

भारतवर्ष

(Bharatvarsha)

# Rural Economy: Rediscovered

Module #4 - Drivers of Rural Consumers  
Income growth

20<sup>th</sup> July 2020

LAQSHYA  
MEDIA GROUP

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## Sizing the Rural opportunity

- Annual Household Disposable Incomes in rural India have been on the rise
- From just over **\$1700 per annum**, the annual disposable household income in rural India is estimated to rise to **~\$3250 by 2025** (~Rs. 2,50,000)
- It might grow even faster if the government succeeds in its stated intent of doubling rural income by 2022

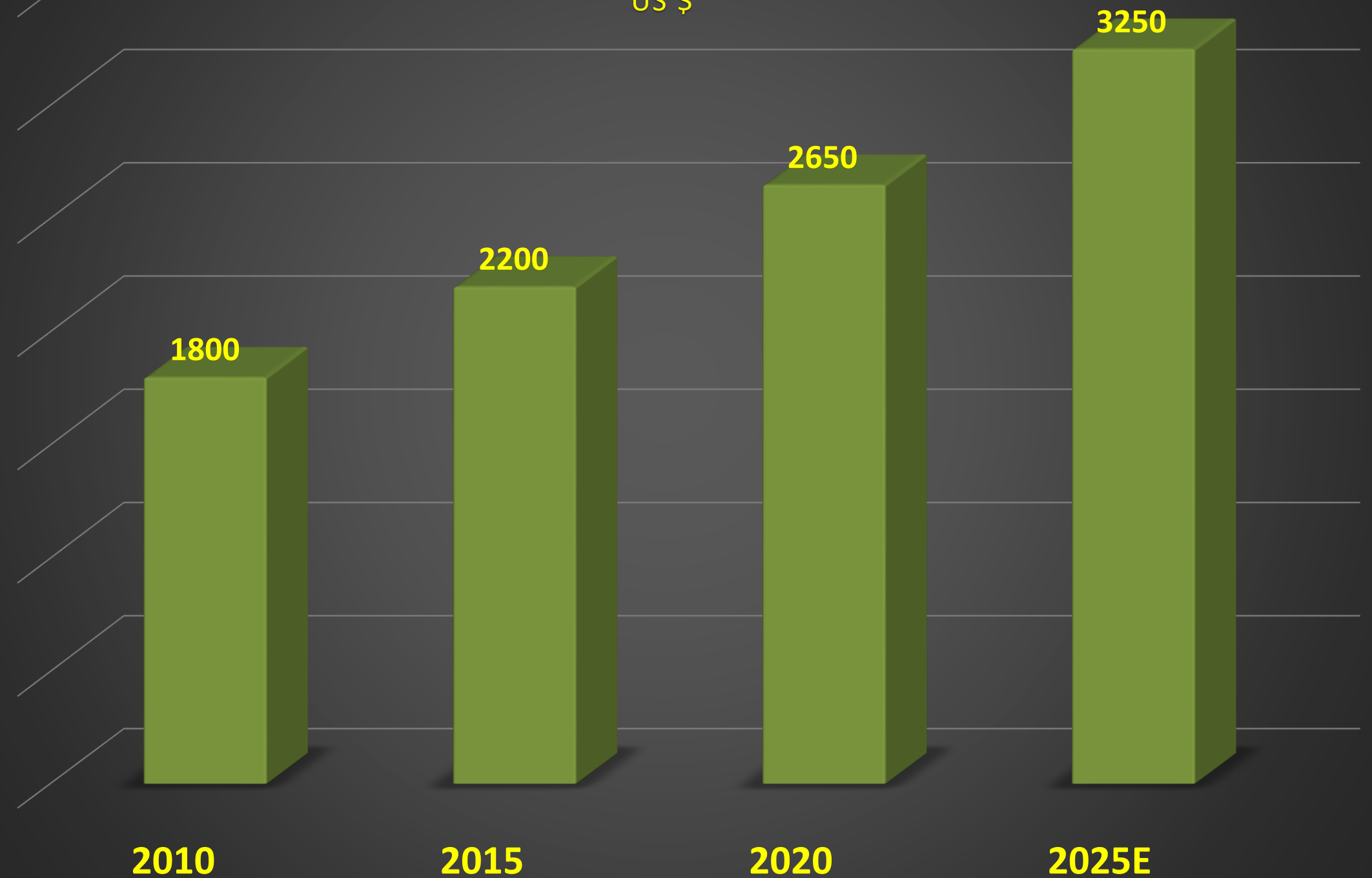
## How would this be achieved?

