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HOW THE RURAL ECONOMY CAN BE INDIA'S LIFELINE DURING THE COVID-19 PANDEMIC

ARNAV AGARWAL¹, ALKA SINGH²

¹B-3, Nirala Nagar, Lucknow – 226020

Email: arnavagarwal2004@gmail.com

²Dean of Commerce and Economics

Shri Ram Swaroop Memorial University, Lucknow

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ABSTRACT

Covid-19 has left India in a recessive state. In these challenging times, the Indian economy has recorded the worst financial records in the country's history. However, this paper explores the economic sector that does not receive much limelight: the rural economy. The rural economy has been the only part of the Indian economy, which has recorded any growth during the pandemic. The consumer behaviour of the rural population has experienced drastic changes in recent years. Consumption patterns in rural India have been influenced by technological adaptation and financial inclusion. Government initiatives aimed at uplifting the population have levied several expenditures off the shoulders of the Indian household. The pandemic saw the Indian Government released numerous initiatives aimed at helping the rural population. This momentum created by the rural population, supported by the Government, has created conditions conducive to the rural economy's growth. The agriculture, FMCG, consumer durables, and banking sectors can help the derailed Indian economy achieve its goal of becoming a \$3-trillion economy.

Keywords: Rural Economy, Gross Domestic Product, Economic recovery, Indian Economy, Pandemic.

Introduction

India has predominantly been a rural country, with over two-thirds of its population still residing in rural areas. More than 70% of the population resides in India's rural areas, giving credence to the notion that 'real India lives in her villages. Over the years, the rural economy has supported and

contributed to economic growth within the country. Thus, the rural economy is the backbone of the Indian economy.

The Indian economy is primarily dependent on its rural sector, which mainly comprises agricultural activities. India has been deemed an agrarian economy for decades. However, in recent years, agriculture dominance in the rural sector is gradually being replaced by non-farming activities. Moreover, the rural youth, which is more educated and informed about the status quo, aspires for employment that tailors their unique set of skills and knowledge.

Covid-19 has impacted the Indian economy in its entirety. With an unprecedented decline in GDP recorded during the pandemic, the urban areas are experiencing an economic deadlock.

Even during the pandemic, the rural economy has emerged as the most promising sector, and the concept of 'rural revitalization' has gained widespread support from both the Government and the public.

The economic impasse in the urban centres impedes India's objective to be a \$5-trillion economy by 2024-25. During the pandemic, urban India has experienced an economic recession. With the commencement of the 2020-21 financial year, the effects of Covid-19 have destabilized the economy. The service and industrial sectors being primarily concentrated in urban areas have experienced a drastic decline. However, amid this crisis, the rural economy shows sign of hope. Rural revitalization has become a critical factor in achieving the twin objectives of becoming a \$5-trillion economy and Atmanirbhar Bharat. The rural economy's annual contribution to the Gross Domestic Product (GDP) ranges from 25 to 30%. The non-farm sector has gradually replaced agriculture as the primary source of income and employment in rural areas. A transformative and pragmatic approach towards rural revitalization can create conditions conducive to the recuperation of the Indian economy. The Government's new approach towards augmenting Indian manufacturing of products and its increased support for local businesses has laid the foundation for rural India's development. By capitalizing on these new opportunities, rural India can become the economy's pillar of support in this time of crisis.

India's higher education system has a significant role in India's economic recovery during and after post-Covid (Pradeep V. Kamat and Neela Kamat 2020). Greater emphasis on higher education in India's rural areas in tandem with the Government employment schemes transforms rural India into an asset.

Literature Review

India's rural economy, which went through a few challenging stages of low food prices and anaemic wage growth, is likely to witness growth in an otherwise recessionary environment in 2020-21 (Pallavi Nahata, 2020). Incremental agricultural GDP is estimated to increase by over Rs 3.4 lakh crore in FY21 and by 3.3 lakh crore in FY20 compared to an increase of Rs 1.3 lakh crore in FY19 (Gautam Singh and Vijayaraghavan Swaminathan, 2020). The flagship government scheme, Atmanirbhar Bharat Abhiyan, is aimed at transforming the rural economy. It is a policy meant to incentivize rural workers and artisans to increase productivity. The policy is primarily targeted. Research on the rural economy's performance and potential recognizes that the demands of the rural population as surmounting the demands of the urban population. Rural areas are being recognized as safer destinations for new businesses to set up. The pandemic has caused a myriad of businesses to be shut down in metropolitan areas. However, in an attempt to re-establish themselves, these businesses are slowly laying down the groundwork in the rural areas of the country. The companies that sell goods in rural areas are already experiencing a turn in the environment. The government's reform measures may only simulate a tangible change in the longer run (DK Joshi, 2020).

