

A Study on Economic Growth of India: A Focus on the FMCG Sector

Dr. Sheetal Nafde

Assistant Professor, Dr. Ambedkar Institute of Management Studies and Research, Nagpur, India
sheetal_nafde@daimsr.edu.in

Abstract: *The Fast-Moving Consumer Goods (FMCG) sector, holding the rank of the fourth-largest segment in India's economy, exerts considerable influence on both the nation's Gross Domestic Product (GDP) and employment landscape. It serves as a key driver of job opportunities across various stages of its supply chain, spanning manufacturing, distribution, retail, and marketing.*

This paper presents an analysis of the FMCG sector's growth in India, fuelled by consumer-driven expansion and escalated prices, particularly in essential commodities. As of December 2022, the FMCG market has achieved a noteworthy value of US\$ 56.8 billion. Forecasts indicate a robust upward trajectory, with total revenue projected to soar at a Compound Annual Growth Rate (CAGR) of 27.9% from 2021 to 2027, reaching an estimated US\$ 615.87 billion. In 2022, the urban segment accounted for 65% of the sector's contributions, while rural areas comprised over 35% of the overall annual FMCG sales. Factors such as favourable harvests and government spending are expected to be instrumental in revitalizing rural demand in the fiscal year 2024. Overall the Fast-Moving Consumer Goods (FMCG) industry emerges as a dynamic and essential component of the global economy, making substantial contributions to both revenue generation and employment creation.

Keywords: Consumer Goods, Economic growth, employment, e commerce

I. INTRODUCTION

The domain of Consumer Packaged Goods (CPG), commonly referred to as Fast-Moving Consumer Goods (FMCG), encompasses products characterized by swift turnover and relatively low cost. This sector boasts high-volume sales and a diverse array of offerings catering to various consumer needs, including everyday essentials like food, beverages, toiletries, cleaning supplies, and other household items.

FMCG stands as the fourth-largest sector in the Indian economy, comprising three primary segments: food and beverages, accounting for 19% of the sector; healthcare, representing 31% of the share; and household and personal care, constituting the remaining 50%. Urban areas contribute approximately 55% of the revenue share, while rural segments contribute 45%. The burgeoning rural consumption is anticipated to drive further growth in the FMCG market.

1.1 Significance of FMCG in the Economy

The FMCG sector holds paramount importance in the global economy, significantly impacting a nation's Gross Domestic Product (GDP) and employment landscape. Serving as a crucial driver of consumer spending, FMCG plays a pivotal role across various economic sectors, notably in retail and distribution, thereby stimulating demand for a wide spectrum of products and services.

1.1.1 Economic Growth and Employment

FMCG emerges as a major source of employment, fostering job creation along the supply chain encompassing manufacturing, distribution, retail, and marketing. As a labor-intensive sector, FMCG promotes economic growth by generating both direct and indirect employment opportunities, thereby mitigating unemployment rates and enhancing overall productivity.

1.1.2 Fuelling Retail and Distribution Expansion

The FMCG industry plays a pivotal role in propelling the growth of retail and distribution sectors, sustaining a consistent demand for diverse products. The swift turnover and high volume of FMCG products prompt investments in infrastructure, technology, and workforce development by retailers and distributors, thereby fostering economic expansion.

1.1.3 Tax Revenues for Governments

Substantial government tax revenues accrue from the FMCG sector, stemming from sales, value-added, and corporate taxes. These revenues play a critical role in financing public services, infrastructure projects, and social programs, thereby contributing significantly to economic development and stability.

1.1.4 Supporting Ancillary Industries

Strong interconnections exist between the FMCG industry and ancillary sectors such as packaging, advertising, logistics, and transportation. The performance of these industries often hinges on the success of the FMCG sector, creating a multiplier effect on the overall economy.

1.1.5 Stimulating Innovation and Technological Advancements

Intense competition within the FMCG industry drives continuous innovation and the adoption of new technologies to sustain market share. This pursuit of innovation and efficiency fuels the development and implementation of advanced technologies and processes, positively impacting other sectors of the economy.

1.1.6 Reflecting Consumer Confidence and Economic Health

The expansion of the FMCG industry closely aligns with factors such as population growth, urbanization, and increasing disposable incomes. It serves as a crucial indicator of a country's overall economic health, with a flourishing FMCG sector often signalling robust consumer confidence and heightened spending essential for sustained economic growth.

1.2 Factors Shaping the FMCG Sector

The FMCG industry continually evolves, driven by changing consumer preferences, technological advancements, and economic factors. Key trends shaping the sector include growing demand for health and wellness products, a shift towards eco-friendly packaging and sustainable practices, personalization and customization of products and experiences, increasing online sales and e-commerce adoption, and an emphasis on data-driven decision-making and analytics.

II. OVERVIEW OF CURRENT SCENARIO IN FMCG INDUSTRY IN INDIA

The FMCG industry in India is undergoing significant transformation marked by a decisive shift towards data-driven decision-making and analytics. This strategic evolution recognizes the crucial role of data in comprehending consumer behaviour, optimizing operations, and ensuring competitiveness.

The current scenario within India's Fast-Moving Consumer Goods (FMCG) industry depicts a landscape marked by dynamic shifts and notable trends. A prominent feature of this landscape is the accelerating pace of digitalization, with FMCG companies increasingly embracing technology to streamline operations and engage with consumers effectively. Simultaneously, the rapid growth of e-commerce platforms has transformed consumer purchasing habits, driving significant sales of FMCG products online. Furthermore, there is a growing emphasis on health and wellness, reflected in heightened demand for organic foods, nutritional supplements, and herbal remedies.

This trend underscores shifting consumer preferences towards healthier lifestyle choices. Sustainability initiatives are also gaining traction, with FMCG firms adopting eco-friendly practices to address environmental concerns and meet consumer expectations. Rural markets present substantial growth opportunities, buoyed by rising incomes and improving infrastructure, prompting companies to tailor their products and marketing strategies accordingly. Government policies and regulations continue to influence the industry, with initiatives aimed at fostering domestic

manufacturing and ensuring product quality standards. Overall, the FMCG sector in India navigates a landscape characterized by both challenges and opportunities, with companies adapting to evolving consumer behaviours, technological advancements, and regulatory frameworks to maintain competitiveness and foster sustainable growth.

III. CONCLUSION

The FMCG sector, amidst substantial investments and government support, shows promise for growth with the gradual easing of the pandemic. Rural consumption is on the rise, driven by rising income levels and amplified aspirations. Branded products are gaining traction in rural India, while the organized sector stands poised for growth. Projections indicate robust growth for the FMCG market in India, emphasizing its dynamic and vital role in the global economy. In response to evolving consumer preferences and market dynamics, FMCG companies must innovate and adapt to maintain their competitive edge. Understanding essential components, trends, and key players in the FMCG sector is crucial for strategic positioning in this competitive landscape.

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