- Which **industry** verticals would be the **biggest gainers** from this rise in rural income?

### Annual Disposable Household Income – Rural India

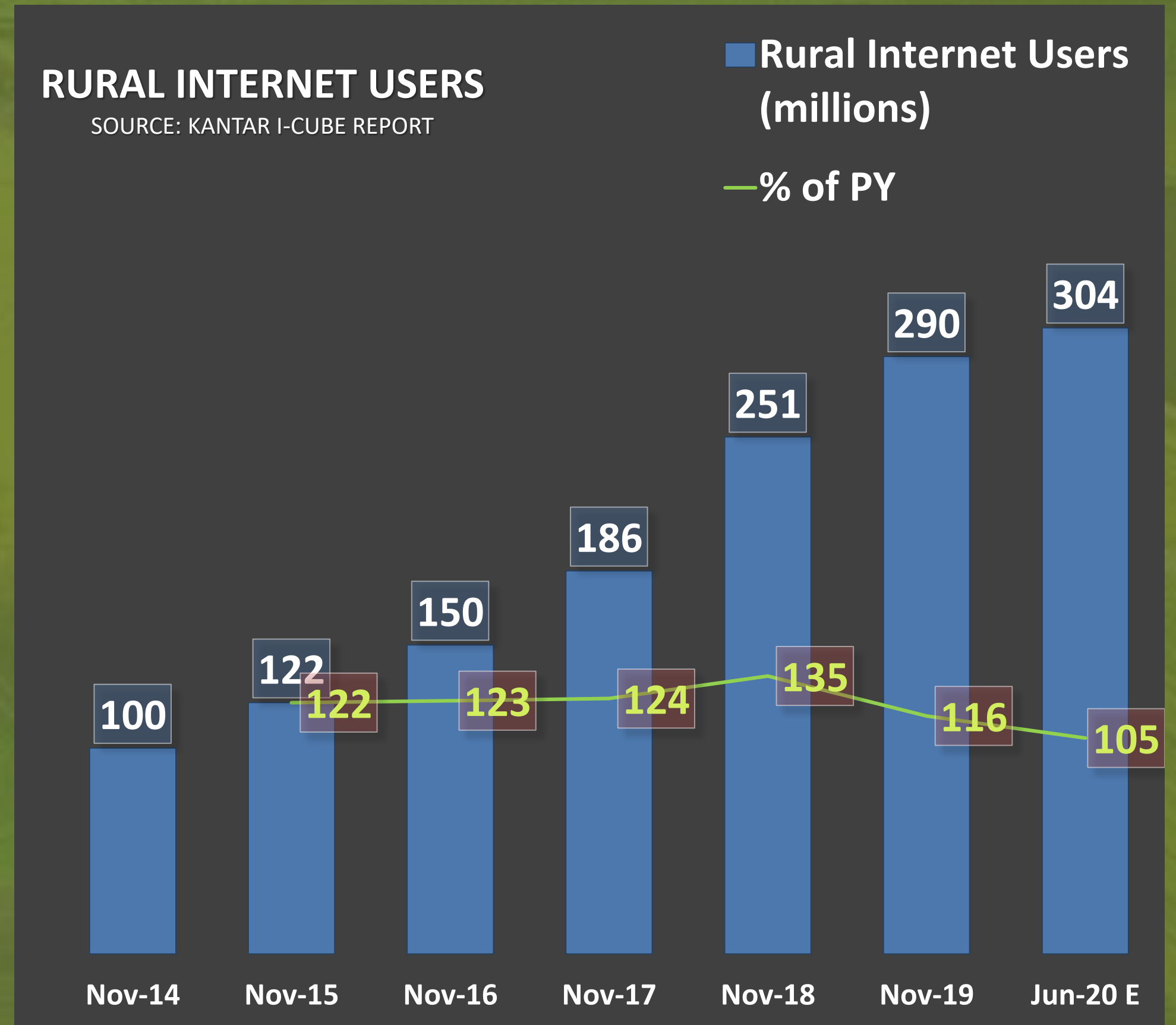
Source: McKinsey Estimates, Ministry of Agriculture, 2017