The return of the migrant workers from the urban to the rural centres might be a catalyst for economic growth in the rural areas. Greater consumption by migrant workers in rural areas will

increase the demand for food. Consequently, the supply of marketable surplus to the urban sector will decline to some extent (Sutanu Bhattacharya, 2020). This may strengthen the local rural economy. Moreover, there is likely to be an influx of migrant workers seeking jobs in the rural sector. This influx is to be balanced by the government's employment schemes, along with the internal generation of job opportunities and income. The labour shortage in agriculture due to the migration of labourers to urban jobs has played a role in mechanization. Government initiatives like skillshare have been introduced to help the labourers adapt to this mechanization. Integration of technology in the entire harvesting process will help link the rural markets to urban distributors and lead to a deeper understanding of people's demands in urban areas. ¹ Farmers have also become familiar with digital payments. Technology and productivity are often directly proportional. Familiarity with technological know-how is the need of the hour.

At a time when aggressive consumerism, which the world has witnessed over the past decades, was significantly diminished, the abundance of food reserves in India kept the war against the pandemic focused. The return of a large number of agricultural refugees provides an opportunity to imagine a new economic paradigm: a system where agriculture becomes economically viable and sustainable, where farming is not stifled to prepare for a workforce for the industry, where agriculture becomes the pivot of the economy, providing the rightful income into the hands of farmers². Regenerating agriculture alone can offset the economic depredations suffered during the pandemic and re-direct India in its path of becoming a \$5 trillion economy. The recent Government reforms in the APMC Act are an attempt to allow farmers to adapt to the existing market conditions and free them from the opaque Government mechanism.

The development of infrastructure is analogous to the development of agriculture. To satisfy the infrastructural needs and strengthen the rural economy, the Indian cabinet has allocated Rs 1 lakh crore under the Agricultural Infrastructure Fund. Atmanirbhar Bharat is the underlying concept of the aforementioned measure, which is expected to catalyze post-harvest infrastructures and community farming assets. ³

Agriculture growth is expected to be between 2.5% to 3% in FY21 as India is likely to have a bumper crop production. Rabi crop period witnessed high production of wheat, mustard, gram, sesame etc. Similarly, Kharif production is going to be useful due to the normal monsoon this year. Agriculture, therefore, is a saving grace for the Indian economy as manufacturing and services would record negative growth in FY21.

Furthermore, to promote local and traditional products, the Indian Government has increased the ambit of its employment schemes like the Mahatma Gandhi National Rural Employment Guarantee Scheme. The government expenditure for central rural-focused ministries has risen by 109% year-on-year for the first two months of the ongoing financial year (Kotak Institutional Equities, 2020). It may be noted that the urban areas are facing more market saturation than the rural markets. The lockdown has affected urban areas more than rural areas (S. Mahendra Dev and Rajeswari Sengupta, 2020). In June and July 2020, the rural recovery outpaced that of urban areas.

We have observed that studies often generalize the Atmanirbhar Abhiyan to the entirety of India. However, as revealed by the Government, the Atmanirbhar Abhiyan facilitates self-sufficiency and self-reliance primarily in rural areas. The policy is aimed at uplifting the rural economy. Arvind Subramanian and Shoumitro Chatterjee argued that the policy abandons the two core principles of the

¹ <https://timesofindia.indiatimes.com/readersblog/musingsofankithacheerakathil/reviving-the-indian-rural-sector-during-covid-19-25643/>

² <https://www.tribuneindia.com/news/comment/agriculture-offers-lifeline-amid-pandemic-74360>

³ <https://economictimes.indiatimes.com/markets/stocks/news/bharat-emerges-the-silver-lining-for-the-economy-in-covid-times/articleshow/78442032.cms>

post-1991 consensus. However, this only stands valid when the policy targets all the social sectors with the same magnitude and rigour. Understanding the trajectory of the programme is fundamental in understanding its impact on the Indian economy. The Government's support towards rural revitalization can compensate for the economic loss incurred during the pandemic. Despite its transitory decline during the pandemic, the rural economy's demand and supply mechanism has experienced growth in recent years. The rural economy is an asset toward recovery. With urban areas likely to be in a recessive state for the following years, the rural economy can be the lifeline of the Indian Government.

