

## A Note on Rural Market

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### INTRODUCTION

Rural markets or what we call "hat bazar" may be defined as periodic markets run either bi-weekly or weekly or fortnightly especially in a given location of rural area where rural farmers and artisans come from different points to dispose their products whatever they want to sell and also to buy different goods especially of daily necessities. Broadly, rural markets can be categorised into two types: (1) primitive type of rural market and (2) progressive type of rural market. The former type of rural markets are characterised by very little or no physical marketing facilities. In such markets farmers and middlemen can be seen operating their transactions under the shades of a few trees or umbrellas or small tent personally managed by middlemen for the market-day and the market is held in an open field or village square or either side of a road. But the progressive type of rural markets are featured by a relatively much more physical marketing facilities. Permanent market sheds, drinking water and some logistic supports from the market propelling agents are seen focussed on. Usually such markets become the critical points to connect the most rural areas and urban centre. Hence such markets, though periodical in nature, may be called "urban" markets. However, the stagnancy, expansion and periodicity of rural markets are largely influenced by the ecological, infrastructural, supply and demand responses of various goods and services and by the socio-cultural norms of different locations. As an interaction of all such parameters manifest a positive feature, a primitive type of rural market is tended to be a progressive one culminating to be a standard market reflecting the characteristics of an urban market.

### IMPORTANCE

Basically, a hat serves rural farmers and artisans to sell their surplus products on one side and buy whatever they need for household consumption in the nearby markets, on the other side. Soberingly, the importance of rural markets is still valuable especially for the small farmers of Asia, Africa and Latin America simply because they can sell their small surplus of agricultural produces and buy many consumers goods as well as agricultural inputs in such markets. Such transactional activities within an easy access essentially motivate the rural farmers to produce much more. So, it can be emphasized that rural markets prove, per se, to be focal centres for rural development if their services are strengthened with a competent managerial knack. Bromely maintains that

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the presence of a market is a Key indicator of centrality, and within nucleated settlements the marketplace is generally the focal point for other services that are essential to the function of rural economy.<sup>2</sup>

The more beneficial aspect of a hat is, as it goes on extending transactional activities it proves to be a good source to generate revenue for the Government, a point for "internodal link" i.e., a link between individual dispatching and receiving traders, a "trading strand" i.e., the individual transactions consignments between traders, "which, when combined for all links over a given internodal route, constitutes the total trade flow"<sup>3</sup> and a way out to integrate the national economy in a vertical as well as horizontal way. Moreover, as a hat is run in a certain locale, some small shops of tea, detergents, consumption items etc., tend to grow around it. Perhaps school, health post and a few other service centers also are generally opted to localize nearby the hat simply because most rural people are interested to visit the market centre. Availability of such services is likely to reinforce the market centre to expand its business dealings along with other sociocultural as well as news, views and innovations exchange activities. All such actions and interactions tend to be the hat locality as a "growth point" for economic development. Thus, started with a view to just meeting the sale-buy needs of rural people, rural markets are likely to help promote the local production, effectively utilize the local resources, extend employment opportunity and promote a rural area from its depressed economic situation to progressive situation. It has been emphasized that "well-selected and carefully-implemented change in local marketing system can make significant contributions both to agricultural productivity and to reducing socioeconomic inequalities."<sup>3</sup>

The importance of rural market is realized not only in Nepal but also in most countries of Asia, Africa and Latin America. For instance, about 22,000 periodic and 4,500 regulated markets are being run in India serving about 62 million farm families. In Nepal, there are about 750 hats being run to serve the farm families of their proximate settlements. Similarly, in Bangladesh, Pakistan and in the Peoples Republic of China also the role of rural markets is learned to be one of the crucial factors to utilize the underutilised local resources and to mobilize the rural production. Estimated number of rural markets and their service contributions to the rural farmers in some selected countries of Asia are presented in Table 1.