US \$



## Internet growth - a major source of information, and for increasing aspiration levels!

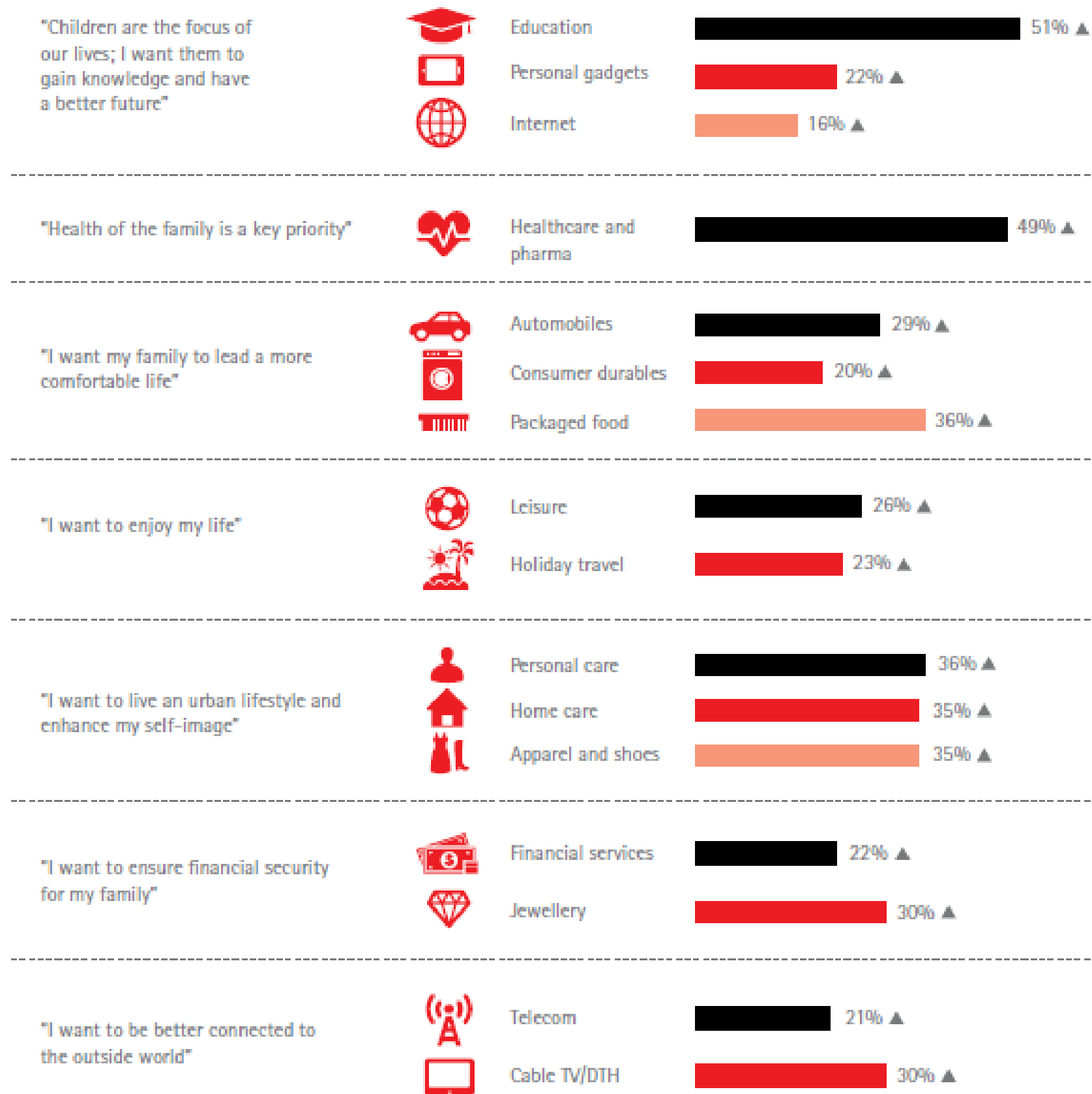
- Rural Internet users have increased at a consistently fast pace, with growth often in excess of 20% year on year as per Kantar's I-Cube report
- Entertainment drives most internet usage; e-commerce is growing frantically across platforms
  - An increasing number of start-ups and tech companies along with the government are working on apps for farmers
  - Major e-commerce players state that they will generate 70% of their new customers from rural /semi-rural areas



## Rural Consumers' rising Aspirations

Figure 4: Rural consumers' rising aspirations

A large number of rural consumers plan to increase their spend on education, healthcare and gadgets that will help them lead a more comfortable and urbane lifestyle in the coming year



