

## The HAAT of Rural Economy - Rural India's Traditional Supermarkets

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### Abstract

Rural market is where the action is for marketeers, and haats are the best bet for companies to reach out to this burgeoning consumer segment. As these hubs emerge as the nerve centre of distribution and points of communication, India Inc. can cash in on the opportunity. The haats provide an enormous opportunity for companies in the still untapped Indian Rural market. Over 70% of all haats have been in existence before Independence, making it an integral and inseparable part of rural life and landscape. Almost every villager is a regular haat visitor, with over three-fourths visiting one every week. And two in every five visitors here are women. Rural haats are the nerve centre of the rural marketing system of India. It's a readymade distribution system which caters to the need of the rural population in India. Generally organized on weekly basis, these haats play an important role in the economy of India.

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**Keywords:** Rural Market, Distribution Centres, Retail, Marketing System, Economy

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### Introduction

From time immemorial, "Haats" in our hinterland have played a role of facilitator for socio-economic intercourse. Rural Haats are the nerve centre of the rural marketing system in India. It is a readymade distribution system which caters the need of the rural population of India. These Haats are generally organized on weekly basis and play an important role in the economy of India.

Much before the Wal-Marts of the world got hot on retail, India had its own grassroots retail network, known as haats, selling as mind boggling a variety of products as a Wal-Mart store. Though traditional, these Indian avatars of hypermarkets promise to drive marketing plans of companies as they eye the emerging rural market, accounting for over two-thirds of India's population, 56% of income, 64% of expenditure and 33% of savings.<sup>1</sup>

The report "Haats as marketing hubs", by Rural Marketing Association of India (RMAI, says India's 43,000-odd haats can offer immense thrust to rural marketing with

1 S. Malhotra, 'Rural marketing Could Get a Haat Push', in *The Financial Express*, New Delhi, 2011, (URLhttp://www.financialexpress.com/news/747777), accessed on 07.09.2013.

their readymade distribution network. Over 70% of all haats have been in existence before Independence, making it an integral and inseparable part of rural life and landscape.<sup>2</sup>

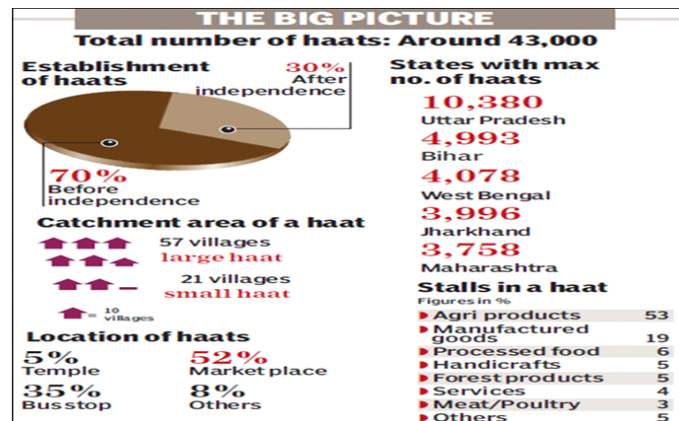


Fig: The Big Picture Source-RMAI

A haat is spread over 5-6 acres and located about 24 km from the nearest big town. The catchment area for a large haat is comparatively high in states of Madhya Pradesh (100 villages), Bihar (85 villages) and Orissa (79 villages), while it is lowest in Andhra Pradesh (14 villages). In case of small haats, the catchment area in MP is highest at an average of 32 villages, while it is lowest in AP (11 villages). In the past, haats in rural areas were organised by zamindars and the rulers of princely states and later by the panchayats. Today, in most regions, panchayats are the organisers and owners of haat land areas. However, in states such as Tamil Nadu (75%), Bihar (75%) and UP (55%), private parties are increasingly organising haats. The participation fee on the haat day averages Rs. 13 per stall. It ranges as high as Rs. 24 in Maharashtra and low at Rs. 6-7 in Bihar and MP.<sup>3</sup>

### The Success of rural haat

Rural products of India are unique, innovative and have good utility and values. Large number of these rural products (like handicraft items, food products, embroidery, clothes & other products) sustains a significant segment of the population in the rural areas. Several attributes of rural products can be identified, for which, it has a demand in the market. Out of the lots, ethnic original and indigenous design & appearance are two traits of rural products, attracting a premium in the market.

The RMAI Haats report says rural Indians prefer to buy branded consumer expendables like soaps, shampoos, detergents and tea at the haat rather than the

<sup>2</sup> Ibid.

