भारतवर्ष

(Bharatvarsha)

Rural Economy: Rediscovered

20th July 2020

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Editorial

While writing this report, all of us in the research team, independently and simultaneously, started humming that memorable song from the 1967 film *Upkar*… *Mere desh ki dharti sona uglay, uglay heere moti… Mere desh ki dharti*!

The research for this report was a walk down a lush, green and golden lane – full of insights and startling data – of growth and innovation in Rural India, of 'industries' that are closest to the hearts, minds and bodies of 66% of our fellow countrymen including agriculture, including fertilisers, tractors, building materials and FMCG.

This report seeks to fulfil two purposes:

1. Comprehension of Rural India as a large (often tumultuous) market and
2. Discovery of opportunities that abound in it

Rural India and Agriculture were synonymous till recently – thus we start with the Green Revolution, 1965. Today, India is more than self sufficient to feed its 1.37 billion population. Agriculture has come a long way. India is a massive producer of food grains, horticulture, cash crops, milk and livestock-related products.

Despite the Green and White (and Pink) revolutions, Rural India's contribution to India's GDP has dipped over the last several years – which is an area of concern. And yet, the growth is there to be seen, to be appreciated and to be further catalysed by mainstream industries including Finance, Infrastructure, Telecom, etc. which leads to the question:

- What more can/must be done to achieve the stated objective of doubling farm income by 2022?

Along with the growth in agriculture, there is a quantum jump in India's investment in Rural Infrastructure. This, in itself, is a huge opportunity for all the mainline industries.

And finally, there are huge, tangible gaps that beg to be filled. Can private and public enterprises fill these gaps profitably?

- Who will take up the slack and emerge a winner?

There are **89,23,21,651** opportunities. The possibilities are endless.

This is the story of **rural भारतवर्ष**, which will help Indian economy to fight back to better health.

Eds ~ Manas, Harshaal, Sukanya

1 – Many Wins for Rural India

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- **INDIA** is the **World's Largest Producer** of:
  - Milk: 187.7 million tons (2018-19)
  - Pulses: 25.3 million tons, 25% of global production
  - Jute, Castor Oil seed, Sunflower Oil seed, Cottonseed, Ginger, Banana, Mango, Papaya, Lemon & lime, Okra
- India is **World's 2nd Largest Producer** of:
  - Rice, Wheat
  - Tea, Sugarcane, Groundnut, Cotton
  - Silk
  - Vegetables & Fruit - Accounting for 10.9% and 8.6% of the world's fruit & vegetable produce, respectively & including
    - Onion, Potato, Garlic, Cauliflower, Brinjal, Cabbage
  - **Agriculture's** contribution to the Indian Economy

    ₹ GDP contribution (2018-19) - **17%**

    Total Employment generation - **45%**

- Livestock Popn (Globally **1st**) - **300+ Mn 2019**
- India's Fertilizer Production - **Globally 3rd**
- India's Fertilizer Consumption - **Globally 2nd**
- Motorcycle market (Globally **1st** , Rural 50%) - Sales of the India market exceeded 20 Mn units in 2016, with more than 50% being bought by Rural India
- World's 2nd largest producer of Cement - **320 Mn** tons **-** Rural housing accounted 38% of the consumption vs 32% by urban housing
- World's highest-selling Tractor brand (by vol) - M&M
- IFFCO is the world's largest fertilizer cooperative, connecting over 2.5 crore farmers and cooperatives