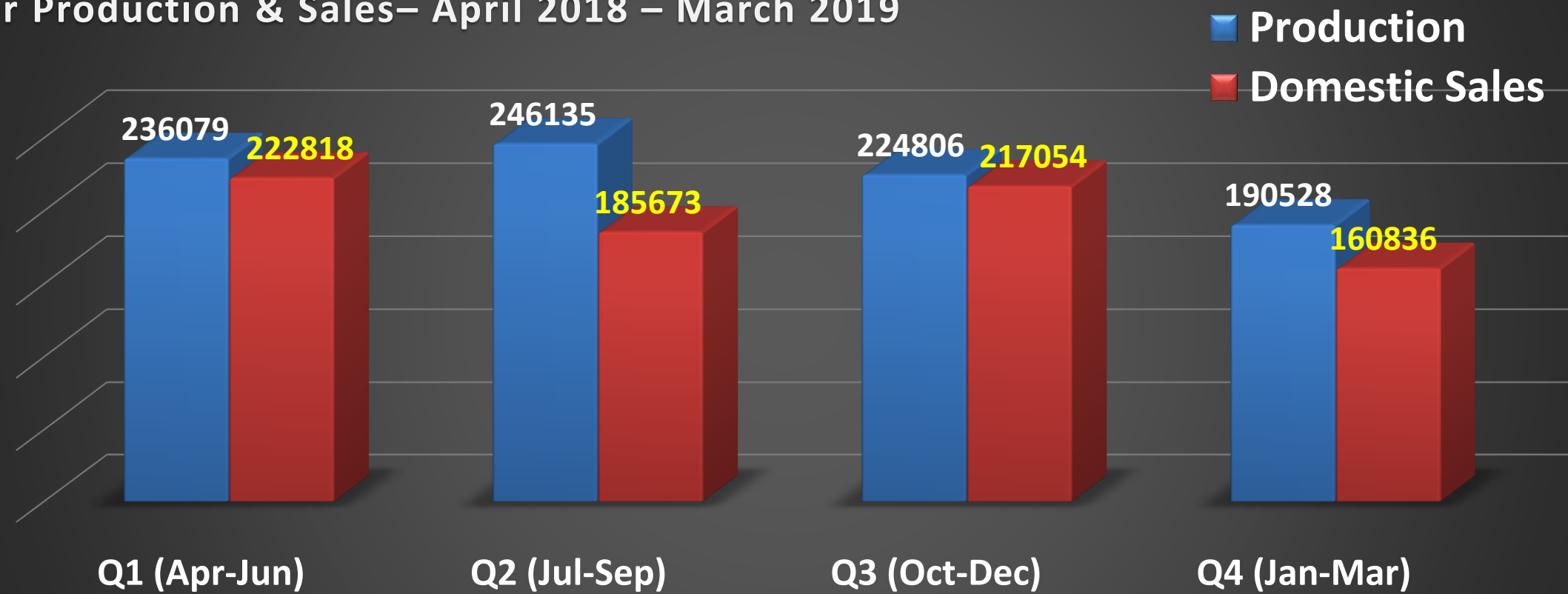
Rural Consumers will spend ~50% more on Education, Healthcare, Personal Gadgets, Packaged Food, Home Care, Apparel, jewellery and Cable TV/DTH will attract ~30% more spends.

This analysis, by Accenture, is based on the NSSO's last published report in 2015, but we believe that the trends hold true.

