

## Vast rural India sparkles as an expanding market

Rama Lakshmi



*Suman Yadav, 30, right, stands in her village home next to the family's new possession, a \$ 10,000 car called "Swift", a cash purchase in January 2009. (Rama Lakshmi - TWP)*

With her face wrapped in a pink veil, Suman Yadav squatted on the mud floor of her village home washing clothes, next to her family's gleaming new possession -- a silver-gray, \$10,000 car called Swift. She said they bought it on an auspicious January harvest-festival day and drove it straight to the village temple for a blessing before bringing it home.

"My husband's new automobile spare-parts shop is doing well. The mustard and wheat from the farm is fetching good money, too," said Yadav, 30. "We already had a motorcycle and a tractor, but now could afford a car, too. We paid the full amount in cash. We drive everywhere now."

The global economic crisis that has slowed the growth of urban middle-class consumption in India is highlighting a new opportunity for businesses -- the vast, untapped and expanding rural market. Some analysts call it a mere "re-balancing" of market focus away from the big cities; others see it as the fortune at the bottom of the Indian economic pyramid.

About 72 percent of India's billion-plus people live in rural areas. For years, the poverty of rural India was seen as reining in the country's economic growth. But today, analysts say, rural India is a critical audience for marketers because it has been relatively insulated from the crippling blow of the global slowdown.

India's rural destiny still depends on good monsoon rains and robust agricultural production, but four years of bumper crops and heavy government investment in rural infrastructure have given birth to what some analysts call an emerging economy within India.

In the dusty market along a bumpy road in Yadav's village, 40 miles south of New Delhi, sales of microwave ovens, washing machines and 32-inch, flat-screen plasma televisions have risen in the past year. Branded-clothing stores called Rich Look and Charlie Outlaw have sprung up, looking to attract upwardly mobile farm youths.

"People have just begun getting the taste of spending money in these areas," said Ramesh Kapoor, a television salesman. "I hear of a slowdown on the TV news, but I do not see any here."

India's dizzying overall growth levels of 8 to 9 percent, fueled by urban consumption and a boom in the manufacturing and services sectors, may slump to less than 7 percent this year, economists say. But even during the slowdown, companies' sales are rising in rural and semirural India.

"Things have changed in the last one year. Today, 60 percent of our car sales are coming from rural and small-town India. The big farmers, small traders and shopkeepers are buying them," said P. Balendran, vice president of corporate affairs at General Motors India, which launched an aggressive rural marketing drive for its small cars in the past year.

About 60 percent of new cellphone connections are in rural areas, according to telecommunications industry figures. Passenger-car sales rose by almost 22 percent and motorcycle sales by 15 percent in the rural areas last month, compared with last year, according to the Society of Indian Automobile Manufacturers. Textile and clothing retailers that focused on small towns grew faster than those that focused on urban areas, and sales of consumer goods grew by 20 percent in the rural market, compared with urban growth of 17 percent, according to Technopak, a research firm that tracks consumption patterns.

The statistics raise an intriguing question for economists: Can the growth of business in rural areas and small towns help offset drops in big cities?

"There is no impact of the credit crisis and the stock market in rural India. Most purchases are made in cash," said Raghav Gupta, president of Technopak's consulting practice. "It will not rescue us from the slowdown, but it provides us a steady cushion because it is just taking off."

A recent report, titled "Kisan Is King" ("Farmer Is King") by the financial services firm India Infoline, found that the number of rural middle-class homes has grown by 135 percent since 2001 and accounts for 45 percent of total national demand for many consumer products.

"The rural economy, consisting of 56 million households with annual incomes of \$2,000 every year, represents a significant market that cannot be ignored," the firm said.

Next week, the Nano, an ultra-small, ultra-cheap vehicle being billed as the "people's car," will be launched in Mumbai, with an eye on small-town India. It will sell for about \$2,500.

Retailers say the growth opportunities are so vast because the rural market has been so neglected.

"The rural market has still not yet reached a level where there is any room for a slowdown. Cellphone usage covers only 12 percent of rural India," said Sanjay Kapoor, president of the mobile phone division of the telecom company Bharti Airtel. He said the "overwhelming" growth in cellphone usage in rural areas has spurred a thriving retail market for accessories.

In the past four years, the Indian government has invested heavily in programs aimed at boosting rural income, which grew at 4 percent annually, according to government reports. Government prices for rice and wheat have jumped nearly 65 percent over that period; about \$38 billion has been pumped into rural development programs and more than \$9 billion into building rural roads.

According to census data, rural migration to big Indian cities has slowed in the past decade. Instead, villagers are moving to smaller market towns nearby.

"To cut costs, new industries are moving to smaller towns and creating jobs locally. People don't always have to go to the big city to find a non-agricultural job now," said Veena Mishra, a senior economist with Mahindra & Mahindra, an automobile and tractor giant.

Some fear, however, that the economic slowdown may have an indirect and delayed impact on rural India. Burdened with a huge deficit, the government may not be able to sustain public investment. Nearly 5 million jobs have been lost nationwide since the downturn, many of them in India's export industry.

"Many of the jobless workers from export companies are returning to villages," said Shri A. Sakthivel, president of the Federation of Indian Export Organizations. "Eventually, rural India will have to bear the brunt, too."

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