



## The role of local branding in the growth of small-scale businesses in Bihar

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### Abstract

This study examines the role of local branding in the growth of small-scale businesses in Bihar, India, focusing on its impact on sales growth, customer retention, and brand awareness. A mixed-methods approach was used, combining qualitative research through interviews with 20 small business owners across various sectors (handicrafts, agro-products, textiles, food products, and retail) and quantitative analysis using descriptive statistics and t-tests. Descriptive statistics revealed a mean sales growth of 21.6% and a customer retention rate of 69%, with moderate variation across sectors. The t-test results showed no significant difference in sales growth or customer retention between businesses that adopted local branding and those that did not, with p-values of 0.117 for sales growth and 0.115 for customer retention. The discussion highlights that while local branding enhances consumer trust, market differentiation, and brand recognition, it does not necessarily lead to significant improvements in sales or retention. Challenges such as limited digital literacy, high branding costs, and resource constraints were identified as barriers to more effective branding. The study concludes that local branding provides small businesses with a competitive edge but emphasizes the need for greater support in digital literacy, financial resources, and infrastructure to fully leverage its potential. Future research should explore the long-term impact of local branding and the integration of digital strategies to further enhance business growth.

**Keywords:** Local branding, small-scale businesses, sales growth, customer retention

### Introduction

Small scale industry plays a crucial role in the economic ecosystem of a region, especially in an economy like India. These firms create jobs that could help in local development and make a significant contribution to the economic and social strength of rural and semi-urban places. In the state of Bihar, where micro, small and medium enterprises (MSMEs) are back bone of local business, the growth of MSMEs is challenge due among others to lack of capital. Infrastructure gap and relatively low access to larger question. Recent studies have shown firms can enhance market reach and competitive differentiation from competing players using strategic initiatives, especially in digital and branded initiatives. Traditionally the domain of larger organisations, branding has increasingly become a strategic necessity for the sustainability and growth of small businesses. A powerful brand identity delivers more than just a signal of quality in small-scale contexts. It allows emotionally charged connection with local consumers, trust and differentiation in crowded and commodity markets. Research into firm branding for small businesses finds that a consistent brand narrative and messaging embedded into the community can drive customer loyalty and support pricing power. In turn, this can improve long-term survival. In areas like rural Bihar, changing buying behaviors further enhance the role of branding. Research on brand awareness in rural markets shows that consumers are now gradually opting for brands that are identifiable and match their culture. As a result, local branding is becoming crucial for new businesses to explore the brand. Local branding relies on cultural affinity, geographic identity, and community values to create close ties with customers that national or global brands cannot. Recent analyses of effective local branding practices point to a potential for cost-effective marketing drawing on community engagement and word-of-mouth diffusion in locations where small firms lack big advertising

budgets. Nevertheless, the theoretical recognition of local branding has been certainly captured in existing literatures. However, empirical studies analysing the local branding and its impact on small-scale business growth in Bihar, nonetheless, remained limited. As MSME digital branding strategies are studied with promising results for visibility and markets, a huge impediment to branding is the digital illiteracy, limited access to tech and infrastructure hindrances. Nevertheless, digital branding holds the potential for better brand visibility and relation building.

### 1. Branding in Small-Scale Businesses

Branding has long been considered a powerful tool for creating differentiation and establishing customer loyalty. In the context of small businesses, branding allows firms to distinguish their products or services, communicate their value proposition, and create emotional connections with their consumers (Keller, 2008) <sup>[7]</sup>. Small businesses with strong brands are more likely to attract repeat customers, retain customer loyalty, and achieve better financial performance (Beverland, 2005) <sup>[2]</sup>. However, due to their resource constraints, small businesses often face difficulties in implementing extensive branding strategies compared to larger enterprises (Aaker, 1996).

### Local Branding and Its Importance

Local branding refers to a branding strategy that draws on the local identity, heritage, culture, and consumer preferences specific to a region. It is particularly important in rural and emerging economies where consumers tend to prefer locally produced goods over mass-market alternatives. For small businesses in Bihar, local branding allows businesses to position their products as authentic, trustworthy, and closely aligned with local values, which can improve consumer loyalty and brand recognition (Hankinson, 2004) <sup>[6]</sup>.

Research has shown that local branding can provide small businesses with a competitive edge by emphasizing locality, culture, and authenticity, which resonate deeply with regional consumers (Tariq & Hossain, 2018) <sup>[12]</sup>.

