

Economic Determinants of Price Behaviour in Rural Petty Haats: Evidence from Selected Districts of Uttar Pradesh

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Abstract

Rural Petty Haats constitute an essential component of India's **informal rural marketing system**, facilitating the exchange of agricultural produce, household commodities, and locally manufactured goods while generating livelihood opportunities for a substantial segment of the rural population. Although the role of these decentralized market institutions in the rural economy is important, there is little empirical research that has investigated the **economic factors affecting the price behaviour** in the rural market institutions. The present study is an attempt to **examine the economic determinants influencing price behaviour in Rural Petty Haats of selected districts of Uttar Pradesh**. The study examines the effects of **demand conditions, supply availability, bargaining process, market information and intermediary participation** on price behavior in rural markets. **Descriptive statistics, correlation analysis and multiple regression analysis** are used to analyse these relationships. The empirical results indicate that the price behavior is influenced by the interplay between market-related economic factors, and not just demand and supply forces. Specifically, **bargaining behavior, lack of market information, changes in supplies and presence of intermediaries** have significant impact on pricing behavior in all the Rural Petty Haats. The study makes a contribution to the existing literature by **expanding the understanding of price determination beyond conventional approaches** and providing empirical evidence on the functioning of informal rural markets. Moreover, the results provide **useful policy implications** that can help to enhance the **availability of market information, price determination, the overall functioning and performance of Rural Petty Haats**.

Keywords: *Rural Petty Haats, Price Behaviour, Economic Determinants, Bargaining Practices, Price Formation.*

Introduction

Rural Petty Haats are a part of the **informal rural marketing system** which act as decentralised markets in India where agricultural produce, livestock, household goods and locally produced goods are traded. The periodic markets are important to **promote local trade, create rural employment, benefit small and marginal farmers and improve the rural livelihood**. Rural Petty Haats remain as an important marketing facility for communities which lack access to organized market infrastructure due to its access and low transaction costs. In the traditional markets, price behaviour is determined by a number of other economic factors which are not limited to that of demand and supply. Most deals are informal, and prices are often subject to **negotiation, seasonality of commodities availability, market information, inter-mediaries involvement, and local competition**. Hence, it is important to grasp the nature of price movements in order to understand the manner in which prices change in response to changes in the market and how these changes will affect both producers and consumers in a rural market.

While the agricultural marketing and price determination, the market integration and rural market development have been the subject of prior studies, not so much attention has been paid to the economic factors that influence the price behaviour in Rural Petty Haats especially in Uttar Pradesh context. Behavioural

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and market driven economic determinants have been studied far less extensively in the literature, which has tended to focus on demand and supply forces. This is an important gap in the existing literature on informal rural markets.

In this context, this study can be considered a contribution to the existing literature by providing an **empirical assessment of the economic factors influencing price determination in Rural Petty Haats**. The study examines the factors affecting prices, namely the **demand conditions, supply availability, bargaining practices, market information, and intermediary participation**, thereby providing a comprehensive understanding of price determination in decentralized rural markets. The findings provide useful inputs for **improving the availability of market information, supporting price determination, and strengthening the overall functioning of Rural Petty Haats**, which can contribute to sustainable rural economic development and evidence-based rural marketing policies.

2. Review of Related Literature

The review of literature provides the theoretical and empirical foundation for understanding the **economic determinants of price behaviour** in Rural Petty Haats. Different aspects of rural marketing, agricultural price determination, informal market system, bargaining behavior, information in the market and intermediary involvement have been studied in the past. From these studies, it is clear that price formation in rural markets is not a simple process of interplay between demand and supply but there are some factors which are also behavioural and market oriented in informal trading market. There is some empirical evidence available in the literature which suggests that little attention has been paid at least to the study of these determinants together in the context of Rural Petty Haats, especially in the State of Uttar Pradesh. The main aim of the present review is, therefore, **to critically analyse the previous studies in order to identify the previous knowledge base and the research gap which will be filled by the present study**.

Table No.-1

Summary of Selected Empirical Studies on Rural Markets and Price Behaviour

Author(s) & Year	Study Focus	Major Findings
Geertz (1978)	Traditional rural markets in developing economies	Demonstrated that traditional markets are socially embedded institutions where economic transactions are influenced by local customs, bargaining, and interpersonal relationships.
Scott (1976)	Peasant economy and rural exchange	Highlighted that rural market transactions are shaped by subsistence concerns and local institutional arrangements rather than pure market competition.
Bhowmik (2005)	Informal markets in India	Reported that informal markets provide employment and income opportunities but suffer from inadequate market information and weak institutional support.