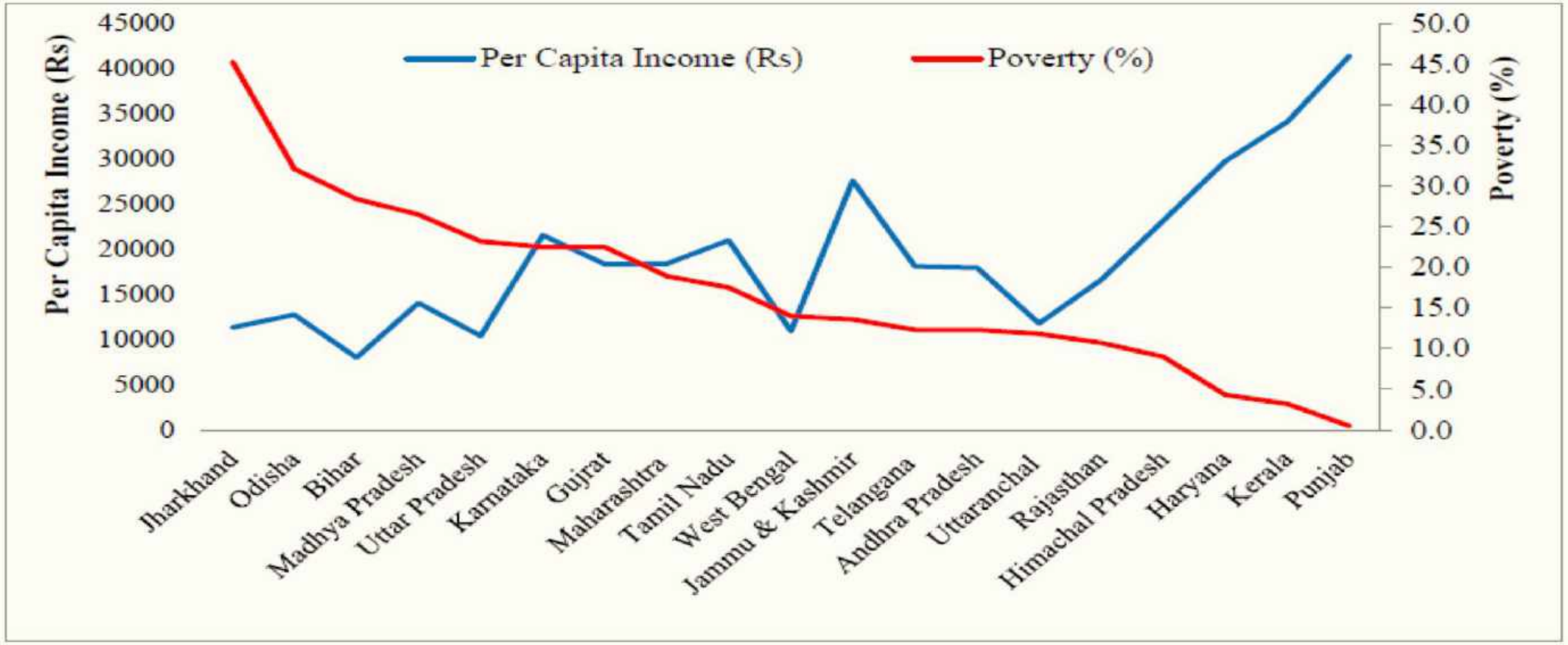
India has the world's largest parcel of cultivated land @ 15.64 crore hectares, 52.6% of total land area

2 – Opportunities in High Income Rural Markets

Capitalising on the currently increasing incomes and aspirations of the rural buyer
in the correct geographies

- **Hyperlocal customized communication** - The first opportunity is there to be seen and captured
- **Engagement with the Rural population with customised, hyperlocal solutions** – Especially since money supply is bound to increase in the rural market as a result of the record agricultural production and due to several support initiatives by the government

Figure 1.6 Relationship between poverty and agricultural income



Sources: Estimated by DFI committee from NSSO 70th Round unit level data (Situation Assessment Survey of Agricultural Households); Chand (2017b)

- **High Per Capita Income states with higher disposable incomes** – States with higher per capita incomes in the range Rs. 25,000 to Rs. 41,000 (per month) such as Punjab, Kerala, Haryana, Jammu & Kashmir, Himachal Pradesh will drive consumption

For details please visit https://www.laqshyagroup.com/report/bharat.html

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3 (i) – Opportunities in High GSDP districts – 126 districts in 9 states

About ~60% (Rs. 80 Lakh Cr) of the GDP of the **9** states (on this page and the next) can be addressed in **126 districts accounting for 1.4 lakh villages**. These districts have **high rural populations** and low Covid-19 incidence (< 1,000)*.