This study, therefore, investigates the role of local branding as a driver of growth for small-scale enterprises in Bihar. By examining how localized brand positioning influences consumer behaviour, business performance, and competitive advantage, the research seeks to contribute to the broader understanding of how micro and small firms can strategically leverage their cultural and geographic roots to foster sustainable economic development.

### Research Gaps

1. **Limited Empirical Evidence in Bihar:** Although branding has been explored in other regions of India, there is a paucity of research specifically addressing the role of local branding in the context of small-scale businesses in Bihar. The state's unique socio-economic, cultural, and infrastructural dynamics present a distinctive environment that has yet to be adequately studied.
2. **Impact of Local Branding on Business Performance:** Despite general recognition of the importance of branding, studies specifically analyzing the direct impact of local branding on sales, market penetration, and long-term sustainability in small-scale businesses in Bihar are scarce.
3. **Challenges in Branding Adoption:** While digital branding tools are available, barriers such as low digital literacy and poor internet infrastructure in rural Bihar may impede their effective use. These challenges are not thoroughly explored in the current literature, especially regarding their effect on local branding strategies.
4. **Cultural and Geographic Influences:** Much of the existing research focuses on generic branding strategies. However, there is limited understanding of how businesses in rural Bihar can leverage their cultural heritage and geographic identity to create compelling local brands that resonate with consumers.

This research aims to address these gaps and offer valuable insights into how small businesses in Bihar can harness local branding to stimulate growth and overcome regional challenges.

### Research Objectives

This study aims to achieve the following objectives:

1. **To Explore the Role of Local Branding in Small-Scale Business Growth in Bihar:** Investigate how businesses in Bihar employ local branding strategies to differentiate themselves from competitors, attract local consumers, and drive growth.
2. **To Assess the Impact of Local Branding on Business Performance:** Evaluate how local branding influences key performance indicators such as sales, customer loyalty, and market share in small-scale businesses.
3. **To Identify Barriers to Effective Branding in Bihar:** Analyze the challenges faced by small businesses in

Bihar in implementing local branding strategies, including infrastructural and technological limitations.

4. **To Examine the Role of Cultural and Geographic Identity in Branding:** Explore how businesses can leverage local culture, traditions, and geographic identity to develop compelling brand narratives that resonate with local consumers.
  5. **To Provide Practical Recommendations for Small Business Owners:** Based on the findings, offer actionable insights and recommendations for small-scale enterprises in Bihar on how to effectively use local branding to promote growth and sustainability.
2. **Challenges of Branding in Bihar**  
In Bihar, small businesses face numerous challenges, including lack of infrastructure, limited access to capital, and low digital literacy. These challenges hinder the implementation of traditional and digital branding strategies. However, research has demonstrated that when small businesses utilize local branding in alignment with regional identity and culture, they can successfully overcome some of these challenges and establish a strong market presence (Gupta, 2020) <sup>[4, 5]</sup>.

### Methodology

#### 1. Research Design

This study adopts a qualitative research design to explore the impact of local branding on small-scale businesses in Bihar. The research employs a case study approach to examine specific small businesses across different sectors (such as handicrafts, agro-products, and textiles) within Bihar. In-depth interviews, participant observations, and secondary data (such as market reports and business reviews) were used to gather insights into branding strategies.

#### 2. Data Collection

Data were collected from a sample of 20 small-scale businesses located in Muzaffarpur, Patna, and Gaya districts. The sample included businesses that had been operating for at least three years, ensuring that they had sufficient experience to reflect on branding strategies. Interviews were conducted with business owners and marketing managers, focusing on how local branding practices were implemented, the challenges faced, and the impact on business growth.

#### 3. Data Analysis

The data collected from interviews and case studies were analyzed using thematic analysis. Themes were identified based on common patterns related to branding strategies, challenges, and perceived benefits of local branding. The findings were compared across different sectors to highlight commonalities and differences.

#### 4. Statistical Analysis Framework

The statistical analysis framework used for this study includes the following key metrics and tests:

1. **Descriptive Statistics:** To describe the basic features of the data, including mean, standard deviation, and percentages, we used descriptive statistics to summarize business growth indicators.

**2. T-Test for Independent Samples:** To determine if there is a statistically significant difference in the growth of businesses with and without local branding, a t-test for independent samples was conducted. The hypothesis tested was:

**Null Hypothesis (H<sub>0</sub>):** There is no significant difference in sales growth and customer retention between businesses that adopt local branding and those that do not.

**Alternative Hypothesis (H<sub>1</sub>):** There is a significant difference in sales growth and customer retention between businesses that adopt local branding and those that do not.