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Bhalla and Singh (2009)	Agricultural marketing in India	Found that market infrastructure and accessibility significantly influence marketing efficiency and farmers' income.
Mehta and Awasthi (2014)	Rural marketing systems	Observed that traditional rural markets continue to support local trade despite increasing market modernization.
Chand (2016)	Agricultural price policy	Explained the importance of demand, supply, and policy interventions in agricultural price formation.
WIEGO (2018)	Informal economy and market participation	Emphasized that information asymmetry and informal institutional arrangements significantly affect market outcomes.
Birthal et al. (2019)	Agricultural value chains	Reported that market access and transaction costs influence producers' returns & marketing decisions
Kumar and Sharma (2020)	Rural marketing efficiency	Found that infrastructure & market accessibility improve rural marketing performance.
Singh et al. (2021)	Agricultural marketing reforms	Highlighted the growing importance of information dissemination and transparent pricing mechanisms.
FAO (2022)	Agricultural market systems	Reported that improved market information enhances pricing efficiency and reduces market uncertainty.
World Bank (2023)	Rural market development	Emphasized that decentralized markets contribute to rural livelihoods and local economic growth.
Pradhan et al. (2026)	Marketing constraints and socio-economic determinants	Farmers' marketing behaviour is significantly influenced by access to price information, infrastructure, and marketing constraints.

(Source: Available Literature Reviewed by the authors)

A review of literature shows that earlier research has made significant contributions to **rural marketing systems, agricultural price determination, informal markets**. However, the majority of research has focused on the importance of market infrastructure, demand and supply factors, bargaining practices, market information and intermediaries for their impact on marketing performance and farmers' incomes. There is, however, a general lack of study on these factors together and the influence of these combined factors on price behaviour in Rural Petty Haats has not been studied much.

3. Research Gap

Though considerable literature is already available on Rural Marketing and Agricultural Price determination yet there is a lack of understanding of the **economic determination of price behaviour** in the context of Uttar Pradesh in Rural Petty Haats. Existing research has been focussed on marketing efficiency, price realization or on agricultural markets overlooking the integrated impact of **demand-supply, bargaining practices, market information and intermediary involvement** on the price behaviour in the informal periodic markets. Hence, the present study aims to look into the gap by analyzing the key economic factors that affect the price behaviour in Rural petty haats and thus contribute to the literature on rural market economics in the Rural Petty Haats.

4. Research Objective

The present study is an attempt to study the **economic determinants of price behaviour in Rural Petty Haats in selected districts of Uttar Pradesh**. It explores, specifically, the impact of a few basic (economic) factors such as the interaction of **demand and supply, bargaining, transportation costs, consumer price awareness, and price flexibility** on the price behaviour of informal rural markets. The study also aims to gather empirical evidence on the relative contribution of the determinants in order to have a better understanding of the price determination in Rural Petty Haats.

5. Research Hypothesis

Based on the research objective and the existing literature on rural market behaviour, the study tests the following null hypothesis:

H₀: *Economic determinants do not have a statistically significant influence on price behaviour in Rural Petty Haats of selected districts of Uttar Pradesh.*

The hypothesis has been tested empirically by applying multiple regression analysis to find out whether the selected economic factors could be statistically significant in explaining the variations in the price behaviour of Rural Petty Haats.

6. Conceptual Framework and Methodology

The conceptual framework has been used in the present study to explain the **price behaviour** resultant from the interaction of various economic determinants in the informal rural markets. The framework is based on theories of demand and supply, agricultural price formation and informal market behaviour, and posits that the price behaviour is affected by market demand, product supply, bargaining behaviour, information in the market and involvement of market intermediaries. These factors all affect the pricing decisions of the buyers and sellers and therefore market efficiency in a periodic rural market. Within this framework, **Price Behaviour is defined as dependent variable, and Demand, Supply, Bargaining Practices, Market Information and Intermediary Participation are all defined as principal independent variables.**

The study is mainly **quantitative and analytical in nature** and the data collected are mainly field-based **primary survey** data from selected Rural Petty Haats of Uttar Pradesh using a structured questionnaire. Primary information was collected from the market participants such as farmers, traders, vendors, etc. and secondary information was collected from books, research articles, government publications, etc. to develop the theoretical framework of the study. The study area was selected for the study districts where Rural Petty

