



Rural Growth & Farm Loan Waivers

According to a recent report by Nielsen, demand growth visible in some rural pockets of India is driven by farm loan waivers and not likely due to real increases in rural incomes and wages. This indicates that the economy is still away from revival.

- The rural growth outpaced urban demand, primarily because of farm loan waivers announced by number of states.
- This upward trend rural in demand is notable from the sale of items like tractors and the latest corporate earnings of consumer goods companies. A similar phenomenon was witnessed in 2009 when the then government had waived farm loans and tractor sales grew by 30%.
- Moreover, this increase in rural demand is based on a weak base- coming over two years of weak growth as demonetization took a hit on consumption. Therefore, this could be just a bounce back from the 2016 lows and not necessarily translate into the required higher momentum in rural demand.
- Rural demand might have risen on the back of affluent farmers which could have outweighed the decline in demand from majority.
- However, sustainability of this pick in rural demand depends on other factors like- a good monsoon along with adequate procurement and the effectiveness of MSPs to act as a floor for crop prices.

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