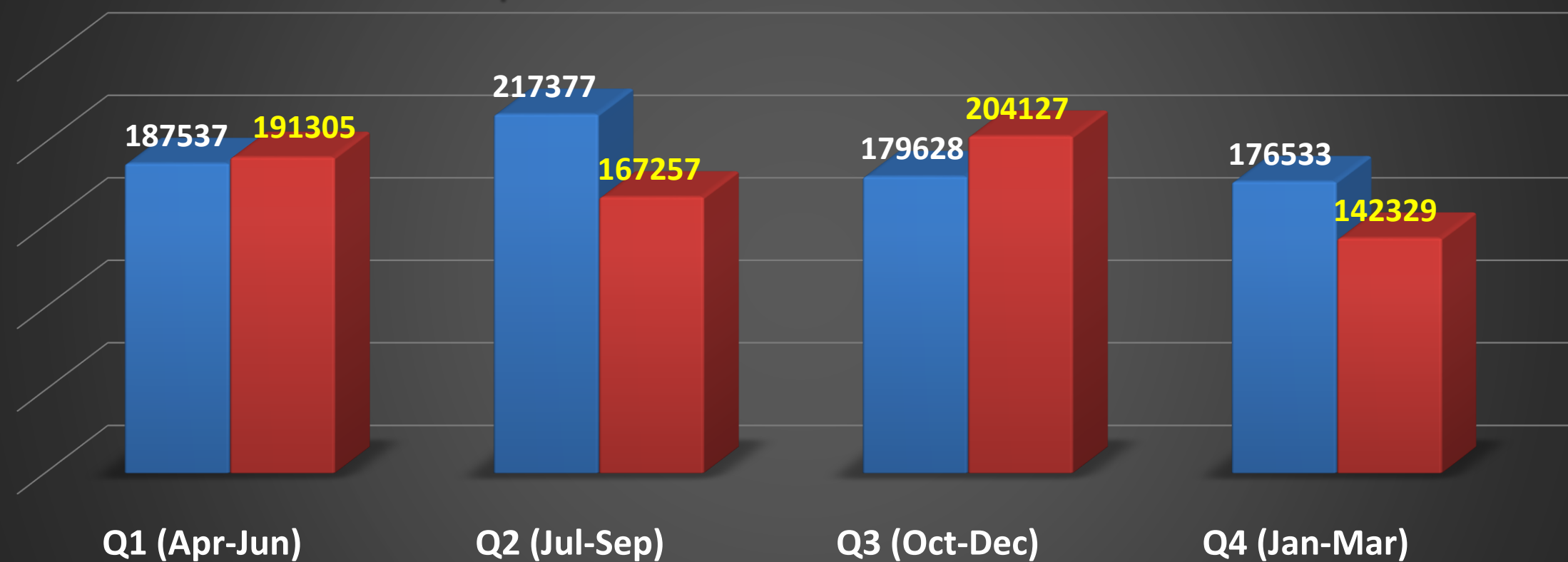
**What will this increased income buy?**

## In 2020, Tractor production is back to pre-COVID levels, Sales will follow\*.

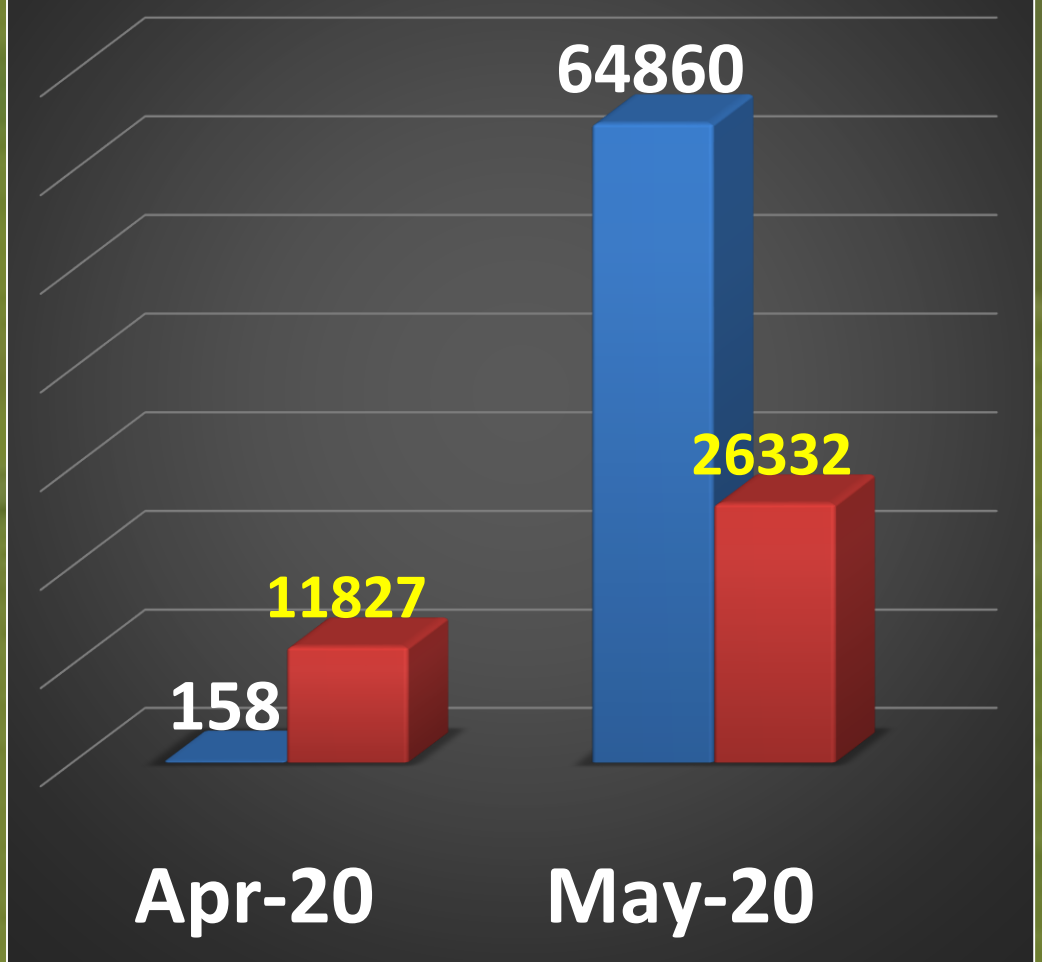
Tractor Production & Sales– April 2018 – March 2019