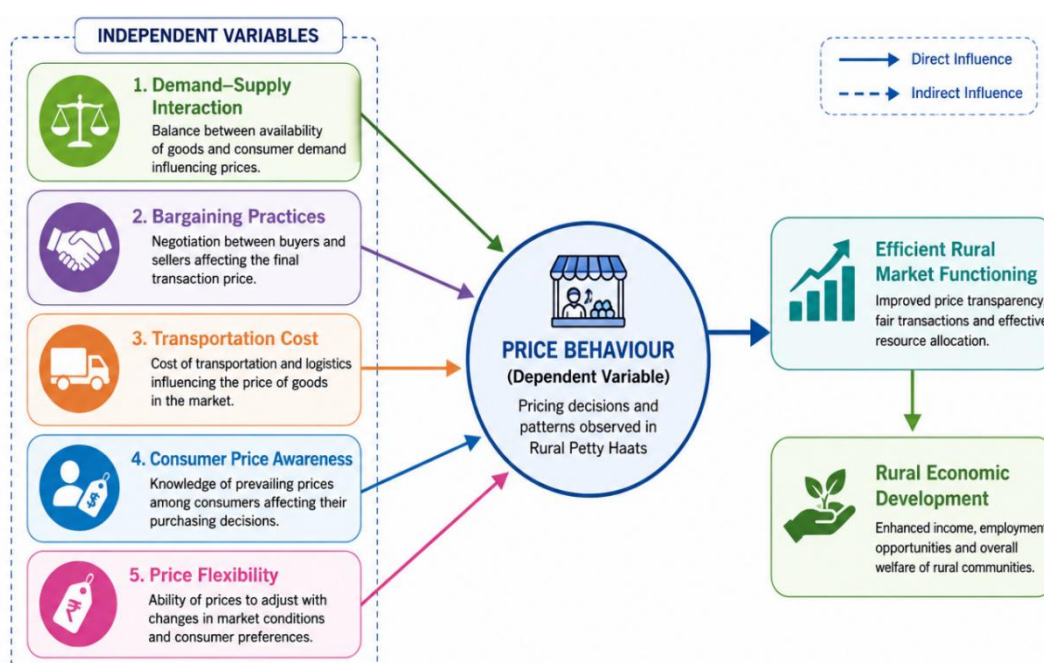
Haats are still having significant role in agricultural marketing and rural livelihoods, and thus presented an appropriate study scenario for studying the determinants of price behaviour.

The study uses the proper statistical and econometric approaches to test the suggested relations in an empirical way. **Descriptive statistics, correlation analysis and multiple linear regression analysis** are used to analyse collected data to assess the effect of the selected economic determinants on the behaviour of prices. The analytical approach helps in identifying the statistically significant relation among the variables and also gives empirical evidences about the factors influencing the pricing system in Rural Petty Haats. The results will help in the understanding of informal rural market economy and for policy interventions to promote efficiency and sustainability of Rural Petty Haats.

The conceptual framework used in this study is shown in Figure 1. It finds that five important economic variables; **demand-supply interaction, bargaining practice, transportation cost, consumer price awareness** and **price flexibility** have an influence on the price behaviour in Rural Petty Haats. These all affect the prices in informal rural markets and ultimately impact the efficiency of the market and rural economic development. The framework also gives the theoretical ground for the empirical regression model utilized in this study.

Figure No.-1

Economic Variables Influencing Price Behaviour in Rural Petty Haats



(Source: Based on the analysis of secondary data)

7. Results and Discussion

7.1 Descriptive Analysis of Economic Determinants of Price Behaviour

Descriptive statistical analysis was performed on the responses obtained from the field survey, which helped identify the major factors influencing the **price behaviour in Rural Petty Haats**. The analysis gives