#### FACTORS RESPONSIBLE FOR LOCALIZING A HAT

There are a series of factors responsible for localizing a hat. Among them, amplitude of marketable surplus of agriproduce, present and potential feature of producing agricultural as well as non-agricultural products from the extant local resources, availability of basic physical facilities along with the supporting services and a potential centre for the internodal flows of goods and services may be pinpointed as some of the major determinants for localizing a hat. Of course, a confusion may arise about where to localize a hat amidst a few competitive locations

from a series of standpoints. In such circumstance, it would be wise to determine an appropriate spot by way of a ranking method as is given below in Table 2.

Table 1

Estimated Number of Rural Markets and Number of Farm Households per Rural Market in Selected Asian Countries

Country	Numbers of Rural Markets	No. of Farm Households '000'	Farm Households per Market
Bangladesh	6,000	10,680	1,780
India	22,000	61,870	2,800
Indonesia	6,000	14,400	2,400
Korea	1,414	2,380	1,680
Malaysia	500	745	1,500
Nepal	640	2,000	3,120*
Pakistan	1,080	6,750	6,700
Philippines	1,800	2,260	1,260
Sri Lanka	500	2,540	3,080
Thailand	-	3,770	-

Figures provided may not be fully comparable between countries. The relative functions as assembly market and consumer market may differ between markets.

Sources: FAO/DSE, "Rural Markets - a Critical Link for Small Farmer Development." Report on the FAO/German Foundation for Development. Asian Regional Programme, held in Bangalore, India, April 28 - May 2, 1980, p. 90.

\*At present there are 750 rural markets in Nepal (DFAMS: 1986).

Table 2

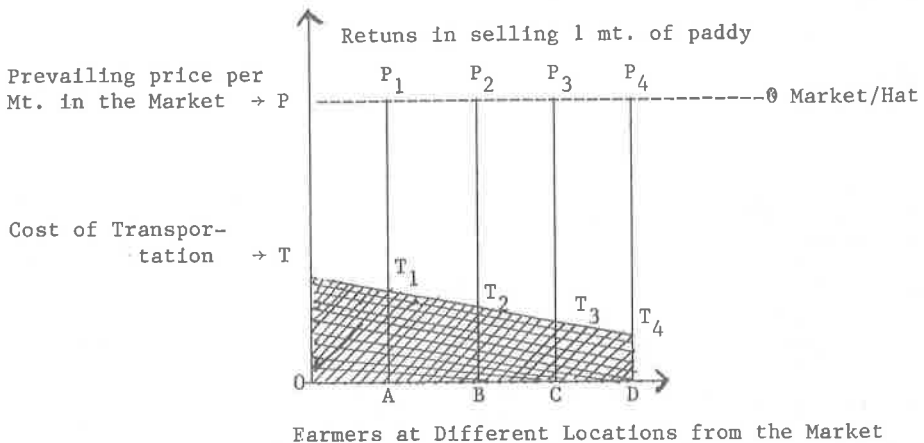
Selecting an Appropriate Market Spot Through Ranking

Factors to be considered	Score for probable locations				
	A	B	C	D	
1. Availability of spot	80	65	70	50	(score out of 100 for each factor)
2. Internodal link potential	65	50	60	80	
3. Trading strand potential	70	80	90	85	
4. Local supports	90	80	70	75	
5. Others	50	40	60	30	
Total scores	355	315	350	320	
Priority	I	III	II	IV	

From the above hypothetical table of scores, it is obvious that location A followed by C are prioritized to localize a hat. This being only a hypothetical table assigned scores at random may not be the true fact. But in actuality there may be several other factors to be considered while localizing a hat and a proper assignment of score has to be conceived.

An alternative way out also could be thought in terms of "Location Theory" to determine an appropriate hat location. Establishing a market under the assumption of location theory helps farmers get reasonable prices for their products by reducing their transportation costs. This can be generalised from the following illustration:

Share of Transportation Cost in Terms of Total Returns in Sell in Atri-Produce



From the illustration it is clear that due to the distant market, farmers of location A have to bear  $OTT_1$  A amount of transportation cost getting returns only  $TPP_1T_1$  when selling one metric tonne of paddy at the prevailing market price. But as market becomes nearer for the farmers of B, C and D locations, the transportation cost goes reducing and finally the farmers of location D have to bear a negligible amount of transportation cost thus getting higher price for their paddy as compared with the farmers of remote locations. So, establishing a hat at B location would be a rational option to serve the farmers of all locations in an indiscriminate way.