Tractor Production & Sales – April 2019 – March 2020



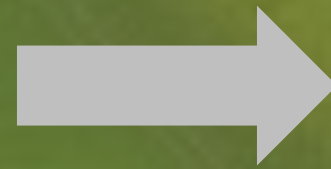
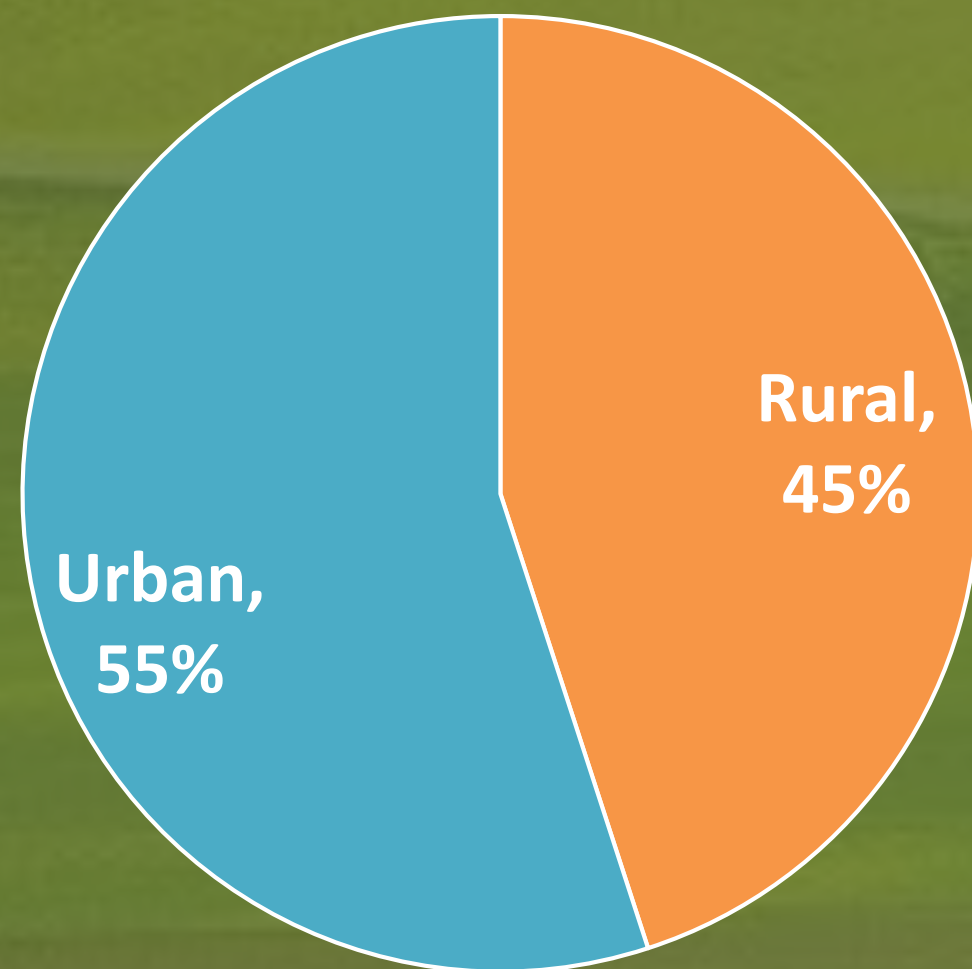
Tractor Production & Sales – April 2020 onwards



\* Source:  
Tractors & Mechanization association (TMA)