The literature analyzing the rural economy has primarily focused on agriculture as an engine for growth. Even though agriculture is the epicentre of the rural economy, this paper also aims to focus on the existing non-farm industries and their prospects for growth during the pandemic – studies about rural economic growth in India neglect the contribution of the non-farm sector. Despite conflicting opinions, all studies pertaining to the growth and contribution of the Indian economy recognize the importance of agriculture in rural revitalization.

Objective

Finding out how the rural economy will warrant growth during the pandemic is the objective of this paper. The primary objective is to analyze how different sectors of the rural economy can contribute to economic recovery. As the urban centres remain stalemated, the rural economy has witnessed growth during the pandemic. The pandemic is likely to persist for a few more months. However, its effects are expected to last longer. As the Government has acknowledged the rural sector's impact, several policies promoting entrepreneurship at the smallest level have been implemented. The paper aims to predict these policies' outcomes if implemented thoroughly and how these outcomes will help India get out of the economic slump.

India has been derailed in its path to become a \$5 trillion economy, and with the urban sector in crisis, the situation has been aggravated. Therefore, the burden of economic revitalization falls upon the rural economy. This paper seeks to analyze how the rural economy can withstand this burden and maintain its growth momentum.

Research Methodology

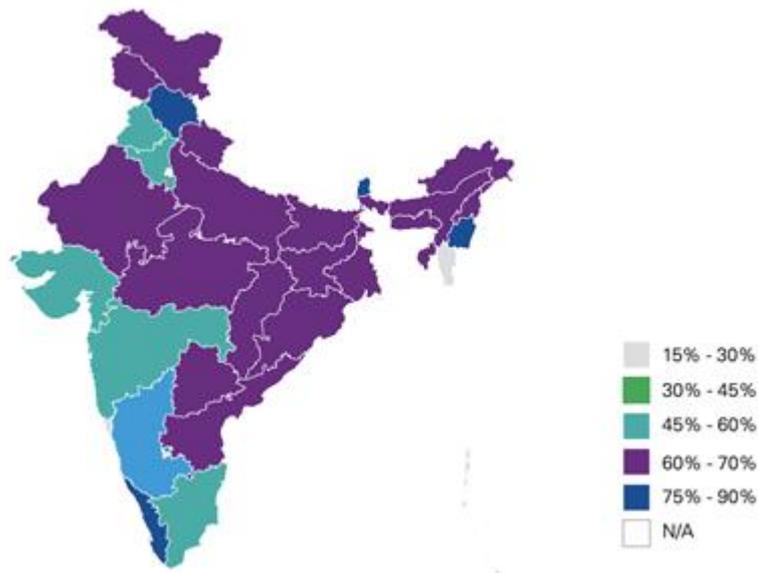
This paper aims to analyze the importance of the rural economy in the status quo and determine its growth potential. During the fraying economic conditions, the rural economy has received considerable support from the Government and holds the ability to revive the Indian economy. By evaluating secondary data obtained from economic articles and research papers, this paper defines the characteristics of the rural economy's present state. To gain better insight into the potential held by the rural economy, I went through a series of articles defining the economic conditions of India during the pandemic and how some sectors of the rural economy seem to stay unaffected by the economic slowdown. The paper analyzes the economic rationale behind the Government's policies to support the rural economy.

Furthermore, it also examines the studies which empirically estimates the economic impact of Covid-19 on different sectors of society. Considering the articles and research initiatives that evaluated India's progress on achieving the goal of becoming a \$5 trillion economy, I sought to estimate the weightage of the rural economy's contribution. This research paper aims to answer the question surrounding the rural economy's importance to India's financial revitalization. Even though the pandemic inevitably implicated the rural economy, articles underline that it is reviving faster than urban India. Therefore, to understand how rural India can be the economy's lifeline during the pandemic, we conducted a thorough analysis of government reports and economic research papers containing information about India's economic condition. The recurring theme in all of the research

material was the importance of agriculture, an integral part of the rural economy, and government initiatives to achieve India's aims. Furthermore, the expansion of business and multinational corporations to rural areas was also highlighted.