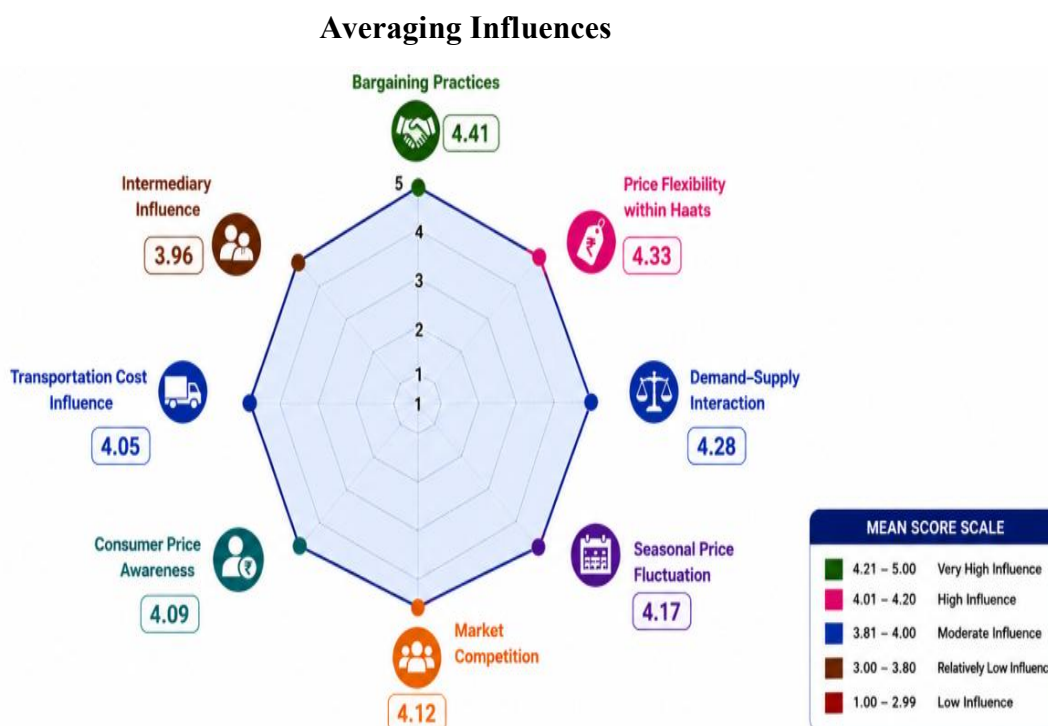
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an overview of the perceptions of the respondents related to the relative importance of the selected economic determinants of the price behaviour. The mean score and standard deviation were calculated to assess significance and consistency of the respondents' views for each variable. The results of the analysis are presented in **Appendix Table A1**.

Figure No.-2

Economic Determinants of Price Behaviour in Rural Petty Haats:



(Source: Developed by authors on the basis of primary data analysis)

The results of economic determinants influencing price behaviour in Rural Petty Haats are illustrated in Figure 2 showing the mean scores of the respondents' perception of these determinants. As revealed in the radar chart, **bargaining practices (Mean = 4.41)** and **price flexibility within haats (Mean = 4.33)** appear to be the two most influential factors, followed by **demand-supply interaction (Mean = 4.28)**. In addition, the other determinants have relative high degree of perceived influence: the **seasonal price fluctuation (Mean = 4.17)**, **market competition (Mean = 4.12)**, **consumer price awareness (Mean = 4.09)**, **transportation cost influence (Mean = 4.05)** and **intermediary influence (Mean = 3.96)**. In conclusion, this figure indicates a mix of economic, behavioural and institutional factors affecting the price behaviour of Rural Petty Haats, rather than purely market forces.

7.2 Regression Analysis of Economic Determinants of Price Behaviour

Overall Price Behaviour was chosen as the dependent variable and the selected economic determinants were taken as independent variables. The influence of the selected economic determinants on the price behaviour in Rural Petty Haats was examined using multiple linear regression model. The explanatory variables encompassed the following: **Demand-Supply Interaction, Bargaining Practices, Transportation Cost Influence, Consumer Price Awareness, and Price Flexibility within Haats**. The

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regression model was used to find out the relative contribution and statistical significance of each determinant in explaining variations in price behaviour. The results are presented in Table 2.

Table No. - 2

**Regression Analysis of Economic Determinants of
Price Behaviour in Rural Petty Haats**

Variable	Coefficient (β)	t-value	p-value
Intercept	1.715	4.228	0.000
Demand-Supply Interaction	0.291	6.108	0.000
Bargaining Practices	0.338	7.014	0.000
Transportation Cost Influence	-0.142	-2.987	0.005
Consumer Price Awareness	0.247	5.186	0.001
Price Flexibility within Haats	0.314	6.742	0.000
R ²	0.81		
Adjusted R ²	0.79		
F-statistic	82.53		

(Source: Computed by authors from Primary Data using R Software)

The results of the regression analysis showed that the proposed model has a high explanatory power, as the regression reaches **81 per cent**. The overall fitness of the regression model is confirmed by the statistically **significant F-statistic (82.53, $p < 0.001$)** indicating that the selected economic determinants collectively have a significant effect on the price behaviour in Rural Petty Haats. The results indicate that the informal price formation decision in rural markets is influenced by an interplay of several market related factors, and not just one economic factor.