Below is the list of **86 out of 281 districts** in 5 of the 9 states:

Maharashtra		Uttar Pradesh		Tamil Nadu		Karnataka	Gujarat
Nagpur	Latur	Lucknow	Muzaffarnagar	Salem	Pudukkottai	Belagavi	Vadodara
Ahmednagar	Chandrapur	Kanpur Nagar	Hardoi	Coimbatore	Krishnagiri	Mysuru	Rajkot
Kolhapur	Dhule	Prayagraj	Lakhimpur Kheri	Tiruchirappalli	Kanyakumari	Tumakuru	Banaskantha
Nanded	Jalna	Moradabad	Sultanpur	Cuddalore	Thoothukkudi	Kalaburagi	Bhavnagar
Satara	Parbhani	Azamgarh	Budaun	Tiruppur	Namakkal	Ballari	Junagadh
Amravati	Akola	Jaunpur	Bijnor	Thanjavur	Tirunelveli	Vijayapura	Sabarkantha
Sangli	Osmanabad	Sitapur	Varanasi	Erode	Nagapattinam	Dakshina Kannada	Panchmahal
Yavatmal	Nandurbar	Bareilly	Aligarh	Dindigul	Dharmapuri	Davanagere	Kheda
Buldhana	Ratnagiri	Gorakhpur	Ghazipur	Viluppuram	Tenkasi	Raichur	Jamnagar
Beed	Gondia	Agra	Kushinagar	Virudhunagar	Kallakurichi	Bagalkote	Dahod
						Dharwad	Kutch
						Mandya	Anand
						Hassan	Mehsana

For details please visit https://www.laqshyagroup.com/report/bharat.html

*as of 14th of July 2020

3 (ii) – Opportunities in High GSDP states – 126 districts in 9 states

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This trend applies to all other states as well.

The following below is the balance **40 out of 70 districts** in 4 states.

Punjab		Himachal Pradesh		Kerala		Haryana	
Ludhiana	Ferozepur	Kangra	Una	Malappuram	Palakkad	Faridabad	Jind
Patiala	Sangrur	Mandi	Chamba	Thiruvananthapuram	Kollam	Hisar	Sirsa
Amritsar	Hoshiarpur	Shimla	Hamirpur	Ernakulam	Kannur	Bhiwani	Yamunanagar
Gurdaspur	Bathinda	Solan	Kullu	Thrissur	Alappuzha	Karnal	Panipat
Jalandhar	Fazilka	Sirmaur	Bilaspur	Kozhikode	Kottayam	Sonipat	Ambala

Overall, there are **139,641 villages across the 126 districts belonging to the 9 states** that have sizeable spending power.

These districts can be good consumption locations and lead the economic revival.

For details please visit https://www.laqshyagroup.com/report/bharat.html

4 – The Metamorphosis of 'Richer' Rural Consumers

The Changing Realities of Rural India

Accenture survey of 2800 rural consumers across 8 states and 10 Focus Group Discussions provides unique insights into how rural consumers are changing—in terms of their attitudes, preferences and buying behavior. Businesses that capitalize on this opportunity now could gain a significant competitive advantage over those who wait until the market matures further.

What do rural consumers value?

71%

buy brands and 59 percent see them as trustworthy and reliable. 66 percent weightage is given to brand image, functionality and aesthetics while making their purchase decisions.

When do they buy?

55 %

buy when the need arises, rather than waiting for special occasions.

What sales channels do they use?

83%

travel to nearby cities to make their bigger purchases.

Who influences them the most?

1%

1% 6%

said the key influencer for their last big-ticket purchase was the village head and 6 percent claimed it was the local shopkeeper.

How much do TV ads and celebrity endorsements influence them?

7%

claimed advertisements and celebrity endorsements have an influence on their final purchase decisions.

Where do they plan to spend more?

51%

plan to increase their spend on education and 49 percent plan to increase their spend on healthcare.

Feature phone	Smartphone
CRT TV	LCD/LED
Cycles	Bikes/Scooters/Cars
Local snacks	Packaged foods/beverages
Tooth powder	Toothpaste

On-road advertising opportunity?