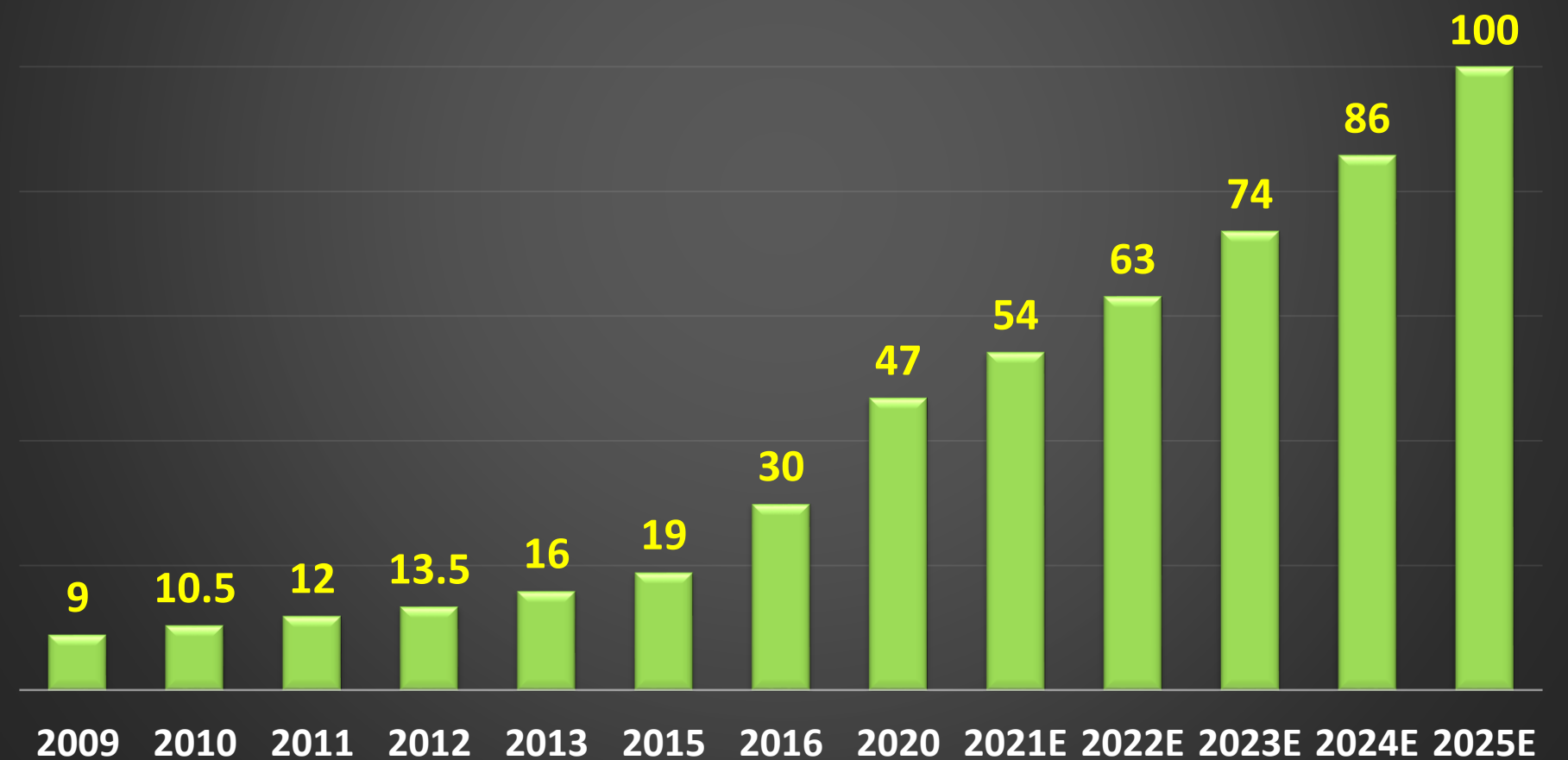
**Rural FMCG market is about 45% of the overall USD \$100 Bn market.  
With an expected CAGR of ~16.5%, the rural FMCG market is expected  
to reach USD ~\$100 Bn by 2025...**

