

Rural Pustch

July 11 2009, Issue 27 Volume 6

Kota Neelima

Brands are headed rural, hoping to encash the social security schemes on offer, says Kota Neelima



Grow rural India's FMCG sector is pegged to grow by 40 percent in rural India this year

Photo: Vijay Pandey

IT'S AN optimism that needs careful examination to understand. The fast moving consumer goods (FMCG) sector, the fourth largest sector in the Indian economy, is counting heavily on the purchasing power of the rural Indian to help it grow at a projected 40 percent in the future. This is despite the fact that rural indebtedness remains ominously unchanged. Even with financial inclusion plans, only 27 percent of farmers have access to formal credit and the rest rely on private moneylenders. And the fact that along with unviable farm economics, factors like monsoon delay or crop failure make the life of a rural Indian too risky to think of expenditure instead of saving.

From where do these large FMCG companies derive their optimism?

One of the reasons is the fact that the Conditional Cash Transfer scheme (CCT) is gathering support as a replacement for myriad welfare schemes. Along with the rural employment guarantee scheme, loan waivers and increase in prices at which agricultural products are bought, the CCT could solve the FMCG's problem of unpredictability of agricultural income and the associated fall in market demand.

The mainstay of the rural thrust of FMCG companies is based on the hope that there are 'disposable incomes' lying untapped in the hinterland: if the rural population spends some of this, it will certainly boost demand in the current recession. With urban consumption in decline or stagnating because of the economic slowdown, FMCG companies have been hit hard. The idea is to give a 'choice' to the rural customer to shift to branded products, from traditional, unbranded merchandise from the non-organised sector. "The growth is in rural," says India's top marketing head, Rama Bijapurkar.

Rural India constitutes over 60 percent of the country's total consumer base. It's estimated that rural markets hold 55 percent of total LIC policies, 50 percent of the market for televisions, fans, bicycles and wristwatches — and a massive 70 percent of the market for toilet soap consumption.



Village sops Companies seek social security benefits on offer

As part of the new wave of interest, the auto industry, which usually markets tractors and two-wheelers in villages, is now pushing cars for rural roads. It helps that the roads for such vehicles exist because of government infrastructure development. Another government scheme, the National Rural Employment Guarantee Scheme (NREGS), has helped in creating rural employment. And the Rs 65,000 crore debt waiver announced last year helped 3.6 million farmers and made them eligible to fund the next crop. The Centre continued to provide short-term crop loans at 7 percent interest upto Rs 3 lakh. An upturn in agriculture was seen in the UPA's interim budget of 2009-10, where the annual growth rate of agriculture was posted at 3.7 percent.

(Published in Tehelka Magazine, Volume 6 Issue 27, Dated July 11, 2009)

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