Since research experiments yielding tangible data were not conducted on this topic, the research paper is primarily based on the author's conclusions about the fate of the Indian economy during covid-19. After going through statistical data denoting different sectors' contribution to the economy, I understood the pillars supporting the economy. Furthermore, I also analyzed the potential of each sector in the development of the Indian economy. This research paper's methodology is predominantly dependent on the study of secondary data obtained from the internet.

India's rural population



Analysis of Data

As highlighted by the KPMG and the Confederation of Indian Industries, rural India's markets have emerged as the saviour of the economy during the novel coronavirus disease. With everyone betting on the consumption demand growth in rural areas, the rural economy is the biggest asset in India's arsenal at the moment. The markets in the rural region are increasingly becoming powerful economic drivers. Policymakers and businesses are highly invested in the prospects presented by this section of the market. The rural population has seen an increase in their spending power. The expansion of multinational companies and regional businesses across India has exposed the rural population to markets limited to metropolis. The rural population receiving such exposure has seen an increase in their purchasing power. Such expansion into rural India has seen a contagious impact on the rest of the states. There is promising data that suggests that this substantial rise in consumers' purchasing power will be a catalyst in reviving India's economy and bringing growth across a variety of sectors. The following factors lend credence to the growing confidence in India's rural economy:

- Increased government spending in rural areas. As seen in 2020, the Government released several policies to support the lives of the rural population. Besides giving low-income households special schemes to tackle the pandemic, the Government also released several policies to improve the rural economy. The Indian Government initiated the Aatminirbhar Bharat Abhiyan to promote Indian made products and transform India into a manufacturing stronghold. In the last five years, the Ministry of Rural Development has seen a 10.5 per cent

compound annual in its budgetary allocation with MGNREGS⁴ accounting for half of the Ministry's budget (Ministry of Rural Development, Government of India). Consequently, India witnessed a remarkable reduction in unemployment and increased wages through MGNREGS, whose funding was increased from INR 32,477 crore (2014-15) to INR 44,599 crore (2018-19).

- The rural population diversified their sources of income. Historically, the rural population has depended on agriculture as their primary source of income. However, recently, the rise in remittance income from the migrant rural population and the increase of non-farm activities in rural areas has decreased the rural population's dependence on farm income. People living in rural households are actively pursuing different career fields. Though agriculture still accounts for a majority of the rural economic contribution, the number of people pursuing non-farm activities has increased exponentially because of the spread of education. In recent years, the Government of India has focused on the spread of education in rural areas, and the number of literate people has seen a linear growth. As a result, the demographic propensity to pursue a non-farm activity has increased.
- During the pandemic, the Government has released several schemes granting credit and loans to the rural population. Additionally, it has also released providing a free supply of essential goods to the rural population. The expense incurred in the sale of essential commodities has been negated from the rural household's income. Moreover, easy access to finance and credit has increased the flow of money in rural households. The presence of such schemes has augmented the spending ability of the rural population.
- The farming sector remained the least affected by the pandemic. Besides effective regulation of the industry by the Indian farmers, the agriculture sector also experienced an increase in farmer income⁵ by a rise in government procurement prices. Contemporaneously, the rural population's purchasing power has also been augmented by the increase in farmer income. In some preliminary calculations, it is estimated that the farm income will increase by approximately 9 per cent in 2020 (The Print)

The perseverance of the rural economy supported by increased rural consumption has put rural India in a promising position. From a business perspective, key sectors like Agriculture, Fast Moving Consumer Goods (FMCG), Consumer Durables, and Banking are likely to receive heavy investment.

Government Initiatives

The Government has taken many steps towards promoting the rural sectors of the economy and has proposed and implemented effective policies to drive consumption and investment. The economic situation created due to Covid-19 called for urgent action by the Government. The Indian Government responded by proposing macroeconomic solutions derived from emergency liquidity by central banks. Measures taken by the Indian Government include fiscal policies such as wage subsidies, broad tax-relief, unemployment benefits, and equity investments by the Government in non-performing companies.