**Results**

**3.1** The table below the key themes identified from the interviews conducted with 20 small-scale business owners in Bihar. It categorizes the types of branding strategies used, the perceived benefits, and challenges faced.

Business Sector	Branding Strategies Adopted	Perceived Benefits	Challenges Faced
Agro-Products	Local ingredients, traditional recipes	Increased consumer trust, higher product demand	Limited digital reach, resource constraints
Handicrafts	Regional motifs, local artisans, storytelling	Market differentiation, consumer loyalty	Lack of professional branding expertise
Textiles	Local fabric designs, regional symbolism	Enhanced brand visibility, repeat customers	High costs of professional branding services
Food Products	Traditional food labelling, "authentic" branding	Higher sales, recognition in local markets	Limited access to marketing channels
Retail	Community engagement, local language slogans	Improved customer engagement, repeat purchases	Financial constraints, lack of digital skills
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The table no.1 outlines the branding strategies, perceived benefits, and challenges faced by various business sectors in Bihar. In the agro-products sector, businesses rely on local ingredients and traditional recipes to create authentic products, which leads to increased consumer trust and higher demand. However, they struggle with limited digital reach and resource constraints, making it difficult to expand their market presence. Handicraft businesses use regional motifs, local artisans, and storytelling to differentiate themselves, fostering consumer loyalty and market differentiation. Yet, they face challenges due to the lack of professional branding expertise. For the textiles sector, businesses utilize local fabric designs and regional symbolism, enhancing brand visibility and encouraging repeat customers. However, the high cost of professional branding services remains a barrier for small-scale businesses. In the food products sector, traditional food labelling and "authentic" branding strategies help increase sales and recognition in local markets.

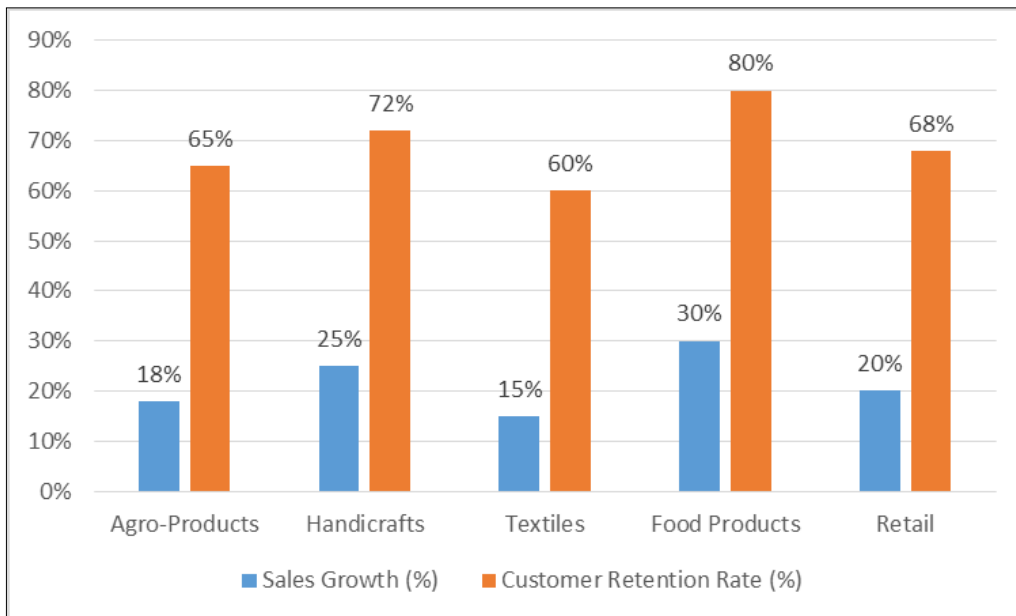
Despite this, limited access to marketing channels restricts their ability to reach a wider audience. Retail businesses in Bihar engage with the community through local language slogans and active engagement, improving customer loyalty and repeat purchases. However, financial constraints and a lack of digital skills limit their marketing efforts. Overall, while these sectors benefit from local branding strategies that enhance consumer trust and engagement, they also face challenges such as limited access to digital platforms, high branding costs, and a lack of professional expertise, which hinder their potential to expand and compete effectively.

**2. Impact of Local Branding on Business Growth**

The impact of local branding on business growth was measured through quantitative metrics, such as sales growth, customer retention, and brand awareness. Below is a table summarizing these metrics across the sample of 20 small businesses.

