FACTORS INFLUENCING DUMPING OF INTERNATIONAL GOODS ON INDIAN RURAL MARKET

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ABSTRACT

Purpose: *Though change is common, some changes seem peculiar and paradoxical. Today, we witness in Indian economy one such a bi-faceted change – a change from National to International on one side, and urban to rural on the other. Realize is a buzz word of this new era, viz, globalize, liberalize, privatize and computerize. Though the change is evolutionary and characteristic of a developing nation with huge population vast resources, one requires a visionary entrepreneurship to respond proactively to it. Thanks to dumping in Fast Moving Consumer Goods (FMCG) International companies like HLL, P&G, Colgate-Palmolive and consumer durable makers like LG, Samsung, Whirlpool, Mirc. Electronics, Philips etc, for exhibiting such a leadership. Today, many Indian corporate and International corporate look at these markets by compulsion as well as by choice. Compulsion, because markets are saturated, and there is no where to go. Choice, because they are attractive and viable to expand the market. Dumping of international consumer goods in rural India really helps the rural people to get right product with good quality and healthy competition with reasonable price. The government also encourage to get more foreign capital and provide more employment opportunity to the socially, economically, educated unemployed youth in rural area. Therefore this paper highlights the factors influencing dumping of International goods in Indian rural market.*

Design/methodology/approach: *Primary data using convenient sampling through questionnaire and interview method and secondary data from wide range of literature, censes of Indian and the economic times intelligence report have been utilized. The technique of factor analysis is used to determine the variables, which determine their behaviour towards dumping of international goods on Indian rural market.*

Findings: *The Principal Component Analysis indicates that four factors viz., offering new markets, enhancing the standard of living of the rural consumer, scope for innovative marketing strategy and offering wider variety of products, both in terms of quantity and quality are the major sources of dumping behaviour of international goods as they together influence the dumping behaviour by 81 percent.*

Originality/ Value: *A study on factors influencing dumping of international goods on Indian rural market is the original work of the author.*

Keywords: *International goods, Rural market,*

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INTRODUCTION

During the last decade, a slow but discernible change has been taking place from the traditional to a more market-based outlook. Several white products like televisions, refrigerators, washing machines, Fast Moving Consumer Goods (FMCG) like high-end soaps and shampoos and even two-wheelers that were launched by International companies in the rural market, which actually lapped up by consumers of a similar profile in the urban markets. So the rural market is witnessing a penetration of global goods making entire world as one village.

RURAL INDIA

Dumping of International goods in rural area is ready to take a leap forward as it is very important to understand the taste of the rural consumer and different ways of how to promote products in the rural hinterland. As there are wide differences existing in terms of education, income, culture, technology etc., the understanding of the rural consumers is totally different from how it is perceived by its urban counterpart. Rural consumer understands symbols and colors better, and looks for endorsement by local leaders.

Many changes are being witnessed in the socio-economic, political and cultural outlook of rural India. The rural market consists of more than 740 million consumers and has a wide potential for expansion. According to Census Report of 2001, 73% of Indian population is living in rural areas. Though over the last three decades there has been a marginal reduction in the rural population expressed as a percentage of total population, there has been a steady growth in rural population in terms of absolute numbers and it has reached 74 crores. Table 1 show the details of rural and urban population of India and Table 2 reveals their potential income of rural consumers.

Table 1
Population of India – Rural Vs Urban

Type	1991		2001	
	Population in Crores	*% Age of Total*	*Population in Crores*	*% Age of Total*
Rural	64.1	76	74	73
Urban	20.3	24	29	27
Total	84.4	100	103	100

Source: Census of India, 2001.

Table 2
Pothential Rural Conusmers

Income Groups	Percentage of Rural Households – GDP @ 7.2%		
	1994-95	*2001-02*	*2006-07*
Below Rs.25,000	61.4	37.4	20.2
Rs.25,000-50,000	26.0	41.1	44.6
Rs.55,000-77,000	8.3	13.0	22.4
Rs.77,000-1,00,000	2.7	4.7	5.8
Above Rs.1,06,000	1.6	3.8	5.6

Source: Natural Council for Applied Economic Research (NCAER)

The above data discloses the scope for expansion of consumer market in rural India. After globalization, the rural market for consumer goods in India is undergoing a sea change.

Rural market has become an attraction to International corporate as their large consumer base. Secondly, the heat of competition in urban market actually serves as a strong drive behind the growing interest of International corporate to rural market in India. Many organizations have taken to rural marketing in a big way. Table 3 shows the companies that have already entered into the rural market and their percentage of sales in a big way.