Sectoral analysis

Agriculture

⁴<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1654683#:~:text=Number%20of%20beneficiaries%20provided%20employment,12%2C%202020%20is%208.29%20crore.&text=61%2C500%20crore%20during%20FY%202020,NREGA%20%26%20a%20total%20of%20Rs.>

⁵ <https://theprint.in/economy/income-of-indian-farmers-is-rising-but-that-doesnt-mean-economy-is-out-of-the-woods/465073/>

Since its inception, the Indian economy has been dependent on agriculture. 41.5 per cent of the Indian population is employed in the agriculture sector, and 16 per cent of India's GDP is composed of agriculture. Agriculture provides the raw material for other goods. Therefore, other industries, like retail, FMCG, and e-Commerce, find themselves dependent on agriculture. The influence of agriculture expands to non-agriculture sectors as well. In recent times, non-agricultural sectors have witness accelerated growth. This has led to a decline in agriculture's share of the Gross Value Added. ⁶

Nevertheless, the agriculture sector was the only sector that recorded growth (3.4% growth) during the pandemic. The other sectors found themselves in an economic impasse, taking the overall ratio to negative 28 per cent⁷. The agriculture industry's progress is due to the excellent monsoon season in FY 21, more considerable sown area coverage for Kharif crop, abundant water in irrigation reservoirs, and effective implementation of MGNREGS along with other government welfare. The problem of unemployment in rural areas has contracted faster than urban unemployment due to such factors. The Government provided free of cost food grains under the Garib Kalyan Anna Yojana, causing the inflation rate to be lower in rural areas. The progress in agriculture and the decline in inflation left the rural population with a higher disposable income: a trend which continued throughout Covid-19.

The World Bank surveyed to evaluate how India's economy fared through the lockdown and the re-opening. The conclusions of the survey were as follows:⁸

1. The planned land Kharif crop increased by 7 per cent, and Kharif sowing area by 13.9 per cent.
2. There has been a reported decline of 7 per cent in fertilizer expenditure per household.
3. Unemployment rates have lowered since the lockdown was lifted.
4. Entrepreneurship in rural areas resumed work after the strict lockdown regulations did not require strict adherence.

In the last decade, the Government of India has increased emphasis on policies relating to agriculture. The Government aims to double the farmers' income by 2022 and has taken the initiative to do so. The Government plans to strengthen e-NAM, PM AASHA Yojana, and Gramin Agriculture Markets.

The Government also released the Agriculture Export Policy in 2018 aimed at increasing agricultural exports from INR 210 crore to INR 420 crore by 2022.

The Indian Government also plans to attract new investment in the rural agriculture sector and allow 10,000 Farmer Producer Organizations.⁹

The growth experienced in agriculture, along with the support received by the Government, is expected to increase the demand for packaging, transportation, processing services, and other services. This provides the potential for the industry to contribute across the value chain, such as in the areas listed below:

1. Building and strengthening the market network
2. Logistics and Supply chain
3. Agro-Processing
4. Research and Development

⁶ <https://pib.gov.in/newsite/PrintRelease.aspx?relid=197763>

⁷ <https://www.businessstoday.in/opinion/columns/indian-economy-when-and-how-will-industry-take-india-to-next-level-of-growth/story/427557.html>

⁸ <https://blogs.worldbank.org/endpovertyinsouthasia/how-did-indias-rural-economy-fare-through-covid-19-lockdown-and-re-opening>

⁹ <https://pib.gov.in/newsite/PrintRelease.aspx?relid=199421>

1. *Building and strengthening market network:*

Indian farmers lack a strong and independent network in the market. Moneylenders and intermediaries usually control the market. However, Indian farmers need increased connectivity. The involvement of the private sector proposes an opportunity to contribute to the agricultural network. Industry and farmers are likely to benefit from economies of scale in models like Agribol, including providing information on one platform with market linkages and services such as mechanization and agricultural inputs.

2. *Logistics and Supply chain:*

The infrastructure and framework of any industry are necessary for the smooth functioning of any industry. An uninterrupted supply chain and cost-effective logistical arrangements are needed to sustain the rural agricultural economy. Through the use of technology and e-platforms, private sector players are increasingly stepping into this space.