In terms of sign, Bargaining Practices was the most important positive explanatory variable of the price behaviour, followed by Price Flexibility within Haats and Demand-Supply Interaction. Consumer Price Awareness also had a positive and statistically significant influence ($\beta = 0.247$), implying that when consumers and sellers are knowledgeable about prices, there is greater transparency and responsiveness in price decisions. Higher transportation costs, on the other hand, were found to have significantly negative relationship with price behaviour ($\beta = -0.142$), indicating that price behaviour is negatively influenced by higher transportation costs which increase transaction costs and reduce market accessibility. The overall regression results confirm that various factors such as economic forces, institutional features and local market practices affect the price behavior in Rural Petty Haats which are different from the more institutionalized pricing mechanism.

The results of the regression analysis are empirical and it has been found that the selected economic determinants have **significant effect on the price behaviour in Rural Petty Haats** with good statistical evidence. Both the overall regression model is statistically significant ($F = 82.53, p < 0.001$) and large proportion of the variance in price behaviour is explained by the estimated model ($R^2 = 0.81$), which also

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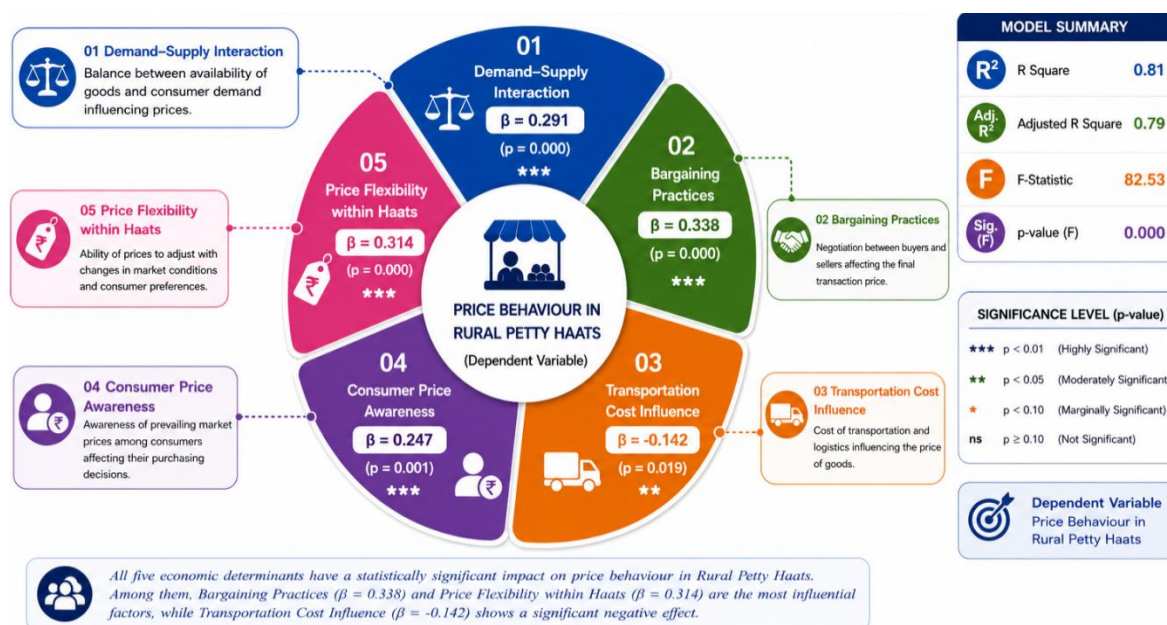
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confirms the robustness of the estimated model. In addition, the influence of three variables (**Demand-Supply Interaction, Bargaining Practices and Consumer Price Awareness**) are statistically significant and positive on price behaviour, while the influence of the variable (**Transportation Cost Influence**) is statistically significant and negative on price behaviour in Haats. Thus, the **null hypothesis**, stating that **economic determinants do not have a statistically significant influence on price behaviour in Rural Petty Haats is rejected**. The results show that the price behavior of Rural Petty Haats has multiple economic determinants, which points to the dynamic and local context of the informal rural market system.

