

Marketing Practices and Problems of Agro and Non-agro based Village Industry Enterprises: A Study of Punjab

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Abstract

The study was carried out to analyze the marketing management practices and problems of agro and non-agro based village industry enterprises. The primary data regarding marketing practices and problems were collected through a self-structured questionnaire which contained questions related to packaging, branding, pricing and distribution channels. The data were analyzed with the help of percentages, Z-test and independent samples t-test. It was found that the majority of agro and non-agro-based of village industry enterprises used their own brands. They mainly followed direct distribution channel from producer to consumer. Poly packs were mainly used and they promote their products through personal selling mode because of unawareness about other promotional tools. No significant difference was seen in marketing practices followed by agro and non-agro based village industry enterprises. The major marketing problem faced by village industry enterprises was inadequate knowledge about low cost marketing strategies. Some other problems were high transportation cost and intense competition from large-scale firms.

Keywords: Village industries, Agro and non-agro based industries, Marketing practices and problems

JEL Classification: R51, Q13, Q12

Introduction

India is the country of villages because majority of its population i.e. 83.3 crore (68.84%) lives in rural areas (Census of India, 2011) and is engaged in agricultural and allied activities which contribute 17-18 per cent of the nation's GDP (Economic Survey, 2017-18). Undoubtedly, other sectors of economy witnessed tremendous growth

after independence, yet agriculture holds the most significant role in the economic activities. With the development of economy, it was expected that the surplus labour engaged in agriculture would be absorbed by the industries and services but unfortunately it remained unutilized by these sectors. Therefore, the excessive labour indulged in the agricultural activities which resulted in the declining productivity. Being close to the agriculture sector, village industries play an

important role to engage the surplus labour in agriculture activities. According to Khadi and Village Industries Commission, village industry is any industry located in rural area which produces goods or renders services with or without the use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed Rs.1 lakh or such other sum as may, by notification in the official gazette, be specified from time to time by the central government (Anonymous, 2014).

Punjab is an agricultural state of India where majority of its population depends upon agricultural and its allied activities. Although agriculture is a major source of income for the population of state, the prosperity of this state is eroding at a rapid rate in relation to other states of the country. Agriculture and other sectors have problems as unemployment is rising and there is farmer distress is contentment among rural people which sometimes results into farmers suicides (Sainath, 2007). Punjab ranked at number four in 2000, but in 2015-16, it slid to number 16 among the states and UTs in terms of per capita income (Singh, 2018).

For reshaping and directing its economy, the growth of village industries is all the more important because they play a significant role in employment generation and eradicating the rural poverty and fulfill the requirements of unemployed youth in rural area. The agricultural incomes of the rural population can be supplemented through the growth of village industries. Growth of industries is linked with efficient management. The managerial handicap may work against the growth of firms and the firms may suffer due to their managerial bankruptcy (Storey,

1997). Management deficiencies of the proprietors may lead to lack of formal record keeping, poor marketing, and dependence on old techniques and may result into retarded growth. Proper marketing management practices can stimulate sales, customer satisfaction, revenue generation and success of business.

Thus, the present study was undertaken to study the marketing management practices and problems of village industry enterprises and to carry out agro-based versus non- agro based inter industry comparison of marketing management practices and problems in village industry enterprises in Punjab.

Data Sources and Methodology

This study was carried out in the year 2018 in Ludhiana, Bathinda and Gurdaspur districts of Punjab state, and the primary data pertained to the year 2018. For the purpose of study, village industry enterprises were divided into two categories i.e. agro-based and non- agro based. Agro based industries comprised the processing of cereals and pulses, ghani oil, gur and khandsari, fibre and village leather. In the case of non-agro based firms the village pottery, lime manufacturing, carpentry and black-smithy and, non-edible oil soap was taken. The primary data were collected from 300 village industry enterprises through self-structured questionnaire containing questions pertaining to marketing management practices and problems. The questionnaire was based on framework suggested by Food and agriculture organization, United Nations, Rome (Italy). This framework included statements on management practices and problems related to financial management, human resource management, marketing management and production management of

several small firms. (Santacoloma *et al*, 2009). Percentages, t-test, independent sample t-test were used for analyzing the data to know the differences of marketing management practices and problems in agro and non-agro based village industries enterprises.

Results and Discussion

For the purpose of the study, village enterprises were enquired about the various marketing practices that were followed by them for marketing of their goods and services. Marketing practices in terms of branding, packaging, price, channels of distribution and place of selling were studied.

Branding

Branding is a process of creating a unique image of the product in minds of customer by firm. It can be any symbol, name and icon or the combination of these. It differentiates the products of firm in the market. For the purpose of study, village industry enterprises were enquired about branding of their product. A perusal of Table 1 depicts that among all the village industry enterprises the majority i.e. the more than 55 per cent were doing branding of their products whereas the remaining 45 per cent did not give a specific name to their products. A similar pattern was seen in non-agro based industries as about 59 per cent did branding of their products.