#### RATIONAL FOR GOVERNMENT INTERVENTION

Although the history of hat operation in many countries of Asia and Africa dates back years immemorial, the attention of government to operate it in a systematic way seems a recent thrust. There are two vital logics governing about the operation of rural markets and these are: (1) to permit

government intervention and (2) leaving them free to run. According to the later version, it is often emphasized that as government often fails to manage a hat owing to its own bureaucratic way of operation, they should be left in the hand of people. But as marketing culture is supposed one of the most sophisticated cultures to transfer, a catalytic agent is thought to be imperative with a view to achieve the following objectives:

1. Establish market centres in needy places those are potent for growth points;
2. Encourage economic activities by way of stimulating production, transactions and consumption activities;
3. Establish as a media centre to exchange news, views, innovations etc.;
4. Establish market integration and promote agricultural development, in particular;
5. Stabilize the prices of agricultural produces so to safeguard the interest of rural farmers and consumers; and
6. Reduce socio-economic inequalities and achieve regional balance in economic development.

However, as a hat is considered running in a full swing showing people's participation in its activities, it would be better to deligate the authority and responsibility to the local authorities in a step-wise basis being the government as a care taker of their activities.

#### NEPALESE CONTEXT

The history of hat bazar operation in Nepal dates back time immemorial. There are many cases inking the transactional activities of not only of agricultural produces and consumer goods but also livestock, fish and various other assortments in the periodical rural markets, particularly of Eastern Nepal. At present there are 750 such markets operating in different parts of the country serving around 2344 thousand farm households. Of the total hats about 35 and 65 percents fall in the hilly and terai regions, respectively, from ecological standpoint and about 85 percent fall in the Eastern and Central Development Regions with only 15 percent in the rest three Development Regions.

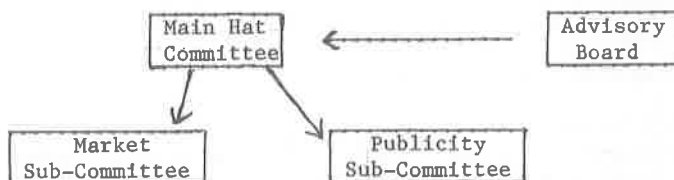
Realizing the importance of rural markets, the government took initiation to stimulate and motivate the rural folk in establishing, operating and developing such markets in a planned way in different needy locals of the country. As the Department of Food and Agricultural Marketing Servides (DFAMS) has been assumed the responsibility of carrying out such activities, upto now the DFAMS has been successful in establishing 92 hats in different parts of the country. Of the 92 hats established

under the initiation of DFAMS, 4, 63 and 33 percents fall in the Mountain, Hill and the Terai, respectively. Likewise, from the Administrative Regional Development standpoint, 15.3, 18.5, 20.6, 29.3 and 16.3 percents fall in the Eastern, Western, Mid Western and Far Western Development Regions, respectively. Convincing rural people about the benefits of hat bazar, stimulating their interest to run a hat in their locality, spreading publicity to increase awareness among rural folk and donating up to Rs. 5000 for arranging basic physical facilities to establish hat in a specified location are, however, being the major functions performed by DFAMS. Besides, DFAMS has been also on the way to formulate the necessary plans and policies to expand and develop rural markets all over the potential locations of the country under long term strategy.