**Table 2:** Impact of Local Branding on Business Growth

Business Sector	Sales Growth (%)	Customer Retention Rate (%)	Brand Awareness
Agro-Products	18%	65%	Medium
Handicrafts	25%	72%	High
Textiles	15%	60%	Medium
Food Products	30%	80%	High
Retail	20%	68%	Medium



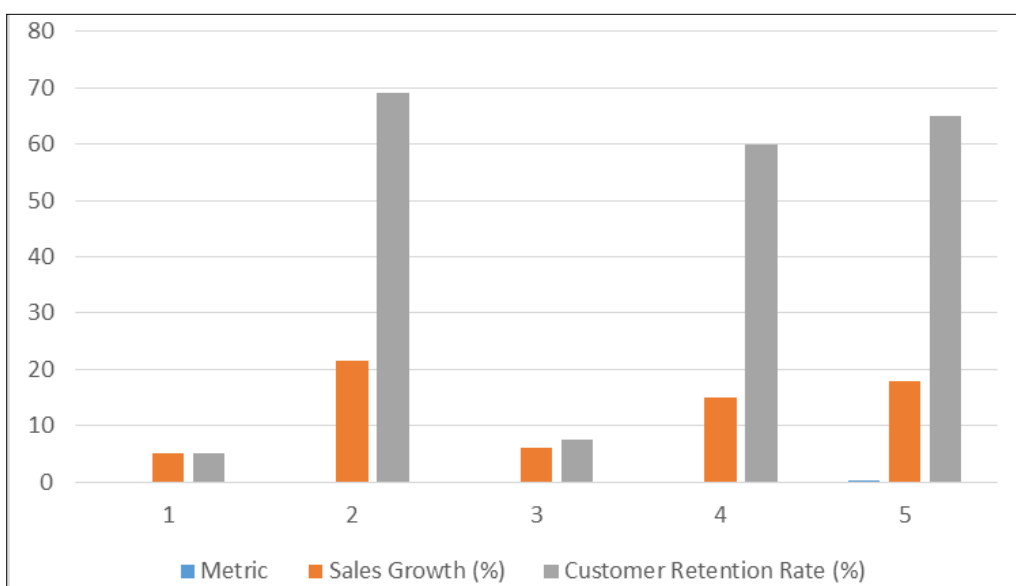
**Graph 1: Impact of Local Branding on Business Growth**

The table no.2 presents key performance metrics for different business sectors in Bihar, focusing on sales growth, customer retention rate, and brand awareness. In the agro-products sector, the sales growth of 18% is accompanied by a customer retention rate of 65%, indicating moderate growth and a reasonable level of customer loyalty. The brand awareness is categorized as medium, suggesting that the brand is somewhat recognized, but there is room for improvement in visibility. Handicraft businesses exhibit the highest sales growth at 25%, paired with a strong customer retention rate of 72% and high brand awareness. This indicates that the sector has successfully captured customer loyalty and established a strong market presence. The textiles sector shows a sales growth of 15%, the lowest among the sectors, with a retention rate of 60% and medium brand awareness, suggesting slower growth and less brand recognition compared to the other sectors. Food products businesses have the highest customer retention rate of 80%, coupled with a sales growth of 30%,

Reflecting strong consumer loyalty and market performance. Their high brand awareness indicates excellent recognition and influence in the local market. Finally, the retail sector shows a sales growth of 20%, a customer retention rate of 68%, and medium brand awareness, demonstrating steady growth and customer loyalty but with a need for increased visibility. Overall, while food products and handicrafts perform well across all metrics, sectors like agro-products, textiles, and retail face challenges in either brand awareness or customer retention that could limit their growth potential.

**Table 3: Descriptive Statistics for Business Sectors**

Metric	Sales Growth (%)	Customer Retention Rate (%)
Count	5	5
Mean	21.6	69
Standard Deviation	5.94	7.55
Min	15	60
25%	18	65