3. *Agro-Processing:*

This sector holds untapped potential. Currently, 10 per cent of agri-produce is processed in the country. Though the agricultural industry is restricted to working in small villages, the industry can enter into high-end processing that requires intensive technology and capital.

4. *Research and Development:*

The public sector has primarily carried out research and development in the agricultural sector. However, if India is to meet the population's rising food requirements, intervention by the private sector is mandatory. Private sector entities need to expand agricultural R&D and innovation.

FMCG

India's FMCG is one of the largest contributors to India's GDP. With 3 million Indians employed in this sector, FMCG is divided into three main segments- food and beverages, household and personal care, and health care.

In 2019, the urban FMCG market grew at 8 per cent while the rural FMCG market witnessed a growth of 5 per cent ¹⁰(Indian Brand Equity Foundation). In this era of digitalization, the penetration of mobile phones and the internet have accelerated the pace at which rural and semi-urban markets were growing. The power of growing the rural market lies in the rural population's hands: a motivated rural population with high aspirations backed by increased purchasing power and increased awareness from media and the internet. Currently, 70 per cent of the Indian population resides in rural areas.¹¹ It is expected that India's population will grow by 273 million by 2050 ¹²of which 50 per cent of the population resides in rural India (Census of India).

In the last decade, the FMCG market has reported a CAGR of 11.3 per cent and has aided to a 75 per cent growth in the FMCG sector. The FMCG sector is expected to grow to INR 16.34 lakh crore by 2025,

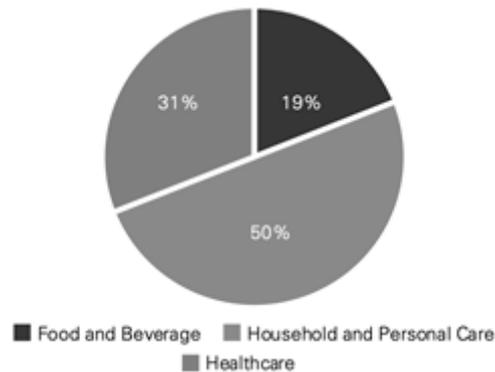
¹⁰ [https://www.ibef.org/industry/Fmcg-presentation#:~:text=Fast%20moving%20consumer%20goods%20\(FMCG,sector%20in%20the%20Indian%20economy.&text=FMCG%20market%20is%20expected%20to,private%20consumption%20and%20rural%20income.](https://www.ibef.org/industry/Fmcg-presentation#:~:text=Fast%20moving%20consumer%20goods%20(FMCG,sector%20in%20the%20Indian%20economy.&text=FMCG%20market%20is%20expected%20to,private%20consumption%20and%20rural%20income.)

¹¹ Census of India (2011)

¹² https://population.un.org/wpp/Publications/Files/WPP2019_Highlights.pdf

demonstrating the potential held by this sector. Rural households spend approximately 50 per cent¹³ of their income on FMCG products.

Segment-wise breakup of the FMCG sector

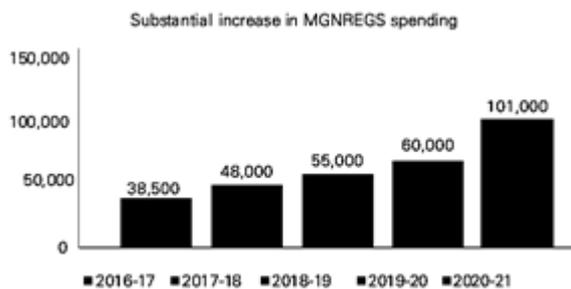


The Government has also proposed various initiatives which have been instrumental in the growth of this sector: a lower tax regime, 100 per cent approval of FDI in a single-brand retail¹⁴, installation of Wi-Fi hotspots across 1,000-gram panchayats, transformation of warehousing and logistics facilities, and construction of roads under the PM-Gram Sadak Yojana.

According to KPMG in India, there was a 35 per cent year-on-year growth in rural internet users, and smartphone usage rose from 9 per cent in 2015 to 25 per cent in 2019. This increased connectivity through the internet stimulated the drastic change in consumer behaviour in India.

The demand patterns in the rural market have shown a linear increase after the monsoon season in FY21. This variation in consumer buying behaviour has been caused by higher income from farm and non-farm activities, owing to the government schemes supporting the rural economy.