Table 3
Companies / Industries Engaged in Indian Rural Market

Company	Rural Sales (%)	Industry	Rural Sales (%)
HLL	50	Audio	40
Colgate	50	Refrigerators	24
Godrej	30	CTV's	22
Cavin Care	33	Pharma	20
Marico	25	Cement	10-20
Cadbury	25	Paints	10-12
SmithKline Beecham	25	Washing Machines	9
Heinz	20	Food Industry	-
Glaxco Wellcome	25	Pharma	-
Cipla	18	Pharma	-
Ranbaxy	17	Pharma	-
Nicholas Piramal	19	Pharma	-
Toyota	50	Automobile	-
Hero Honda	40	Two-Wheeler	-
Kinetic	30	Two-Sheeler	-

Source: The Economic Times (ET Intelligence Report 2007)

It is interesting to note that rural sales have not crossed 50% mark in both durable and non durable consumer goods. In some consumer non durable goods only, the rural markets have shown growth. There is a vast potential left unexploded in rural India.

FACTORS INFLUENCING DUMPING OF INTERNATIONAL GOODS

Dumping of international goods in rural India offers companies to explore new markets. Since the 1950s, the growth of international trade and investment has been substantially larger than the growth in their domestic economies. Technology continues to increase the reach and the case of opening international trade, pointing to even larger growth potential in rural market in near future. A combination of domestic and international goods in rural market creates more opportunities for expansion, growth, healthy competition, and improves the standard of living of the rural mass. Dumping of International goods causes the flow of ideas, services, and capital across the world, as a result, innovations may be developed in rural market more rapidly such that, human capital can be used better. International goods in Indian rural market also offer consumers new choices and new life style. It can permit the acquisition of a wider variety of products; both in terms of quantity and quality, and more so at reduced prices through international competition.

Dumping of International goods in rural market of India facilitates rapid mobility of factors of production – except land – and provides challenging employment opportunities to individuals with professional and entrepreneurial skills in rural India. At the same time, international trade reallocates resources; make preferential choices, and shifts activities of production on a global level. Though global players throw a threat and challenge to local marketers, but it is inevitable in the context of Globalization. The migration of consumers from rural to urban is arrested and the quality of life in rural areas is increased.

NEED FOR THE STUDY

Though, the rural market looks very attractive, it is not easy for any Multinational Companies (MNC) to enter into it and take a sizeable share of the market, due to many constraints. Till now, there are not enough opportunities for education in rural areas. The literacy level is low (36%) when compared to the all India average of 64%. The rural consumer is influenced by the environment such as abject poverty, indebtedness, and stressful life. Rural areas are highly stratified in terms of caste, class and ownership of land and by his wants and perceptions. Understanding the social and attitudinal influences on rural consumer behavior is important challenges to the MNC. Keeping these constraints, the present study aims to examine the factors influencing dumping of international on Indian rural markets.

REVIEW OF LITERATURE

Aditya Prakash Tripathi (2008) stated that Rural India, because of its many natural credentials, has become the largest hub in the world for domestic and global business houses, to market different kinds of products and services. A small increase in the rural folks' income results in an exponential increase in an exponential increase in their buying power. The key to success in this market is to understand the psyche of the rural consumers, which is completely different from that of their urban counterparts. Shivadattagouda Honnalli (2008) studied that, about the growing realization among marketers on the enormous untapped potential of India's rural markets. Several companies have found initial success by setting up malls dovetailed to the requirements of rural consumers. Jagaman Singh (2008) pointed out that, the key business players are ecstatic about the immense market potential in India's rural areas. It is believed that high economic growth rate has brought about major changes in the life styles and standard of living of the rural folks. Business firms plan huge investments focused on rural areas, as part of their growth strategy.

OBJECTIVES OF THE STUDY

1. To analyze the factors influencing dumping of international goods on Indian rural market.
2. To identify the factors that attracts the international goods into Indian rural market.

METHODOLOGY

The study is based on the primary sources of data which are collected through interview schedule from the rural customers to analyze the factors influencing dumping of international goods on Indian rural market. A convenience sample was used for this study. A total of 100

questionnaires were distributed to rural customers across the 17 states of the country. The sample population for the research is defined as all persons including males and females of 18 years and above. The questionnaire consisted of 15 questions (Appendix 1). Section A consists of demographic questions while section B contains five point Likert scale questions to measure the factors influencing dumping of international goods in Indian rural market from the respondents. The respondents were required to rate the various statements ranging from 5 (strongly agree) to 1 (strongly disagree). The technique of factor analysis is used to determine the variables, which determine their behaviour towards dumping.

FACTOR ANALYSIS

Factor analysis technique has been applied to find the underlying dimensions (factors) that exist between the 10 identified variables relating to dumping of international goods in Indian rural market selected for the study. Factor analysis is used for the purpose of identifying the variables that lead to dumping process. That is, the factor analysis tries to identify the define the underlying dimensions in the original variables.