<sup>3</sup> Bureau, Fe, 'TheHaat of Rural Economy' in The Financial Express, New Delhi, 2014, (URL <http://www.financialexpress.com/news/thehaatofruraleconomy/747644>), accessed on 10.09.2013.

permanent village shop because of the variety on offer at these weekly markets, which spring up naturally across the country. With growing rural incomes and rising brand awareness, big brand marketers can look at converting huge unbranded and copycat goods consumption at these haats into sales for their value-priced brands. Equally, the habits of the haat seller, like from where and how he buys his wares -largely from the nearby city wholesaler and preferably on credit - has a huge bearing on distribution incentives and plans of rural-bound companies. S Siva Kumar, chief executive, Agribusiness, ITC, commenting on the evolution of marketing in the rural space, points out: "Yesterday's rural marketing was just about a combination of low price and outreach. Building a complete ecosystem around marketing will hold the key to the future of rural marketing in India." Surely, haats seem to be providing that ecosystem.

### **Market matrix**

Haats sell almost all kinds of products that are needed for a rural lifestyle, from agricultural products to hair pins. Though agricultural products (53%) still have a major share, manufactured goods (19%) and processed foods (6%) have gradually found entry. On any haat day, an average buyer spends around Rs. 40 on FMCG products. The spending amount varies from state to state. It nears ` 60 in states of UP and Maharashtra, while is comparatively lower at Rs. 22 in Orissa and Andhra Pradesh. The average amount of sale of branded products by an FMCG seller is around Rs.2,224, while his total sale (including unbranded Fast Moving Consumer Goods) products adds up to around Rs. 7,521. To increase their sales, a seller usually tries to visit several haats. On an average, a seller visits at least three haats per week. Though sellers in Maharashtra show a more aggressive trend of visiting six haats per week, those in Orissa and Bihar largely concentrate on two haats in a week.<sup>4</sup>

The transaction in Haats take place at three main levels, in the form of selling of products by Urban Marketers to Rural Populace (Rural), Rural producers selling to semi-urban and urban economy (Urban), Rural producers selling to rural buyers (Rural)

### **Rural India's Traditional Supermarkets<sup>5</sup>**

- 43,000 haats in India
- 70% established before Independence
- Rs 50,000 crore annual sales n Out of total footfalls around two-fifth are women
- Large haat, in a 10,000+ village, caters to 57 villages attracts 12,000 visitors daily
- Small haat, in a 5,000+ village, caters to 21 villages, average footfall of 5,600 a day

4 ([URLhttp:// www.business.illinois.edu/subsistence/docs/RMAI1.pdf](http://www.business.illinois.edu/subsistence/docs/RMAI1.pdf)), accessed on 11.08.2013.

5 *Ibid.*

- 545 stalls appear in a large haat while around 327 stalls are set up in a small haat
- 98% rural people are regular visitors to haats
- 75% visit any particular haat almost every week
- Three-fifth come to buy specific products from haats despite the fact that similar products are available in their villages

### **HAATS as Market Linkages for Rural Products**

There are, broadly speaking, two ways in which they can be connected to the markets. They can do it on their own through cooperatives. Or, the state can do it for them through its procurement engines. Today, developmental thinking on market linkages has reached stage three linkages through companies or industries. Rural markets are regarded as organizations for marketing non-farm products in a traditional setting. Developing rural markets is one of the major concerns of government and Non-governmental organization in India.

Across India, previous attempts to create such linkages have floundered. Assam and other eastern states decided that cooperatives were a great way to consolidate its political base. In the process it was later observed that loans went to the undeserving, debts were written off and institutions slowly got corrupted. As for the linkages provided by the state therefore, these offer uncertain sustainability. Given this context, one can conclude that profit-oriented industry linkages are a more sustainable, more scalable alternative. In this scenario, companies could use the social infrastructure of the self-help groups as an alternative procurement and distribution chain and vice versa.<sup>6</sup>

On the *Haat* day it is observed that the large number of sellers from the nearby location comes to sell because there is large congregation of buyers as a single point of sales. The main reasons for the higher turnout of the buyers are, in turn higher sale possibility on low investment, cash sales where one can purchase as well sell the goods, especially given that there are no shop in the villages.

### **Big Opportunity**

While haats have always been part of Indian life, it has only now caught the eye of corporates. From Reliance Retail to the Tata's to multinationals like Hindustan Lever, just about every one is becoming ryot-friendly and pitching their wares. The aim is to cut logistics costs and beat the flagging sales at urban locations. If the 43,000 such weekly markets across India are tapped, it can spell big money for Indian industries. On an average, products worth Rs 1 lakh-crore change hands every year at these

6 T. Ma, Professional Marketing and Advertising Essays and Assignments (URL<http://books.google.co.in/books>), accessed on 12.09.2013.

markets, based on a government-backed study of 1995. Back then, the study had put sales at ` 55,000 crore. By multiplying 47,000 haats into 52 weeks at an average of Rs. 2.25 lakh per week of sales, the figure will be closer to the Rs. 1 lakh crore-mark.<sup>7</sup> Given the rise of potential business, companies like Reliance Retail, have been excited about the possibilities. Tata Steel, Marico, Tata Agrico and Hindustan Lever have begun or are considering leveraging these points of distribution. ITC is mulling mobile kiosks at haats. Rural marketing consultancy firm, Mart, has been coordinating with companies to develop haats as sourcing and marketing hubs for seven years now. It has worked with Tata Shaktee, a Tata Steel brand for roof sheets.