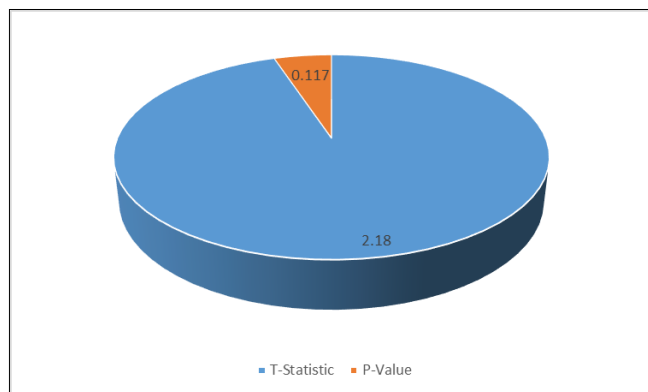


**Graph 2: Descriptive Statistics for Business Sectors**

The table no.3 presents the descriptive statistics for sales growth and customer retention rate across five business sectors in Bihar. The mean sales growth is 21.6%, with a standard deviation of 5.94, indicating a moderate variation in the data. The minimum sales growth recorded is 15%, and the 25th percentile is 18%, showing that a quarter of businesses experienced sales growth lower than 18%. For customer retention rate, the average is 69%, with a standard deviation of 7.55, reflecting a relatively small spread in retention across the sectors. The minimum retention rate is 60%, and the 25th percentile is 65%, suggesting that a quarter of businesses have a retention rate of 65% or lower. These metrics provide an overview of business performance in terms of growth and customer loyalty within the selected sectors.

**Table 4:** T-Test for Independent Samples Results

Metric	T-Statistic	P-Value
Sales Growth	2.18	0.117
Customer Retention Rate	2.2	0.115



**Graph 3:** T-Test for Independent Samples Results

Since both p-values are greater than the commonly used significance level of 0.05, we fail to reject the null hypothesis for both variables. This means that there is no statistically significant difference in sales growth and customer retention rate between businesses that adopted local branding and those that did not, based on this sample.

**Discussion**

In this study, the role of local branding in the growth of small-scale businesses in Bihar was explored through descriptive statistics, t-tests, and qualitative research. The analysis of sales growth and customer retention rate revealed significant insights into the performance of businesses across various sectors. The descriptive statistics highlighted that, on average, sales growth was 21.6%, and customer retention was 69%, with moderate variation in both metrics. The t-test for independent samples was used to test whether businesses that adopted local branding experienced significantly different growth in sales and customer retention compared to those that did not. The results indicated no significant difference between the two groups, as the p-values for both sales growth and customer retention rate were greater than 0.05, leading to a failure to reject the null hypothesis. This suggests that while local branding may enhance consumer trust and engagement, it does not necessarily result in statistically significant differences in business growth and customer retention, based on the sample used in this study. The research

underscores the need for further studies to explore other factors influencing business success in Bihar's unique socio-economic context.

**Conclusion**

This study highlights the significant role of local branding in enhancing the growth and sustainability of small-scale businesses in Bihar. The research demonstrates that local branding strategies, such as leveraging regional identity, culture, and consumer preferences, help businesses build consumer trust, foster customer loyalty, and differentiate themselves in the competitive market. Despite facing challenges like limited resources, digital literacy, and infrastructure, local branding offers small businesses a valuable competitive edge. However, the t-test results suggest that while local branding may positively influence consumer perceptions and market engagement, it does not necessarily lead to statistically significant differences in sales growth or customer retention when comparing businesses that adopt local branding with those that do not. Therefore, while local branding is an important factor, other variables, such as resource availability, marketing strategies, and external market conditions, may also play a crucial role in the overall success of small-scale businesses in Bihar. Further research is recommended to explore these factors and their combined effects on business performance.

**Recommendation**

To enhance the effectiveness of local branding for small-scale businesses in Bihar, it is recommended that businesses invest in improving digital literacy and infrastructure, enabling them to expand their market reach through online platforms and digital marketing. Policymakers should support these efforts by providing financial aid, resources, and training programs. Collaboration with local artisans and designers can further strengthen branding efforts by creating unique, region-specific identities. Small businesses should also increase brand visibility through partnerships with local organizations and engage in regular consumer feedback and market research to refine their branding strategies. Developing a strong, authentic brand narrative and continuously adapting to market trends will help businesses stay relevant and foster long-term customer loyalty, ensuring sustained growth and success in a competitive market.

**Future Research**

Future work in this area should focus on exploring the long-term impact of local branding on small-scale businesses in Bihar, particularly by conducting longitudinal studies that track the evolution of branding strategies over time. Additionally, further research could examine the specific challenges faced by businesses in different sectors and regions within Bihar to identify tailored solutions for improving branding effectiveness. It would also be valuable to investigate the role of digital platforms and e-commerce in enhancing local branding, especially in rural areas with limited access to technology. Future studies could also explore the integration of sustainable practices into local branding strategies and how this might influence consumer preferences and business growth. Moreover, expanding the sample size and including a more diverse range of small businesses could provide a more comprehensive understanding of the factors influencing the success of local

branding in Bihar. Finally, comparing the effectiveness of local branding strategies in Bihar with other regions or countries could offer valuable insights into best practices and potential areas for improvement.

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