Opening Niche Markets in Rural India using the Internet

Most of India's population lives in villages, and 450 million people live on less than roughly $1.50 per day. Literally the children who grow up in $1.50 per day environments are the future of India, so what is India doing for them? Human security is the least common denominator needed to offer freedom, security, and socio-economic opportunity to people – which is the opposite of poverty. People need an integrated package of food, water, health care, education, housing, and security from crime (law enforcement) and the natural disasters – which in turn requires sufficient purchasing power to meet all these needs, not just one or two in isolation of each other.

Dr. Arunidh Krishna has shown that several commonly held assumptions about rural India are wrong. He surveyed thousands of families in 36 villages in each of Rajasthan, Andhra Pradesh, and Gujurat. He found that poverty rates were 25-65% yet almost as many families fell into poverty as came out of poverty over the last 25 years. The most common pattern for 60-80% of villagers who fell into poverty was inability to afford the heavy costs for health care in chronic and life threatening illnesses, costs of social functions like death ceremonies and marriage celebrations, which in turn leads these families to take on high interest rate debt from local loan sharks (~3% per month). Factors like laziness and drunkenness were identified in single digit percentages and not a major factor.

The way families have risen and managed to stay out of poverty is simple: making more money by getting out of agriculture and diversifying their income sources so they can afford health care, education, support a family/social life, get a roof over their head, and repay their debt. They have done this by getting a better job in a city or accessing a new urban market through a contact/friend, farming very different more profitable crops, or getting a government job. Primary education played a minor role compared to other factors. Urban migration might work for a small fraction of villagers, and will not scale if 700 million rural Indians have to flood the Indian cities to get jobs – it would be like Mexican migrant labor finding jobs in the US and sending money back home.

If people can find ways to make enough money, they will pay for all what they need. Like India, Mexico has 106 million people of which 45% live on less than $2/day and Pakistan is 160 million people, 80% of them live on less than $2 per day. With approximately 300 million people, the size of the US economy is $13 trillion – perhaps the most efficient economy in the world. Rural India is twice the size of the US and has the potential in theory to have a much larger economic output than the US – what limits efficiency of the rural Indian economy?

Rural Indians will need to tap into new markets to raise their annual economic output from hundreds of billions into the tens of trillions. Finding ways to diversify beyond agriculture may be the only way to improve purchasing power to $10/day and beyond, because the total agricultural market is top limited to perhaps $100 or $200 billion. To date, mass manufacturing (like China) as a route to development has not been replicable/scalable in rural India as well as the long list of developing/agricultural economies like Pakistan, Mexico, and many countries in Africa. Scalable economic development therefore needs to be local, not dependent primarily on cheap exports, outsourcing, etc.

Using the Internet Google, EBay, and Amazon are enabling small businesses in the US to gain access to niche markets they couldn't otherwise reach before by equalizing and reducing distribution costs – known as the Long Tail phenomenon.[1] Offhand examples of local niche markets include electrical repair work, ads for doctors/hospitals/specialists, tractor repair needs, water purification, dramas/skits/performances, new shop/business openings, bicycles for sale, animal care, and so forth.

The list is diverse, unpredictable, and long-tail. The sum total of economic value of all these niches is likely to be very large – exactly how big is unpredictable. The important thing is that the list should be derived directly from demand/supply in the regional rural economy and can be extended to incorporate literally anything if a user decides to include it.

A Craig's List for Every Indian Region, City, Town, and Village

What would happen to the cost of distribution in India if a free information network/service/billboard was made accessible to rural Indians, modeled after Craig's list's classified ads?

1. **Searchable** at all geographic levels: Every state, district, city, town, village or within a fixed radius of the usser's location (like 50 miles). Examples: OpenTable (restaurant reservations) and Zillow (real estate opportunities), and Fandango (movie tickets)
2. **Accessible** in multiple interfaces including web-based and cell phones (like Goog-411 or Goog-mobile), and to the extent possible translated in local vernacular (Hindi, Telugu, etc).
3. **Categories** customized and extensible to both agricultural, urban, and non-agricultural Indian markets – crop prices, labor needs, equipment leases, services, etc.? Like EBay, Google AdSense, or Shaadi.com (matrimonial/dating sites)

Internet/web terminal penetration will remain much lower than cell phones for the foreseeable future. Internet kiosks are mostly limited to larger population centers, but still within a day's travel reach of most villagers (at least to district headquarters). Cell phones can reach a larger audience anywhere in the villages on a daily basis, and this can be combined with less frequent access to kiosks in larger centers. In the absence of credit cards and credit histories, mobile banking may enable these 450 million people to participate in online transactions.

An online service for villagers to input classified ads via the web and browse/search them the same way (like Craig's list) keeps it simple to setup/operate, and easier to focus on getting the content right with categories tailored to rural economy's needs. If the service enables broader distribution not otherwise possible, the early users would be entrepreneurial buyers who want to get lower prices and entrepreneurial suppliers who will "do what it takes" to gain a competitive edge by connecting supply to demand. As usage grows, a rural user could be given the capability to subscribe to "alerts" on a cell phone (txt message, voice mail), via an interactive voice interface on a cell phone, or via the web itself at an Internet terminal. For instance, a worker who is skilled in electrical work may want to be notified by cell phone when an ad shows up within a radius of 20 miles of his village — once he gets a notification, he can request more details on his cell phone or otherwise go check at the nearest Internet terminal to see more details of the job requirements.

Conclusion

Rural poverty in India can be solved and human security can be achieved in large scale, but not the way we have been going about it historically. Tapping into larger markets are required since the total India market for agriculture is limited to perhaps $100B or $200B annually and crop yields are at the mercy of weather, droughts, and so on. We need new information services that can ***connect*** villagers to new local and regional niche opportunities beyond agriculture to grow output into the trillions.

For an extended discussion, see http://www.devabhaktuni.us/research/humansecurity.pdf

[1] Chris Anderson, "The Long Tail: Why the Future of Business is Selling Less of More" http://www.amazon.com/Long-Tail-Future-Business-Selling/dp/1401302378