 15</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>15 - 20</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>20 - 25</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>25 - 30</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Total no. of Farms 100</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: (i) Mixed Farming means better utilisation of the available land, here different types of cultivation is undertaken by the farmers viz., Double cropping or Tripple cropping of a particular crop or the cultivation of more and more market oriented products

(ii) Specialised farms are engaged in specialised products e.g. Areca nut or Coconut, etc.

Nearness of market and income generation: The marketing practices of farms and the marketing problems introduced by these practices vary greatly from area to area and from farm to farm. These differences are not accidental; they are due to several basic factors affecting agricultural marketing. These include the relative distance between producing and consuming centres, time place and the type of the consumption of the product.
An increase in production in the farm is the basic condition for the increase in the marketable surplus of a farmer. But this increase in production would not lead to an automatic increase in the marketable surplus. It requires proper marketing system within his reach. The distance to market becomes an important factor affecting marketing costs and thereby the type of products produced. The producers distant from the market have a different set of conditions and have to use different methods as well as produce different products than farmers located near the city markets. Distance affects marketed surplus indirectly through its effects on land-use patterns and intensity of cultivation. According to Losch, following Von Thunen, economic rent is the return which can be had for a unit of land above the per unit return at the margin of cultivation. With constant yield and price and increasing distance from the market town, economic rent will decline to a point where a given crop is no longer profitably cultivated per unit of land as another crop. At this geographical point in a market economy, a new crop will be cultivated. However, the main objective of this section is to verify the impact of nearness of market on the average income of the farmers in Dakshina Kannada district.

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This is done in two ways; first, the inter-relationship among farm income ($Y$), farm size ($X_1$), and distance to the primary and secondary market centres ($X_2$), is studied using the multiple regression analysis using a linear regression equation of the type $Y = a + b_1 X_1 + b_2 X_2 + e$ and the data gathered in respect of 30 farms chosen at random. However, while choosing the sample personal judgement is used to ensure randomness and representativeness; second, farms situated at different distances from the primary and secondary market centres are chosen at random, again on the basis of personal judgement to ensure randomness and representativeness, and the differences among per acre farm incomes are analysed to decide whether distance from market centres has an influence on per acre farm income.

The regression analysis is done separately for analysing the influence of distance from primary markets and from secondary markets on per acre farm incomes. The estimated regression equation with the standard errors of the estimates stated within brackets below them, in the case of farms around the secondary market is:

$$Y = -4666.78 + 4908.07 X_1 + 17.81 X_2$$

$$(25193.49) \quad (411.27) \quad (241.39)$$

$N = 30$

and the estimated regression equation in the case of primary market is:

$$Y = -6649.21 + 4720.50 X_1 + 708.21 X_2$$

$$(10064.05) \quad (438.36) \quad (692.96)$$

$N = 30$

While the coefficients of multiple determination in the case of both the regression equations are fairly high at 0.846 and 0.851 respectively, the values of $b_2$ are not significant
further they do not appear with the expected negative sign indicating the inverse relationship between distance from markets and farm incomes. But the values of $b_1$ are found to be highly significant in the case of both the equations. From these results it is clear that while farm income is highly dependent on farm size, increasing distance from the primary and secondary markets to the farms does not show any negative influence on farm income.

This, however, does not appear plausible because the presence of a nearby market should be an advantage to the cultivator in that he can take his surplus produce to the market without much cost, such as transportation costs, and can sell his products directly to the consumers in the market without the interference of middlemen. Nearness of the market will also enable the farmer to sell his by-products in the market and thereby increase his farm income. Further nearness of market also influences the cropping pattern in the region. It is found in the district that these farms which are located in distant places from the primary and secondary market centres are largely involved in the production of plantation crops like arecanut and coconut. While the farms situated near the market centres are used for cultivation of market oriented crops like vegetables and fruits.

Hence the second method namely, analysing the difference between per acre incomes of farms situated at different distances from the marketing centres is used to assess the influence of
distance on per acre farm incomes. This is done separately for farms situated around the primary markets, farms situated around the secondary markets and for farms situated around the secondary and primary markets and used for the cultivation of market oriented crops like fruits and vegetables.

Table-3.5 presents data pertaining to per acre incomes of farms situated around the primary market. The distance of farms from the primary market is divided into four categories; farms situated upto a distance of 2.5 kms from the primary market, farms situated between 2.5 to 5.5 kms, between 5.5 to 7.5 kms and between 7.5 to 9.5 kms. It is found that per acre farm income decreases steadily from Rs 5,417.40 in the case of farms situated within a radius of 2.5 kms from the primary market to Rs 4,403.00 in the case of farms situated at a distance of 7.5 to 9.5 kms from the primary market. However, a comparison of the standard deviations and the use of the normal curve test show that the differences among the averages are significant only in the case of farms situated at a distance of upto 2.5 kms.
and between 7.5 to 9.5 kms and in the case of farms situated between a distance of 2.5 to 5.5 kms and between 7.5 to 9.5 kms. This implies that increasing distance of farms has a decreasing effect on farm incomes only if the distance is considerable.