Telecom majors Nokia, Motorola and LG have firmed up plans to augment sales through village haats and Tata Agrico has already begun using haats as direct selling points whereas Reliance Retail is considering leveraging these weekly village markets.

The mandis, numbering roughly about 7,200 across India, are actually primary wholesale markets. These are governed by the Agricultural Produce Marketing Committee Act, and are located at the district headquarters as well as smaller taluks. In contrast, weekly haats are unregulated. Unlike mandis, there are fewer intermediaries at these haats. Producers directly sell to consumers. This makes procurement from haats cheaper.

### **Governmental stance towards Haats**

In India, 72.22 per cent still live in rural areas, even if only 57 per cent earn a living from agriculture. If one understands what the United Progressive Alliance is attempting, and if one understands what the NCMP (National Common Minimum Programme) promised, the India Shining effect must be extended to rural areas.<sup>8</sup>

This is a simple enough proposition. And diverse initiatives are being talked about. First, there is the National Rural Employment Guarantee Act, which will subsume the National Food for Work programme and be used to create rural assets, given its basic vision is not attended by policies.

Second, there is the idea that centrally sponsored schemes will be rationalised and devolved downwards to panchayats. Indeed, some money has already been earmarked for devolution to panchayats. Third, there is a cluster idea, emanating from the National Commission for the Promotion of Enterprises and this includes rural clusters.

Fourth, there is PURA (Provision of Urban Amenities in Rural Areas), with physical connectivity (roads, power), electronic connectivity and knowledge connectivity,

7 S. Shah, 'The Haat of The Matter' in *Outlook Business*, May 2007, (URL<http://www.outlookbusiness.com/articlev3.aspx>), accessed on 13.09.2013.

8 B. Debroy, 'About India's Haats', (URL<http://www.rediff.com/money/2005/july>), accessed on 19.09.2013.

leading to economic or market connectivity. There is the *Rashtriya SamaVikasYojana* (RSVY), targeted at backward districts, and whatever yardstick one uses for identifying backward districts, rural development following as a natural consequence. Then there is the *Swacch Bharat Abhiyan*, to provide sanitation facilities and clean environment for the haats.

### **Problems preventing the Haats to flourish**

Out of India's 600,000 villages, bad physical and social infrastructure is in around 350,000 of them. And perhaps inevitably, where government initiatives have led to no results, private initiatives are also non-existent. Having said this, we have had rural development programmes for decades. If these didn't work, what is the guarantee that these wonderful new programmes will work now? Simply stating that we will now link outlays to outcomes and that there will be an outcome budget isn't enough.

At the top of the market hierarchy are mandis, which owe their development partly to government policies on agricultural marketing. These 7,161 regulated markets, or mandis, are mostly primary wholesale markets, and are usually governed by APMC (Agricultural Produce Marketing Committee) Acts.<sup>9</sup>

The point to note is that the mandis are primarily wholesale markets, located near district headquarters, major trade centres, important towns and centres of production. The mandis that are secondary wholesale markets are also located in every district of the country.

However, the more important point is that small farmers have limited access to these mandis. Transactions take place between commission agents and wholesalers. Market intermediaries (adhaatis or dalals or with other names) purchase the farm produce from farmers, often in advance, and bring it to mandis for sale to wholesalers.

Haats also face some inherent problems. Poor infrastructure is one. Haats do not have basic facilities like platforms for sale or auction, electricity, drinking water, facilities for grading, sorting and so on. There are not even organised toilets for the participants. The *Swacch Bharat Abhiyan* can help to address these issues

### **The Way Ahead**

The *Pradhan Mantri Gram Sadak Yojana* (PMGSY) which seems to have performed better were not carried forward. If government programmes were horses, rural India would have been riding away to glory by now. Even if we can find Rs. 50,000 crore out of that promised Rs. 174,000 crore.<sup>10</sup> I think the *Bharat Nirman* idea will work

9 URL <http://www.ruralhaat.com/success.aspx>. Accessed on 17.09.2013.

better if we focus on one item alone like India's haats. In haats, dis-intermediation is greater and there is an opportunity for producers to directly sell to consumers or small rural retailers, although APMC Acts sometimes prohibit such sales that bypass mandis. Unlike mandis, small farmers have access to haats. Local bodies usually control auctions of space and issue licences and permits to vendors to use these haats.

Market fees or taxes are collected from the participants, but these are rarely ploughed back to develop infrastructure. Haats are not equipped with basic facilities like and a visible match of space allocation is very predominant. *Nabard* is in the process of drafting a pilot project for developing infrastructure for haats. If that, and the simultaneous initiatives by corporate houses take shape, rural India can look forward to a new beginning.