#### PROCESS OF ESTABLISHING A *Hat*

There are two methods of establishing a rural market in Nepal: (1) under rural people initiation and (2) under government initiation. According to the first method, rural people of a certain location hold an informal meeting and settle the place and day to run a hat. Such information is disseminated in a voluntary way by the local people and on the specified day rural people of the surrounding locations gather to have a sell-buy transaction. But according to the second method, a hat is established in an organized way under the guidance of DFAMS. A hat organizational process hitherto exercised by DFAMS looks as follows:

#### An Organizational Process of Establishing a Hat



#### Main *Hat* Committee

As DFAMS gives its consent to open and run a hat in a certain rural area, a proposal to establish a hat in a certain location is made in the general meeting of concerned village panchayat. On the ground of general consensus, a chairman (generally the Pradhan Pancha of the concerned panchayat) is selected as a Chairman of the proposed hat. Afterward, the chairman is assumed the responsibility of nominating vice-chairman and other members representing from farmers, businessmen, youths, women and so on fronts for the efficient operation and development of the hat. Pradhan Panchas and a few elites of other peripheral panchayats those are supposed to be served by the proposed hat are selected for the Advisory Board. Likewise, a group leader for the Market and Publicity Sub-Committee is selected by the chairman of Main Hat Committee.

The functions of Main Hat Committee are assumed as to operate and develop the hat in an effective way. For instance, necessary physical facilities such as, provision of market sheds, drinking water, security etc., cleaning market yard on hat-day, settling conflicts on the matter of transactions, collecting market revenue and retaining part of such to provide further facilities in the market and so on are supposed to be some of the basic functions of Main Hat Committee. The Advisory Board, on the other hand, is supposed to forward fruitful suggestions to the Main Hat Committee for the smooth operation of hat.

Likewise, the function of Publicity Sub-Committee is supposed to disseminate the information far and wide about the importance and significance of a hat so that an increase in the people's gathering is ensured. On the other hand, Market Sub-Committee is supposed to deal in some basic items of daily necessities such as salt, kerosene oil, rice (in food deficit areas) and so on which are facilitated to buy at a concessional rate from the related corporations or organizations on the recommendation of DFAMS. A part of the donated fund, i.e., Rs. 5000 by DFAMS is used as a circulating fund by the Market Sub-Committee with the approval of Main Committee to deal in such items. Whereas, a part of such donation is used to provide basic physical facilities in the market spot in the initial stage. The monitoring and evaluation of the performance of such markets is done by the Marketing Service Division of DFAMS in a periodic way.

#### CONCLUSION

Rural markets establishment and operation play a crucial role to mobilize the local production and local resources inter alia. So, selection of proper location and operation of such markets in the rural areas could be thought as of prime importance for the upliftment of rural socio-economy, in particular.

#### FOOTNOTES

1. Mittendorf, H.J. (1982): "Rural Market Centres: Potential Development Centres for Small Farmer Development," A reprint from IJPA, (New Delhi: FAO/Marketing Credit Service, Agricultural Services Division, Vol. XXVIII, No. 1, pp. 101-119.
2. Bromley, Ray (1984): "Market Centres, Marketing Policies and Agricultural Development," Regional Development Dialogue, Ol. 5, No. 1. Nagoya, (Japan: United Nations Centre for Regional Development, Spring), p. 150.
3. Robert, H.T. Smith and Alan, M. Hay (1969): "A Theory of spatial Structure of International Trade in Underdeveloped Countries," Geographical Analysis 1. As interpreted by Ray Bromley in "Market Centres, Marketing Policies and Agricultural Development," Regional Development Dialogue, Vol. 5, No. 1, p. 152. Nagoya, Japan: United Nations Centre for Regional Development, Spring, 1984.

4. Bromby, Ray, op. cit., p. 162.
5. Abbott, J.C. and colleagues (1984): Marketing Improvement and Developing World: What Happens and What We Learned. (Rome: Food and Agricultural Organization of the United Nations), p. 189.



# BOOK REVIEW

Kainth, G.S. and Mehra, P.L. (1984): Rice Production: Potential and Constraints. (New Delhi: Inter-India Publications), pp. XV + 144, price: Rs. 180.00 I.C.