The economic slowdown caused due to the Covid-19 lockdown been observed across all industries, resulting in supply chain breakdown and store closures in both urban and rural centres.



However, the rural FMCG market grew three times¹⁵ as compared to all of India's growth in terms of sale value for June 2020.

Reverse migration, a trend observed during the lockdown, promoted FMCG growth. Due to the minimization of physical interaction during Covid-19, e-Commerce platforms became the primary retail medium for the FMCG market. Though the sector only saw a growth of 3 per cent, the e-

¹³ <https://economictimes.indiatimes.com/industry/cons-products/fmcg/decline-in-rural-sales-hits-fmcg-in-2019-revival-likely-by-second-half-of-2020/articleshow/73041851.cms?from=mdr>

¹⁴ <https://www.pib.gov.in/PressReleaseDetail.aspx?PRID=1657330#:~:text=Government%20has%20put%20in%20place,FDI%20under%20the%20automatic%20route.&text=India%20has%20one%20of%20the,permitted%20in%20many%20sectors%2F%20activities.>

¹⁵ <https://southasiamonitor.org/india/rural-india-grows-3x-urban-india-fmcg#:~:text=As%20per%20Nielsen%20Q2%202020,04%20percent.>

Commerce channels provide a promising opportunity for rural FMCG markets to promote their products beyond the existing sales channels.

People have become more health-conscious because of pandemic. Therefore, health and wellness products saw a remarkable increase in sales among the rural population.

These recent trends and the gradual decline of Covid-19, have generated unprecedented growth in the FMCG markets. Businesses looking to expand into the Indian FMCG markets must strengthen their distribution network and find innovative solutions to cater to the changing demand of the Indian rural population.



Consumer Durables

The Indian consumer durable market was estimated at INR 76,400 crore. The sector is broadly divided into two parts: Brown Goods, which include personal computers, televisions, laptops etc. and White Goods, which include air conditioners, washing machines, and microwaves, etc.¹⁷

India is expected to become one of the top five markets for consumer durables in the world by 2025. The electronics segment is expected to reach INR 1.48 lakh crore by 2025, while electronics manufacturing is expected to reach INR 22.5 lakh crore as additional production between 2020 and 2025.¹⁸ The growth of this sector is driven by the evolution of e-Commerce, increase in disposable income and initiatives by the Government.

The government investment in rural electrification¹⁹ has directly or indirectly promoted the rural demand for durable consumer products. Under its "Make in India" program, the Government is incentivizing local companies to produce consumer durable products. This step taken by the Indian Government towards making the nation self-reliant has increased employability and disposable incomes in rural regions. The reduced price tags support this change in consumer buying behaviour for consumer durables as the companies have switched to local manufacturing of products.

Schemes like Pradhan Mantri Awas Yojana has resulted in more families settling down in rural areas. The expenditure which was previously allotted for housing has now been diverted towards buying other products. Easy access to finance has made their buying decisions inelastic to income levels.

The consumer durables sector, supported by the "Make in India" program, has recorded the quickest recovery after the lockdown. The urban population developed a propensity to spend more on consumer durables while sitting at home, and a similar trend has been noticed in the semi-rural population. Rural India has once again emerged as the lifeline for the Indian economy.

¹⁶ <https://retail.economictimes.indiatimes.com/news/food-entertainment/personal-care-pet-supplies-liquor/fmcs-sales-in-fast-lane-in-rural-areas-hygiene-immunity-products-in-demand/76931789>

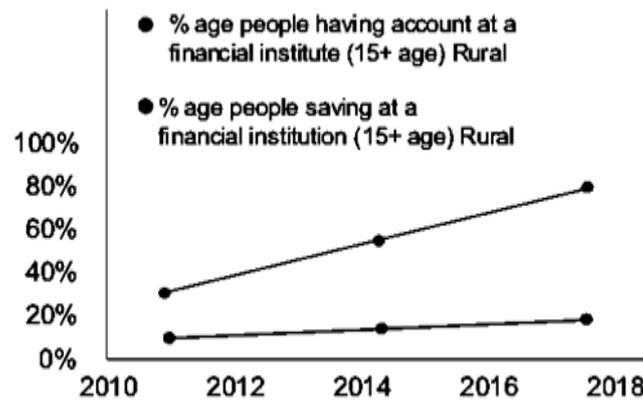
¹⁷ <https://www.ibef.org/industry/consumer-durables-presentation>