Aspirations have kept pace with rising incomes and increased information

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5 – Rural Market Exercises

- In India approx. 270 Mn rural consumers (35%) have discretionary spending powers, helped by improved agricultural practices and better access to markets
- Spending growth in rural India outpaced urban spending in 2012 for the first time, according to data from the NSSO
- Rural households account for 57% of all India household consumption expenditure (and 54% of India's household income)

Rural Market constitutes

- 40% of FMCG sales – estimated to rise to USD $100 billion by 2025
- 50% of motorbike sales
- 38% of Cement Sales (out of residential cement)
- ~8-10% of e-commerce estimated to rise to $10-$12 billion by 2025

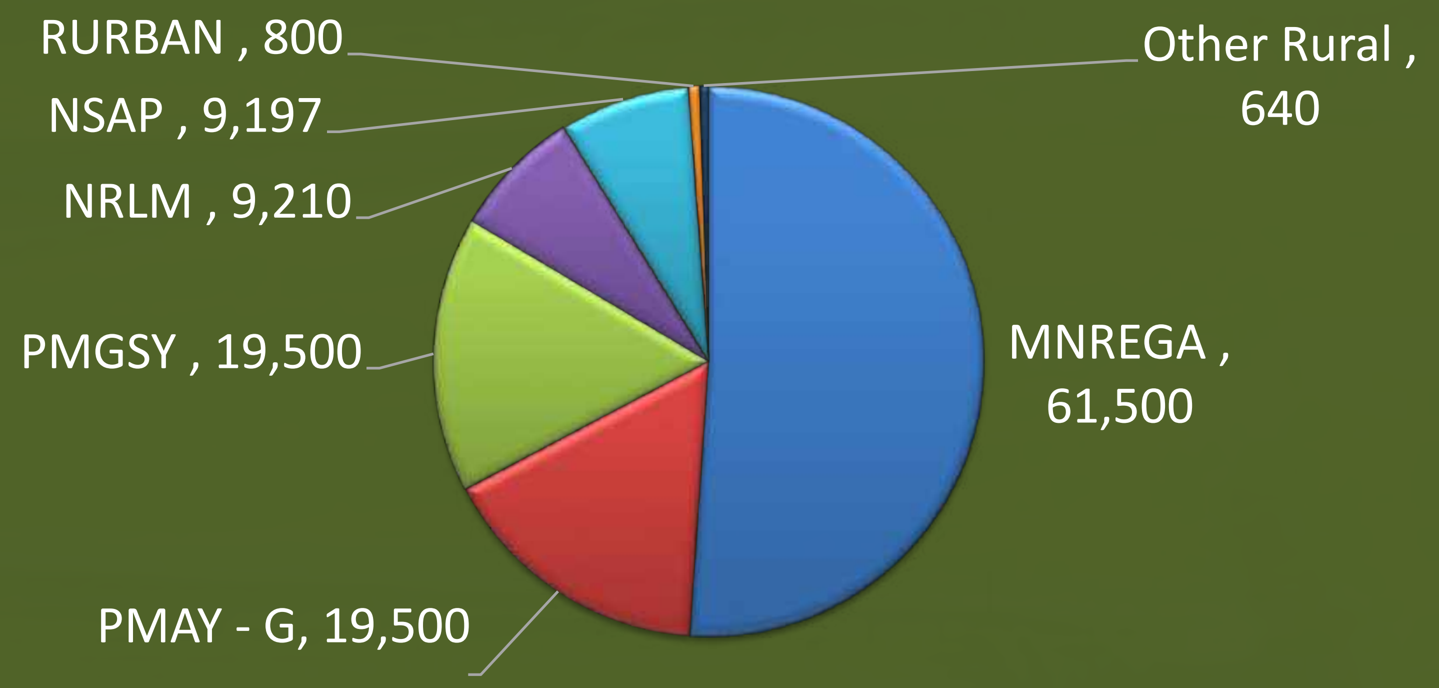
For details please visit https://www.laqshyagroup.com/report/bharat.html

Snapshots of Rural marketing programs:

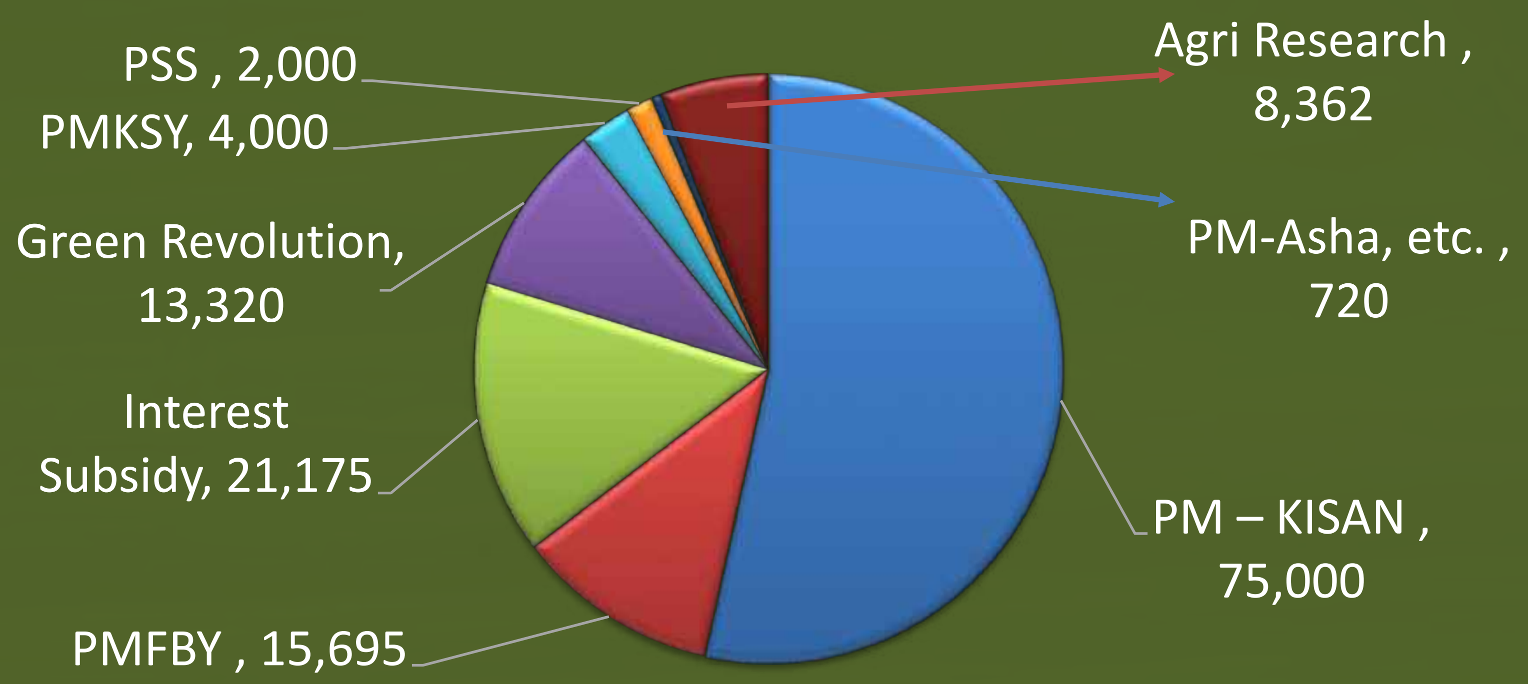
- Hindustan Unilever Limited: Kan Khajura Tesan; Project Shakti
- ITC 'Baareh Mahine Hariyali': e-Choupal; Baareh Mahine Hariyali
- Mahindra: Mahindra Tractor's Maine Chuna Mera Swaraj
- HDFC Bank: Har Gaon Hamara
- IFFCO: Indian Cooperative Digital Platform
- amazon.in prime: Handmade initiative and Rural Distribution Centres
- Walmart India / IDEI: Drip Irrigation initiative – joint effort by Walmart and IDEI
- Raymond / Khadi and Village Industry Commission: Giving a Spin to Khadi
- Pidilite: Rajmistry engagement program
- Mahindra Home Finance: Rural Housing 'seasonal' home loans
- Vritti i media Audiowala Bus Stand: Audiowala Bus Stand
- Flipkart Explore Plus: Motorola for Rural Markets initiative