On the other side, in agro-based village industry enterprises there was a reverse pattern as the highest proportion i.e. 50.38 per cent entrepreneur/ enterprises were not branding their products and the remaining 50 per cent were branding of their products. Statistically, there was no significant difference among agro, non-agro and total village industry enterprises in case of branding of products.

Packaging

Packaging helps in sustaining quality of products besides provided convenience to the customer for handling the product. Packaging can be of different types i.e. poly packs, card boards etc. The study showed that the highest proportion i.e. 57 per cent of total village industry enterprises (both agro and non-agro) used poly packs for packing of their products, followed by 46 per cent who used paper packs and 25.33 per cent used glass bottles for packaging the product (Table 2). The lowest proportion i.e. 20 per cent used jute bags for packaging. The cardboard was used by 21 per cent of the enterprises and other mention like paddy straw wastage, thermal, etc was used by 21.33 per cent of the respondents.

In case of agro based village industry enterprises, the majority (73%) of village industry enterprises used poly packs while in case of non-agro based industries, only 44 per

Table 1: Branding of the products by village industry enterprises

Branding of products	Total (n=300)	Agro-based (n ₁ =131)	Non-Agro based (n ₂ =169)
Yes	165 (55.00)	65 (49.62)	100 (59.17)
No	135 (45.00)	66 (50.38)	69 (40.83)
Chi-square value = 2.72 ^{NS}			

Notes: Figures in parentheses indicate percentage (%) to the total; NS-non-significant

Table2: Types of packaging followed by enterprises for products (Multiple response)

Types of Packaging	Total (n=300)	Agro-based (n ₁ =131)	Non-Agro based (n ₂ =169)	Z-value
Poly packs	170 (56.67)	95 (72.52)	75 (44.38)	4.88*
Paper packs	139 (46.33)	82 (62.60)	57 (33.73)	4.97*
Jute bags	61 (20.33)	57 (43.51)	4 (2.37)	8.78*
Cardboard	63 (21.00)	21 (16.03)	42 (24.85)	1.86 ^{NS}
Glass bottles	76 (25.33)	54 (41.22)	22 (13.02)	5.57*
Others	64 (21.33)	13 (9.92)	51 (30.18)	4.24*

Notes: Figures in parentheses indicate percentage to the total; *significant at 1% level of significance; NS- Non-significant

cent use this packaging material. There was a significant difference in case of agro and non- agro based village industry enterprises in terms of use packaging material. The significantly higher proportion of enterprises in agro-based industries used poly packs, paper packs, jute bags and glass bottles as compared to non-agro based village industries ($Z= 4.88, 4.97, 8.78$ and 5.57 respectively) at 1% level of significance. The use of other material (thermocol, straw of paddy) of packaging was significantly higher in non-agro based industry as shown by the z-value of 4.24.

Pricing

Pricing is the process whereby a firm sets the value of their products at which it can sell in marketing place. An entrepreneur considers many factors while deciding the price of their products i.e. raw material, labour cost etc.

The data given in Table 3 shows the information regarding the criteria used by

village industry enterprises for fixing the price of their products. It was found that vast majority i.e. about 92 per cent village enterprises used cost-based method (which includes cost of raw material, cost of labor etc.) for fixing the price of their products followed by 61 per cent using competition-based method of price fixing and 42 per cent that used demand-based method. The lowest proportion i.e. about six 6.33 per cent used other methods (like, negotiated price etc) for fixing the prices of their products.

A similar pattern could be seen in both agro based and non-agro based village enterprises as seen in total village enterprises. The analysis further revealed that although there was similar pattern among total, agro and non-agro based enterprises in price fixing criteria however, and a significant difference found in both groups. The significantly higher proportion of village enterprises in non-agro based village enterprises used cost-based method of price fixing (Z -value 2.14).

Table 3: Criteria of fixing prices of the product (Multiple response)

Parameters	Total (n=300)	Agro-based (n ₁ =131)	Non-agro based (n ₂ =169)	Z-value
Cost based	275 (91.60)	115 (87.79)	160 (94.67)	2.14*
Competition based	183 (61.00)	92 (70.23)	91 (53.85)	2.89**
Demand based	127 (42.33)	58 (44.27)	69 (40.83)	0.60 ^{NS}
Others	19 (6.33)	6 (4.58)	13 (7.69)	1.10 ^{NS}

Notes: Figures in parentheses indicate percentage to the total; **significant at 1% level of significance; *significant at 5% level of significance; NS- Non- significant

The competition-based method was used by significantly higher proportion of enterprises in agro based village industry enterprises (Z-value=2.89).