FITNESS TO FACTOR ANALYSIS

(A) KMO and Bartlett's Test

Two tests namely, Kaiser-Mayer-Olkin (KMO) test measures of sampling adequacy and Bartlett's Test of Sphercity is applied to test whether the relationship among the variables has been significant or not as shown in Table 4.

Table 4
KMO and Bartlett's Test of Sphercity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.763
Bartlett's Test of Sphericity	Approx. Chi-Square	873.874
	Degree of freedom	45
	Level of significance	.000

The KMO measure of sampling adequacy shows the value of test statistic is 0.763. which means the factor analysis for the selected variables is found to be appropriate to the population. Bartlett's test of Sphercity is used to test whether the hypothesis is accepted at the significant level or not and here the hypothesis is accepted at 100 per cent level of significance.

RESULTS AND DISCUSSION

(B) Factor Extraction

Total Variance Explained

Principal Component Analysis is a multivariate technique for identifying the linear components of a set of variables. Using the Principles Component Analysis three factors have been extracted based on the variance (Eigen value greater than 1). The variance explained by the initial solution, extracted components, and rotated components are displayed in Table 5.

Table 5
Total Variance Explained

Component	Initial Eigen values Squared Loadings			Extraction Sums of Squared Loadings			Rotation Sums of		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.446	54.459	54.459	5.446	54.459	54.459	3.928	39.283	39.283
2	1.581	15.813	70.272	1.581	15.813	70.272	2.325	23.252	62.535
3	1.097	10.972	81.244	1.097	10.972	81.244	1.871	18.709	81.244
4	.738	7.382	88.626						
5	.368	3.675	92.301						
6	.313	3.130	95.431						
7	.194	1.941	97.372						
8	.109	1.093	98.466						
9	.083	.830	99.295						
10	.070	.705	100.000						

Extraction Method: Principal Component Analysis.

In the rotation matrix the three factors extracted which together account for 81.244% of the total variance among the 10 original variables. This is good fit because we are able to economize on the number of variables into three from the 10 distributed variables, while we have lost only about 18.8% of the variations which are caused by other 7 variables.

COMPONENT MATRIX

Table 6 gives the factor matrix of Principal Component Analysis which has extracted 3 factors with the coefficient called factor loadings. These loadings are similar to the correlation between the factors and the variables. The matrix contains the loadings of each variable against each factor and the co-efficient are called factor loadings, as they indicate how much weight is assigned to each factor.

Table 6
Component Matrix(a)

	Component		
	Factor – 1	*Factor – 2*	*Factor – 3*
A7	.884	-.329	
A5	.853	-.354	-.240
A3	.835	-.257	-.247
A1	.835	-.431	
A8	.801	.168	.151
A6	.760	.228	-.382
A4	.679	.513	
A10	.662	.349	.336
A2	.381	.793	-.275
A9	.527		.783

Extraction Method: Principal Component Analysis.

COMMUNALITIES

Table 7 shows the proportion of the variance explained by the 10 factors in each variable. Which is called as "Communalities of the Variables."

Table 7
Communalities

	Initial	*Extraction*
A1	1.000	.865
A2	1.000	.866
A3	1.000	.783
A4	1.000	.899
A5	1.000	.853
A6	1.000	.849
A7	1.000	.809
A8	1.000	.649
A9	1.000	.913
A10	1.000	.944

Extraction Method: Principal Component Analysis.

Principal component analysis assumes that all the variance is common, therefore, before extraction the communalities are all 1.000.

(C) Rotation

Rotated Factor Matrix

Since the data of factor analysis is to identify the factors that meaningfully summarize the sets of closely related variables, the rotation phase of the factor analysis attempts to transfer initial matrix into one that is easier to interpret. Varimax rotation method is used to extract meaningful factors. This is given in Table 8.

Table 8
Rotated Component Matrix(a)

	Component		
	Factor - 1	*Factor - 2*	*Factor - 3*
A5	.935	.153	.114
A1	.893		.293
A3	.872	.229	.108
A7	.864	.114	.362
A8	.494	.460	.487
A2		.921	
A4	.238	.716	.402
A6	.601	.644	
A9	.187		.926
A10	.230	.498	.610

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

We notice that variables A1 - Dumping of International goods in rural India offers companies new markets, A3 - Improves the standard of living of the rural consumer, A5 - Innovation can be developed in rural market and A7 - Offers wider variety of products, both in terms of quantity and quality have loadings of 0.893, 0.872, 0.935 and 0.864 on factor 1; this suggests that factor 1 is a combination of these variables. At this point, the task is to find a suitable phase, which captures the essence of the original variables that continue to form the underlying concept or 'factor'. In this case, factor 1 could be named as **"Offers New Markets"**. In case of the factor 2 column, the variables A2 - International goods in rural market helps more opportunities for expansion, growth and healthy competition, A4 - Causes the flow of ideas, services and capital across the world and A6 - Human capital and financing can take place more quickly have high loadings of 0.921, 0.716 and 0.644 respectively. This indicates that factor 2 is the combination of these two variables. In case of factor 3 column, the variables A9 - Provides challenging employment opportunities to individuals with professional and entrepreneurial skills and A10 - Global players throw a threat and challenge to the local market has a high loading of 0.926 and 0.610, so they are grouped respectively according to their weights of loadings.