Indian FMCG Market FY20 – USD  
\$103 Billions

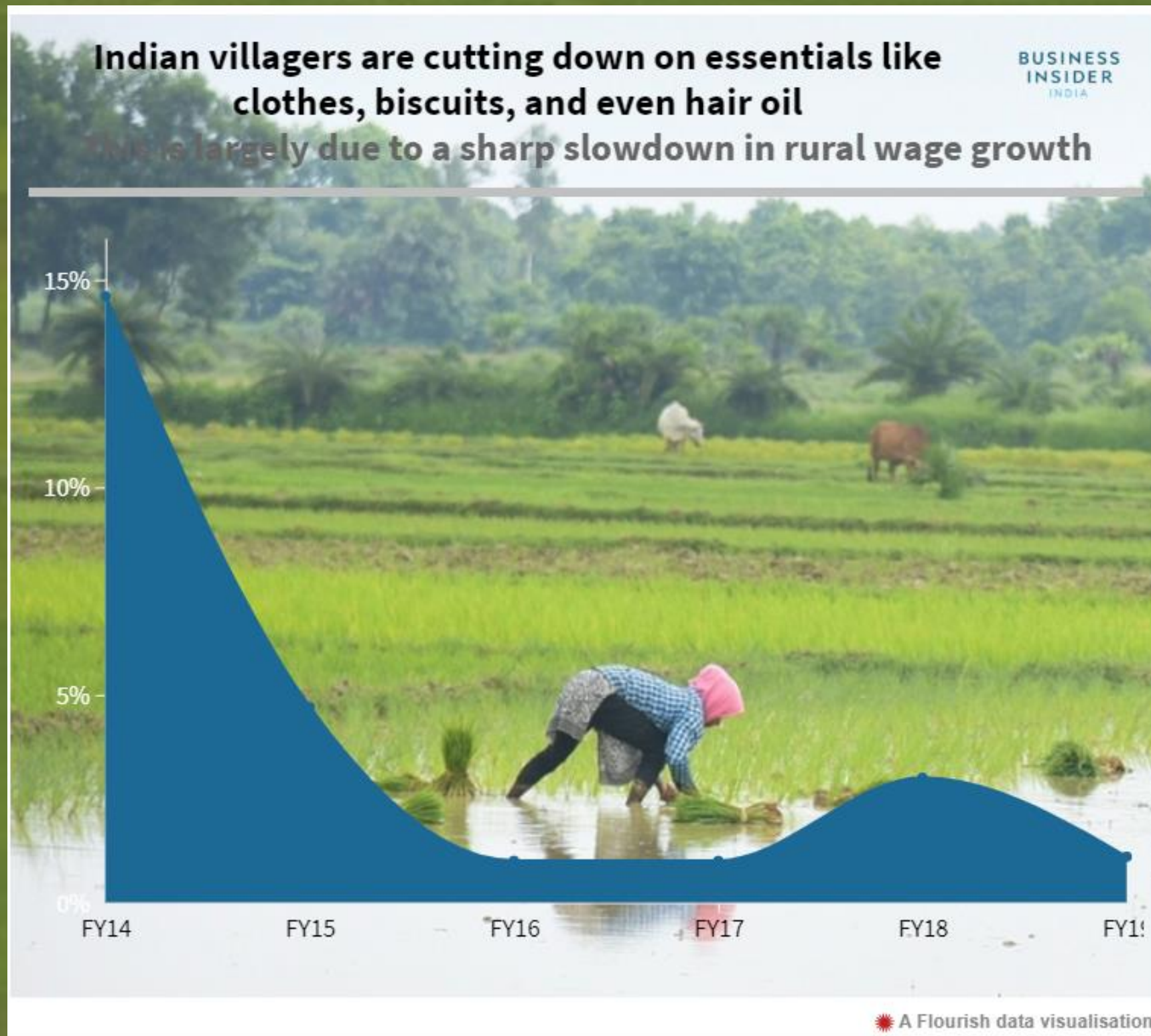


Rural Indian FMCG Market Growth  
Projections  
(\$ USD Billions)

Source: Secondary sources & Laqshya Media analysis



# A word of caution



“The real rural wage growth plunged from 14.6% in 2013-14 to a mere 1.1% in 2018-19,” said SBI Ecowrap. Not only are villagers making less and spending less, their incomes are so low that savings are going down as well.

Rural stress led to moderation of rural demand growth which peaked to around 1.5 times of urban growth few quarters back,” said a report by Aditya Birla Capital on FMCG sectoral review in the first quarter.

# Thank you.

**Laqshya Media Insights Group**  
**July 2020**

**Link to main report - Please visit**

**<https://www.laqshyagroup.com/report/bharat.html>**