Distributions channels

A perusal of table 4 shows various marketing channels followed by the village industry entrepreneurs / enterprises. As per the given information the highest proportion i.e. 77 per cent followed producer-consumer marketing channel, followed by 55 per cent used producer-retailer-consumer marketing channel. The lowest proportion i.e. 25 per cent followed producer -agent-wholesaler-retailer and consumer channel to market their products followed by 39 per cent followed producer-wholesaler-retailer-consumer marketing channel for reaching their product to the final consumer. In case of agro and non-agro based village industry enterprises similar pattern was observed regarding marketing channels followed by the total village industry enterprises, however the proportion of following the producer-wholesaler-retailer-consumer channel was significantly higher in non-agro based enterprise as shown by the z-value of 2.65.

Place of selling products

A perusal of Table 5 depicts the information about the place where the products are sold by the village industry enterprises / entrepreneurs. The highest proportion i.e. 96 per cent sells their products within the state, followed by 87 per cent who sold their goods in the neighboring states also. Seventy four per cent of village industry enterprises sold their products through all mentioned places (apni mandi, kisan bazar, rural development melas, kisan melas, and ATAMA kisan bazar etc). The lowest proportion i.e. 29 per cent sells their goods through KVIC institutions. The pattern of selling the goods was similar in agro and non-agro based village enterprises, however significantly higher proportion of entrepreneurs in non-agro based industry enterprises sold their goods within states as compared to agro based village industry enterprises as shown by the Z-value of 3.80.

Promotional tools

The data given in Table 6 shows that out of total 272 village industry enterprises, the highest proportion of village industry enterprises i.e. 82 per cent used personal

Table 4: Distribution channels followed by village industry entrepreneurs/ enterprises for marketing the products (Multiple response)

Marketing Channels	Total (n=300)	Agro-based (n ₁ =131)	Non-agro based (n ₂ =169)	Z-value
Producer-Consumer	232 (77.33)	107 (81.68)	125 (73.96)	1.58 ^{NS}
Producer-Retailer-Consumer	165 (55.00)	69 (52.67)	96 (56.80)	0.71 ^{NS}
Producer-wholesaler-Retailer-Consumer	117 (39.00)	40 (30.53)	77 (45.56)	2.65**
Producer -agent-wholesaler-retailer-consumer	75 (25.00)	26 (19.85)	49 (28.99)	1.81 ^{NS}

Notes: Figures in parentheses indicate percentage to the total; **significant at 1% level of significance; NS- Non-significant

selling method for promoting their products, followed by 72 per cent who depended on words of mouth, 67 per cent participated in village melas and kisan melas, 59 per cent used newspaper & TV ads, 40 per cent used posters, pamphlets, bulletins and boards, and 28 per cent gave free samples as a mode of promotion. The lowest proportion i.e. 26 per cent gave discounts and 28 per cent used social media.

In agro based village enterprises, the highest proportion i.e. 90 per cent of village industry enterprises used personal selling method for promoting their products, followed by 82 per cent who participated in village melas and kisan melas, 80 per cent who depended on words of mouth and 48 per cent used newspaper and TV ads. About equal proportion i.e. 45 per cent gave free samples and used posters, pamphlets, bulletins and boards, 39 per cent used social media and 33 per cent gave discounts to their customers. However, in non-agro based village enterprise, the highest proportion i.e. 77 per cent used personal selling method for promoting their products, followed by 67 per cent used

newspapers and TV ads and depended on words of mouth, 55 per cent participated in village melas and kisan melas and 37 per cent used posters, pamphlets, bulletins and boards for promoting their products into market place. The lowest proportion i.e. 15 per cent gave free samples, 19 per cent used social media and 21 per cent gave discounts to their customers for promoting their products. It can be seen that newspaper and TV ads method of promotion was used by significantly higher proportion of respondents in non-agro based village industry. While the significantly higher proportion of entrepreneurs in agro based village industry used personal selling, sales promotion method, free samples, words of mouth, social media and other tools (kisan melas, industrial expo etc) for the promotion of their products.

Problems of marketing management

The study also investigated the general view point of village industry enterprises/ entrepreneurs about the marketing management problems. It refers to the problems which are related to the sales, advertising and marketing of products. For

**Table 5: Selling place of products produce by village industry enterprises
(Multiple response)**

Place of sale	Total (n=300)	Agro-based (n1=131)	Non-Agro based (n2=169)	Z-value
Within the state	288 (96.00)	125 (95.42)	163 (96.45)	0.45 ^{NS}
Inter-state	261 (87.00)	103 (78.63)	158 (93.49)	3.80*
Through KVIC institutions	87 (29.00)	39 (29.77)	48 (28.40)	0.26 ^{NS}
All the above	222 (74.00)	94 (71.76)	128 (75.74)	0.78 ^{NS}

Notes: Figures in parentheses indicate percentage to the total; *significant at 1% level of significance ($p < 0.01$); NS- Non-significant.