6 – Core Rural Sector Investments - Snapshot

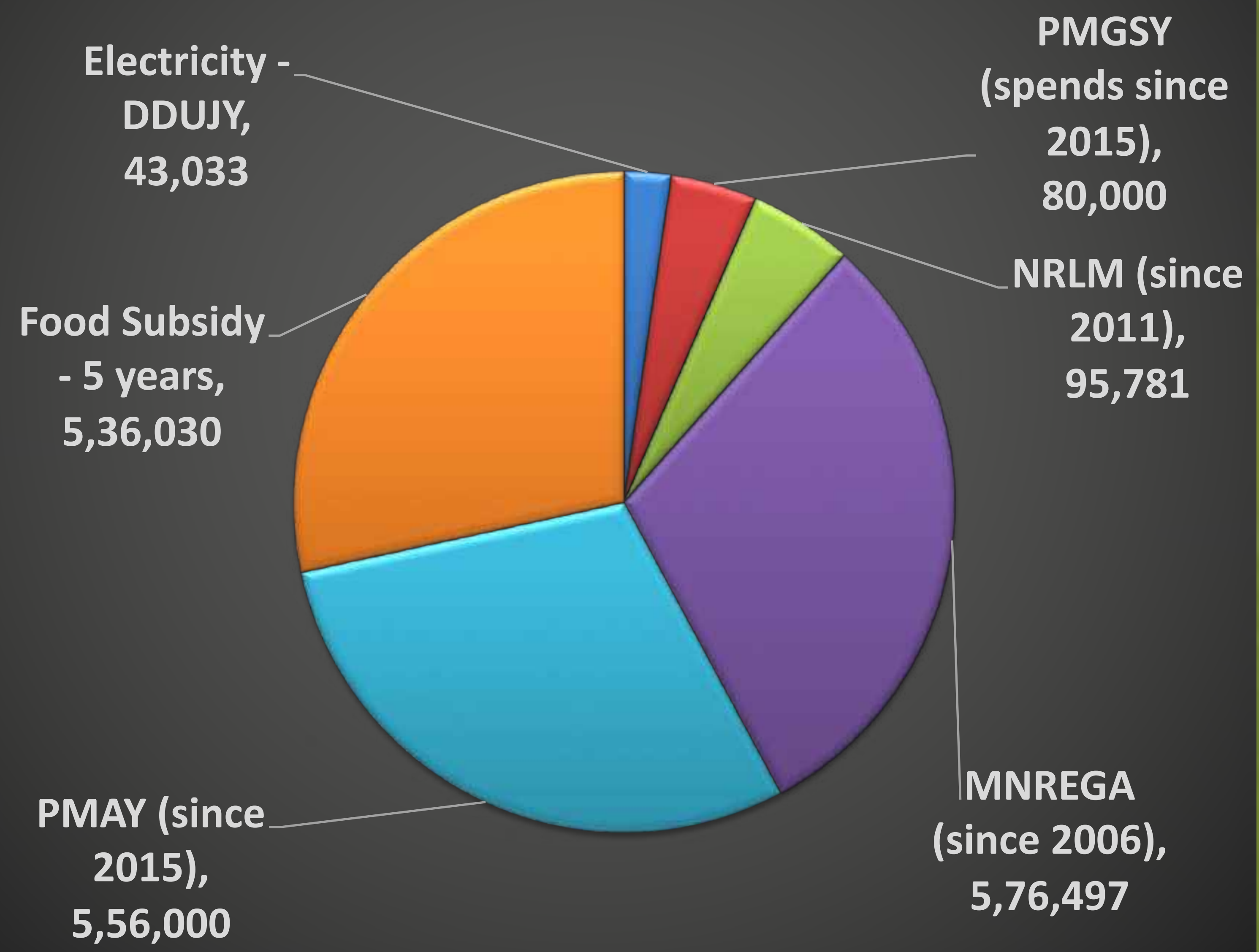
Rural Development Budget 2020-21, Rs. 1.2 lakh Cr.



Agriculture Budget Allocation 2020-21, Rs. 1.42 lakh Cr.



~Rs. 19 lakh crores invested in 6 flagship rural initiatives



For details please visit https://www.laqshyagroup.com/report/bharat.html

7 – Rural Development Initiatives

Mahatma Gandhi National Rural Employment Guarantee Act **(MGNREGA)** for wage employment

- Expenditure since inception: **INR 5,76,497 Cr**
- Person-days generated: INR 2941.69 crores

- National Rural Livelihoods Mission **(NRLM) –** for self employment and skill development
  - 707 lakh HHs mobilised into self help groups (SHG)
  - INR 2,237 Cr provided as revolving credit to SHGs
  - **INR 95,781** Cr provided as Bank Credit to SHGs
- Housing for All : Pradhan Mantri Awaas Yojana - Grameen **(PMAY-G)** for providing housing to BPL households - **1 crore houses completed by 2020**, 2.95 crore houses by 2022
- Pradhan Mantri Gram Sadak Yojana **(PMGSY)** for construction of quality roads - Nearly **6 lakh kilometres** of roads constructed @ 134 kms a day