The 'Green Revolution' introduced in mid 1960s in India, led the country from world's second largest cereal importer in 1966 to become self-sufficient by the late 1970s and the state of Punjab spearhead the process of this revolution. The book, Rice Production: Potential and Constraints, is an attempt to approach at micro level and to explore the possibility of improving the productivity of one of the chief crops, rice, amidst numerous constraints in one of the productivity backward districts, Amritsar, of Agriculturally prosperous Indian state of Punjab.

The book is largely based on data collected by field survey and secondary data from various institutions. In other words, the present work is more appropriate as a research document with findings based on statistical treatment of data from various sources including the scattered Crop-Cutting Experimental Data for different varieties across different regions of the study area conducted by the Department of Agriculture (Punjab), Amritsar.

The authors are concerned with the fact that there existed marked variations in paddy productivity over different districts in Punjab - 3940 kg. per hectare in Ludhiana to 1940 kg. per hectare in Amritsar during 1980-82 and are hopeful that yield gap can be reduced through technological transfers, farm service infrastructures and public policies.

Economic theory and empirical evidence show the important role price play in agricultural decision making-in the short-run and long-run determination of aggregate level and composition of output as well as in choice of technology; i.e. in lagging agricultural sectors, farmers must receive 'incentive' prices as encouragement to increase productivity. Reflecting this reality, authors have pointed out the greater instability in harvest prices of paddy crop and resulting impact on productivity. On one hand, the continuation of a single variety of high yielding varieties in the later stage reverses the productivity with increase in production only due to acreage expansion, and high degree of variability in prices, on the other hand, brings about uncertainty impeding the consistent growth in acreage. The flaws in procurement and market management, according to authors, as well as the change in food habits as increase in production are being consumed rather than marketed led to the quantities marketed to fall below the actual marketed surplus.

The Authors are of the view that support prices for various crops must be announced before the sowing season instead at the harvest time in order to bring about adjustment effectively in acreage allocation. This would probably enable the farmers to place their production programme in right direction, but the authors have not been clear as to on what basis such prices are to be set beforehand or how meaningful it would be to obtain optimum level of production of particular crop. Output prices are not the only index of production incentives. In most developing countries the task is not to squeeze additional supply out

of inelastic, traditional agriculture but to push the supply curve outward through technological change or the increased supply of modern inputs. This should further be incorporated in line with the campaign-like programme of the political as well as economic authorities. Illustrative is the case of wheat in Punjab itself during 1960s where new technology and government commitment enabled farmers to achieve a rapid growth in output despite unfavourable relative prices.

The problems of productivity response of high yielding varieties of rice and of regional variation in rice productivity are treated separately. The authors are convinced that the mere introduction of HYVs do not bear favourable result if complementary inputs associated with new varieties are not used because of financial constraints or a continuation of traditional practices. At the same time they are quite aware of the inter regional variations in yield attributed to the differences in soil fertility, agroclimatic conditions, irrigation and other input use and adaptiveness and receptivity to new ideas.

The authors seem to have indulged more in identification of trends and constraints guided by appropriate research methodology than dealing with potentials and prospects against the backdrop of comparative cost advantage, social choice and priority of particular crop in the governmental plans and programmes. Eventually, the authors difficulties come in suggesting remedies than explaining the trends. The concluding remarks, therefore bluntly and abruptly spells the obvious and repetitive general requirements such as 'government must provide better infrastructure in the form of more equitable distribution of power, roads, markets, institutional finance, etc. At the same time better technical inputs are also required to be distributed more equitably' and so on so forth.

On the whole, the book is an exposure of the situation of rice production and its trend in Amritsar. But the practical urgency to increase further the productivity of the particular crop in the district do not seem to gain grounds in the book. The effort on the part of such study should be much in line to create a decision making environment for both public and private decision makers that will lead to appropriate technology in the broad sense of appropriate products, production techniques, and distribution mechanism. This book, nevertheless, provides a basis for identifying problems of increasing the productivity of rice and will be a useful reference for future undertakings on the subject.

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