**Table 6: Promotional tools used by entrepreneurs for the promotion of products
(Multiple response)**

Promotional Tools	Total (n=272)	Agro-based (n1=117)	Non-agro based (n2=155)	Z-value
Newspaper and TV advertisement	160 (58.82)	56 (47.86)	104 (67.10)	3.19**
Personal selling	224 (82.35)	105 (89.74)	119 (76.77)	2.78**
Discounts	71 (26.10)	39 (33.33)	32 (20.65)	2.36*
Free samples	77 (28.31)	53 (45.30)	24 (15.48)	5.40**
Words of mouth	198 (72.79)	94 (80.34)	104 (67.10)	2.43*
Social media	76 (27.94)	46 (39.32)	30 (19.35)	3.63**
Poster, pamphlets and bulletin boards	110 (40.44)	53 (45.30)	57 (36.77)	1.42 ^{NS}
Others (Kisan melas)	181 (66.54)	96 (82.05)	85 (54.84)	4.71**

Notes: Figures in parentheses indicate percentage to the total; **significant at 1% level of significance; *significant at 5% level of significance; NS- Non-significant

Table 7: Level of agreement on the statements related to marketing problems faced by village industry enterprises

Statements	Mean (S. D) (n=300)	t-value $H_0=3$	Agro Mean (S. D) (n ₁ =131)	Non-Agro Mean (S. D) (n ₂ =169)	t-value
The firm does not have their own retail outlet for the sale of its product	4.20 (0.93)	22.28**	4.35 (0.91)	4.08 (0.93)	2.55*
The firm is unaware about advanced marketing channels.	4.22 (0.94)	22.51**	4.28 (1.01)	4.17 (0.87)	1.014 ^{NS}
The firm has to pay high transportation cost for moving its products form firm to market place	4.35 (0.87)	26.88**	4.49 (0.81)	4.24 (0.90)	2.45*
The firm has to face intense competition from large scale firms and foreign made goods in marketing of its products	4.32 (0.79)	28.54**	4.35 (0.78)	4.29 (0.81)	0.66 ^{NS}
The firm does not have good supplier and dealer network for the supply of raw material and promotion of products	4.17 (0.86)	23.61**	4.18 (0.89)	4.17 (0.82)	0.09 ^{NS}
The firm is unaware about procedures of developing their own e- marketing sites	3.84 (1.03)	14.13**	3.79 (1.11)	3.88 (0.97)	0.73 ^{NS}
The product of the firm has low demand in the market	4.01 (1.00)	17.49**	4.05 (1.05)	3.98 (0.96)	0.66 ^{NS}
The firm cannot afford high cost of advertising for sales of their products	4.18 (0.89)	22.83**	4.32 (0.94)	4.08 (0.85)	2.35*
The firm is not familiar with low cost marketing strategies for the promotion activities of product	4.39 (0.79)	30.57**	4.53 (0.68)	4.28 (0.85)	2.68*

Notes: Figures in parentheses indicate standard deviation; **significant at 1% level of significance; *significant at 5% level of significance; NS-Non-significant

this, entrepreneurs/ enterprises were enquired for their agreement towards the statement related to marketing management problems. The statements were asked on five-point agreement scale ranging from strongly

disagree to strongly agree. The statements were tested against null hypothesis of neutral agreement ($H_0 = 3$) regarding marketing management practices (Singh, 2018a). For each statement, the agreement of significant

difference in mean scores was found between agro and non-agro based village industry enterprises using independent sample t-test.

The study revealed (Table 7) that the major problem of village industries is lack of knowledge about low cost marketing strategies, high transportation cost and intense competition from large scale firms. The problems are agro and non-agro based industries are almost similar. Regarding the problems of not having own retail store outlet, high transportation cost, and high cost of advertisement tools low cost of marketing strategies found to be significant while comparison of agro and non- agro based village industry enterprises. On the whole, other all problems related to marketing management found to be significant.

Conclusion and Policy Implications

Marketing management play a significant role for the growth of village industry enterprises. The study shows that all agro and non-agro based village industry enterprises followed the marketing practices related to packing, branding, promotional strategies but due to some marketing constraints they were not able to sustain it in professional manner. The major marketing problem was high transportation cost while moving their products from production areas to final market place. Efforts should be made to create the demand for products of village industries to their nearby areas. Entrepreneurs should make efforts for proper positioning of product so that consumers take pride in using their products. Agro based industries faced more problems than non- agro based industries due to the excess of labour in agricultural activities. All agro and non-agro based industries would benefit if entrepreneurs undergo professional

training regarding marketing management practices.

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