The data pertaining to per acre incomes of farms situated around the secondary market are presented in Table-3.6.

Table-3.6

Nearness of Secondary Market and Income of the Farms

<table>
<thead>
<tr>
<th>Distance from the Farm (in Kms)</th>
<th>Number of Farms</th>
<th>Total Land Area (in Acres)</th>
<th>Gross Average Income per acre (in Rs)</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 10</td>
<td>16</td>
<td>26.67</td>
<td>9,486.30</td>
<td>7,342</td>
</tr>
<tr>
<td>10-15</td>
<td>52</td>
<td>170.15</td>
<td>5,786.00</td>
<td>3,862</td>
</tr>
<tr>
<td>15-20</td>
<td>43</td>
<td>150.10</td>
<td>4,882.00</td>
<td>3,391</td>
</tr>
<tr>
<td>20-25</td>
<td>20</td>
<td>130.00</td>
<td>4,503.84</td>
<td>3,446</td>
</tr>
<tr>
<td>25 and above</td>
<td>19</td>
<td>91.00</td>
<td>4,280.21</td>
<td>3,244</td>
</tr>
</tbody>
</table>

As in the case of the farms situated around the primary markets, the farms situated around the secondary markets are also classified into different categories; farms situated upto 10 kms from the secondary market, farms situated between 10 to 15 kms, farms situated between 15 to 20 kms, farms situated between 20 to 25 kms and farms situated beyond a distance of 25 kms from the secondary market. A look at the per acre farm incomes shows that the per acre farm income decreases steadily from Rs 9,486.30 to Rs 4,280.21 as the distance of the farms from the secondary market increases. A comparison of the standard deviations and the normal curve test also show that these differences in per acre farm incomes are also significant except...
in the case of farms situated between 15 to 20 kms and between 20 to 25 kms from the secondary markets, in the case of farms situated between 20 to 25 kms and beyond 25 kms and in the case of farms situated between 15 to 20 kms and beyond 25 kms. This generally shows that as the distance from the secondary market increases per acre farm income tends to decrease in the district. This is more or less in conformity with the studies conducted by Jasdanwalla, Nadkarni, and Rao and Subba Rao which have shown a significant positive relationship between market accessibility and marketed surplus of farms.

The apparent contradiction between the results of the above two methods of analysis is perhaps due to the fact that while per acre farm income can capture the influence of different cropping patterns on per acre farm incomes, the two variable linear regression analysis used above could not capture the full influence of different cropping patterns on per acre farm incomes.

Table 3.7 presents data pertaining to per acre incomes of farms used for the cultivation of market oriented crops like vegetables and fruits, these data also reveal that as the

### Table 3.7

Size of the farm and income from market oriented production activities

<table>
<thead>
<tr>
<th>Size of the farm (in Acres)</th>
<th>Average distance to the primary market (in Kms)</th>
<th>Average distance to the secondary market (in Kms)</th>
<th>Total land area (in Acres)</th>
<th>Number of farms</th>
<th>Gross income (in Rs)</th>
<th>Average income per acre (in Rs)</th>
<th>Standard deviation of income per acre (in Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 2.5</td>
<td>2.99</td>
<td>16.22</td>
<td>117.92</td>
<td>67</td>
<td>89,155</td>
<td>756.06</td>
<td>501.15</td>
</tr>
<tr>
<td>2.5-5.0</td>
<td>2.90</td>
<td>17.45</td>
<td>102.50</td>
<td>28</td>
<td>45,430</td>
<td>443.21</td>
<td>371.4</td>
</tr>
<tr>
<td>5.0-7.5</td>
<td>3.61</td>
<td>18.48</td>
<td>145.00</td>
<td>22</td>
<td>53,355</td>
<td>367.91</td>
<td>666.96</td>
</tr>
<tr>
<td>7.5 and above</td>
<td>4.05</td>
<td>22.20</td>
<td>162.00</td>
<td>10</td>
<td>36,175</td>
<td>208.69</td>
<td>292.91</td>
</tr>
</tbody>
</table>

The average distance of the farms from the primary and secondary markets increases per acre incomes of farms used for the cultivation of vegetables and fruits decrease steadily from Rs 756.06 per acre to Rs 208.69 per acre and these differences are significant in terms of a comparison of the standard deviations and normal curve test except in the case of farms situated between an average distance of 2.90 kms to 3.61 kms from the primary markets and from 17.45 Kms to 18.48 Kms from the secondary markets.

From the foregoing discussion it is clear that the availability of marketing facilities near the farms have a significant influence on per acre farm incomes and thereby on rural development in a country.