- National Social Assistance Programme **(NSAP)** for social pension
  - 4 crore beneficiaries, **INR 27,500 crores** disbursed
- Shyama Prasad Mukherjee **RURBAN** Mission, follows the vision of "Development of a cluster of villages that preserve and nurture the essence of rural community life with focus on equity and inclusiveness without compromising with the facilities perceived to be essentially urban in nature, thus creating a cluster of "Rurban Villages“
- Integrated Watershed Management Programme **(IWMP)** - Improving land productivity
- In addition, Central Electricity Authority has been driving village electrification –
  - **100% electrification achieved – 597,464 villages**

For details please visit https://www.laqshyagroup.com/report/bharat.html

8 – The Governance of Rural India

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- Multiple definitions of **Rural India** are mandated
  1. National Sample Survey Organisation (NSSO) defines 'rural' as follows:
     - Area with a Pop Density of 400 per sq km
     - Villages with clear surveyed boundaries but no municipal board
     - Min 75% male working population involved in agriculture & allied activities
  2. RBI defines rural areas as those areas with a Populations less than 49,000 (tier -3 to tier-6 cities). This definition governs the agricultural credit given by banks and NBFCs
- Rural areas constitute **~67%** of India's population
- Rural HHs account for **57% of all India HH consumption expenditure** (and 54% of India's HH income)
- **Rural growth driven by certain sectors -** Rural India contributes to India's GDP by way of Agriculture, Self-employment, services, construction, etc.

- **Separate ministries for Rural Development & Agriculture** – As late as1991 that the Government of India (GOI) finally had two different ministries to clearly demarcate differences
- **GOI intends to double farmers' income in 7 years (from 2015-16 to 2022-23)** – GOI's intent marked a significant departure from the past when the emphasis had been only on production rather than its **marketability**
- **Monetisation of production key -** Thus, increasing the net income of farmers necessitates efficient monetisation of production, without which there is no benefit for farmers
  - The 2020-21 allocation for the Ministry of Agriculture is Rs. 1.42 lakh crores, up 30% from PY, and up 83% from Rs. 77.5 lakh crores in 2018-19
  - The 2019-20 allocation for the Ministry of Rural Development is ~Rs. 1.18 lakh crores.

9 – Opportunities in Agricultural Infrastructure

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Building on the momentum of the rural economy by fulfilling the need gaps that are holding back higher growth of the rural economy including higher productivity of crops and more capacity for processing of crops

- **Investment in rural infrastructure** including Farming capital, farming equipment, skill development and food processing and storage will bear rich fruit

Cold-chain infrastructure - Status & Gap

Type of Infrastructure	*Infrastructure Requirement*	Infrastructure Created	All India Gap	% share Shortfall
Integrated Pack-house	*70,080 nos.*	249 nos.	69,831 nos.	99.6
Reefer Transport	*61,826 nos.*	<10,000 nos.	52,826 nos.	85
Cold Storage (Bulk)	*341,64,411 MT*	318,23,700 MT	32,76,962 MT	10
Cold Storage (Hub)	*9,36,251 MT*			
Ripening Units	*9,131 nos.*	812 nos.	8,319 nos.	91

Infrastructure in number, refers predefined unit size; in MT denotes metric tonnes *Source: NCCD 2015 AICIC Study*

- **Big Opportunities in Integrated Pack-House, Reefer Transport and Ripening units,** where the need-gap is in excess of **85%**

For details please visit https://www.laqshyagroup.com/report/bharat.html

Indian Rural Economy – In detail

More details of the rural economy are available here. The links in each of the boxes below will take you to mini-reports with details of each of the modules:

#1 - Rural Marketing Case Studies

#2 - Infrastructure

#3 - Agriculture

#4 - Drivers of Rural Consumers Income growth

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Thank you.

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Accenture India
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Cotton Advisory Board
Indian Metrological Department
Tractors and Mechanisation Association
Websites of brands mentioned in the case studies