¹⁸ <https://www.ibef.org/industry/indian-consumer-market.aspx#:~:text=Indian%20consumer%20durables%20market%20is,a%20small%20economically%20disadvantaged%20class.>

¹⁹ <https://www.ibef.org/download/Consumer-Durables-Report-Apr-20181.pdf>

Banking

Access to banking and credit facilities is as important as access to financial markets. Earlier, the rural population was oblivious to the presence of banks. However, government schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY) and Self Help Institutions and Micro-Finance Institutions have contributed to India's financial inclusion. The PMJDY aimed at opening a bank account for each household in the country. Aadhar and extensive mobile use, along with other government initiatives, can reshape the financial sector by reshaping the rural banking sector.



The first half of the last decade was focused on making banking safe and secure in rural areas. The second half built the required infrastructure to make banking available to the entire rural population. Since 2019, the Government has been promoting the notion of a cashless economy through PMJDY, DBT, RuPay cards. Linking of SHGs with banks and issuing Kisan Credit Cards (KCC) has increased the Government's reach and has set up the necessary instruments of financial inclusion in rural areas.

The Jan Dham scheme has gained momentum in recent years, with more than 350 million beneficiaries as of March 2020. The widespread use of digital devices and increased access to the internet has educated the public about the basics of financial literacy. The percentage of rural population above 15 years of age having an account at a financial institution has increased from 33 per cent in 2011 to 79 per cent in 2017²⁰.

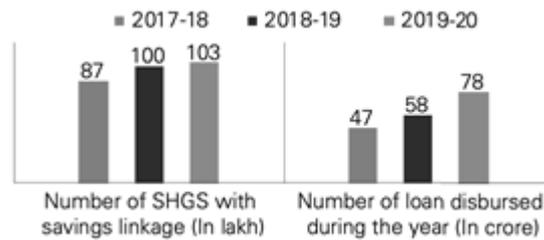
Private sector in rural banking

Even under the difficult circumstances existing in the rural areas, the market share of private and foreign banks increases numbers. While public sector lenders have a growth rate of 0.5 per cent in 2018-19, private banks have expanded their network by 27 per cent. This growth has been witnessed in the following areas:

- *Self-Help Groups:*

This programme enables the provision of bank loans to low strata without any collaterals. There have been examples of the private sector demonstrating the potential for creating banking intermediaries or micro distributors of products. Such examples need to be recreated and implemented in rural areas.

²⁰ https://globalindex.worldbank.org/sites/globalindex/files/2018-04/2017%20Findex%20full%20report_0.pdf



- *Cashless economy and auxiliary services:*

A declining trend in cash payments has been noticed due to government initiatives around cashless transactions. Private players primarily control digital payment platforms. This provides private players with an opportunity to expand their customer base into the rural markets.

- *Non-banking Financial Companies (NBFCs):*

India has become the global leader in microfinance, with one of the highest numbers of borrowers growing faster than any other demography. Micro Finance Institutions have reported high profitability as disbursement of loans has become easier due to linkages between payments transaction history and credit information. Microfinance Institutions have the largest market share of 38 per cent²¹.

- *Rural entrepreneurship:*

Core banking services have helped in developing the spirit of entrepreneurship in rural areas. By connecting with NGOs, MFIs and SHGs, core banking services have helped develop social networks and streamlining additional services such as BPOs, service centres, etc.

Conclusion

The potential held by the rural economy should not be ignored. The effects of the pandemic are likely to be felt long after covid-19 has been eradicated. However, in its road to recovery, India should be mindful of the rural economy's contribution. As stated in the paper, the rural economy is perhaps the only sector to experience growth during the pandemic. The government initiatives and the changes in technology and infrastructure have made the rural economy an asset to the nation. In this time of economic slowdown, the rural population has changed buying behaviour, and the renewed motivation to increase business has changed the dynamic of the rural population. Urban India has always been the focus of analysis, but recent times have witnessed a growing interest in rural India and the potential and opportunities. Technology adaptation and increasing purchasing power have re-positioned the rural economy to lead the demand for the resurgence of the Indian economy.

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