COMPONENTS TRANSFORMATION MATRIX

Table 9
Component Transformation Matrix

Component	Factor - 1	Factor - 2	Factor - 3
1	.788	.450	.421
2	-.526	.847	.079
3	-.321	-.284	.904

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Table 9 reveals the factor correlation matrix (Table titled Component Transformation Matrix). If the factors are uncorrelated among themselves, then is the factor correlation matrix, the diagonal elements will be 1's and off diagonal elements will be 0's. Since matrix was rotated with varimax, barring some variables all other variables are found to have, even if not zero correlations but fairly low correlation.

FACTOR SCORES

Variables Identified for Factor Scores

Since each factor is a linear combination of all variables, co-efficient have been calculated for all variables. This is used to calculate factor scores. However for the study, original values of the variables have been retained for further analysis, to assess the metric value of each factor among the different rural markets. The factor sores have thus been obtained by adding the values of the respective variables for that particular factor, for each respondent. Thus 10 variables in the data have been reduced to 3 factors which are substantially influencing the dumping behaviour of international goods in the Indian rural market.

Table 10
Variables Identified for Factor Scores

S.No.	Variables	Factor Names
1	A1-Dumping of International goods in rural India offers companies new markets	Offers new Market
2	A3-Improves the standard of living of the rural consumer	
3	A5-Innovation can be developed in rural market	
4	A7-Offers wider variety of products, both in terms of quantity and quality	
5	A2-International goods in rural market helps more opportunities for expansion, growth and healthy competition	More opportunities for expansion
6	A4-Causes the flow of ideas, services and capital across the world	
7	A6-Human capital and financing can take place more quickly	
8	A9-Provides challenging employment opportunities to individuals with professional and entrepreneurial skills	Provides employment opportunities
9	A10-Global players throw a threat and challenge to the local market	

FINDINGS AND CONCLUSION

The Principal Component Analysis indicates that four factors viz., offering new markets, enhancing the standard of living of the rural consumer, scope for innovative marketing strategy and offering wider variety of products, both in terms of quantity and quality are the major sources of dumping behaviour of international goods as they together influence the dumping behaviour by 81 percent. The second major component that offers explanation to the dumping behaviour is "more opportunities for market expansion" which cumulatively adds to our determining power from 81 percent to 95 percent. Providing employment opportunities to rural entrepreneurship, flow of foreign capital, technology and access to foreign goods seem to have been adding to the dumping behaviour. One interest highlight of the analysis is that the factor A-10 dumping international goods in Indian rural market poses a threat and challenge to domestic goods is not statistically supported and hence, it may be concluded that Indian rural consumers do not attribute that the entry of international goods is neither a potential threat nor a challenge to the domestic goods. Perhaps the domestic players are expected to compete with foreign players with superior quality at lower prices to survive in the Indian rural market.

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Appendix – 1
Factors Influencing Dumping of International Goods on Indian Rural Market

Questionnaire

Please read the questionnaire and indicate your opinion by a tick ( ) mark in the relevant box.

1. Name   :
2. Age   :   15 to 20 ( ) 21 to 25 ( ) 26 to 30 ( )
3. Programme :   UG ( ) PG ( )
4. State   :
5. Nationality :

Likert's Scale
5. Strongly Agree 4. Agree 3. Neutral 2. Disagree 1. Strongly Disagree

1.	Dumping of International goods in rural India offers companies new markets.	5	4	3	2	1
2.	International goods in rural market helps more opportunities for expansion, growth and healthy competition.	5	4	3	2	1
3.	Improves the standard of living of the rural consumer.	5	4	3	2	1
4.	Causes the flow of ideas, services and capital across the world.	5	4	3	2	1
5.	Innovation can be developed in rural market.	5	4	3	2	1
6.	Human capital and financing can take place more quickly.	5	4	3	2	1
7.	Offers wider variety of products, both in terms of quantity and quality.	5	4	3	2	1
8.	Reduced prices through international competition.	5	4	3	2	1
9.	Provides challenging employment opportunities to individuals with professional and entrepreneurial skills.	5	4	3	2	1
10.	Global players throw a threat and challenge to the local market.	5	4	3	2	1