The graphical representation of the regression analysis is presented as in figure 3 which shows that the selected economic determinants affected price behaviour in Rural Petty Haats. It shows that **bargaining practices ($\beta = 0.338$)**, **price flexibility in haats ($\beta = 0.314$)**, **demand-supply interaction ($\beta = 0.291$)** and **consumer price awareness ($\beta = 0.247$)** were found to be the significant positive determinants of price behaviour. The **transportation cost influence ($\beta = -0.142$)** on the pricing efficiency has a **significant negative impact**, suggesting that the higher the transportation cost, the less efficient the pricing is in Rural Petty Haats. The overall fit for the model is also statistically significant (**$F = 82.53$, $p < 0.001$**), and well explains the variation in the price behaviour, due to the strong explanatory power (**$R^2 = 0.81$**).

Figure No.-3

Regression Coefficients of Economic Determinants Influencing Price Behaviour in Rural Petty Haats



(Source: Generated by authors from primary data analysis using R software)

8. Major Findings of the Study

The empirical research work done to ascertain the economic determinants of price behaviour in Rural Petty Haats has brought out the following important findings. Major findings in the study are summarized based on the descriptive and regression analyses as follows:

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- **Bargaining practices turned out to be the most important determinant of price behaviour**, suggesting that negotiated pricing is the prevailing system of pricing in Rural Petty Haats. The regression analysis also confirmed that it has a statistically significant positive influence on the overall price behaviour.
- **Price flexibility in Rural Petty Haats plays an important role in price behaviour** because the sellers increase the price as the market conditions and consumer demand rise and lower it as demand falls. This adaptability contributes to the informal rural markets' adaptability.
- The impact of **demand and supply on price remains a key driving force**, reflecting the continued validity of the economic principles as the basis for price determination even in the informal and local market context. Changes in commodity availability and consumer demand have a direct impact on the price change.
- **Consumer price awareness has a positive impact on price behaviour** which implies that price behaviour is influenced by the consumer price awareness of the consumer and seller which leads to better competition practice and bargaining in Rural Petty Haats.
- The **transportation cost significantly influences the price behaviour negatively**, it means that the higher the transportation cost the higher the marketing cost, the less accessible the market it is, and the less efficient the pricing is, especially for the agricultural producers and small traders.
- The **explanatory power of the regression model is good ($R^2 = 0.81$)**, thus, the selected economic determinants in total explain a large percentage of the variation in price behaviour. The statistical significance of the overall model confirms the validity of the empirical model used in this study.
- The result is that the **null hypothesis of the study is rejected and it is concluded that the selected economic determinants are statistically significant in influencing the price behaviour in Rural Petty Haats**. The results taken together indicate that the determinants of price behavior are the market factors, behavioral factors, and institutional factors and not just demand and supply.

9. Policy Implications

- **Focusing on Development of Rural Market Infrastructure:** Investment in roads, storage facilities, sanitation, electricity and other basic amenities should be encouraged to minimize transaction costs and improve efficiency of the markets.
- **Improve Market Information Systems:** Staggered release of commodity price information with the help of digital platforms and local information centres, can help in enhancing price transparency and informed decision-making by the buyers and sellers.
- **Enhance Rural Transport and Logistics Infrastructure:** Better market access, decreased marketing costs and better price behaviour can be achieved through strengthening the rural transport and logistics sector.
- **Consider Direct Market Participation:** Policies should facilitate increased farmer, artisan and small producer involvement in DMP, and reduce the need for producers to rely on intermediaries unnecessarily.
- **Linking Rural Petty Haats with Rural Development Programmes** like ODOP, NRLM and Farmer Producer Organisation (FPO) can provide a boost to local value chain, augment market opportunities and foster sustainable rural livelihoods.

10. Conclusion

This study is a contribution to the literature under the informal rural markets as it reveals the empirical evidence on the determinant of price behaviour in Rural Petty Haats. **The results indicate the necessity to develop rural market infrastructure, improve transportation system and market information system,**

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and increase the farmer and small producer involvement to improve the market efficiency. The study suggests that enhancing the economic conditions that influence the functioning of the Rural Petty Haats can positively influence pricing efficiency, contribute to sustainable rural livelihood and strengthen the contribution of the traditional markets to rural economic development.

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APPENDIX

Table I:

Averages of Economic Determinants of Price Behaviour in Rural Petty Haats

Variable	Mean	Standard Deviation
Demand-Supply Interaction	4.28	0.61
Bargaining Practices	4.41	0.56
Seasonal Price Fluctuation	4.17	0.69
Transportation Cost Influence	4.05	0.73
Intermediary Influence	3.96	0.77
Consumer Price Awareness	4.09	0.65
Market Competition	4.12	0.67
Price Flexibility within Haats	4.33	0.58
Overall Price Behaviour	4.14	0.63

(Source: Computed by authors from primary data analysis)