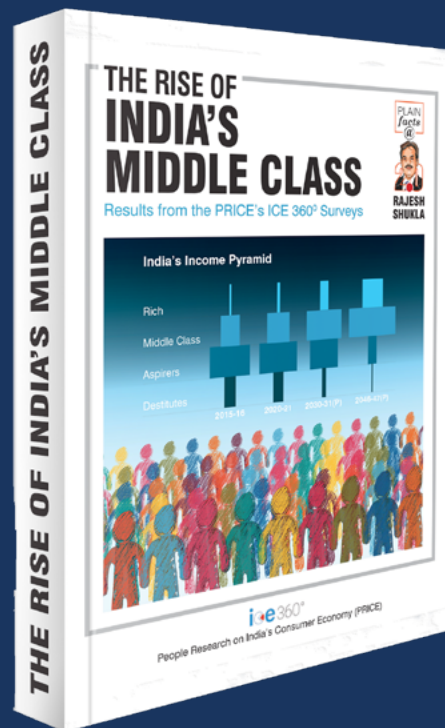


EXECUTIVE SUMMARY



THE RISE OF INDIA'S MIDDLE CLASS

Results from the PRICE's ICE 360° Surveys



People Research on India's Consumer Economy (PRICE)

IOCE

EXECUTIVE SUMMARY



DEFINING THE MIDDLE CLASS

Unit	Income Range	
	From	To
Annual average household income at 2020-21 prices		
INR	5,00,000	30,00,000
US\$	6,700	40,000
US\$ PPP	21,000	1,29,000
Annual per capita income at 2020-21 prices		
INR	1,08,900	6,46,100
US\$	1,500	8,600
US\$ PPP	4,600	27,800
Per capita per day income at 2020-21 prices		
INR	298	1,770
US\$	4.11	23.56
US\$ PPP	12.60	76.16

* Exchange rate: 1 US\$= Rs. 74.28 at 2020-21 prices & 1 US\$ PPP= Rs. 23.30 at 2020-21 prices



THE term ‘Middle Class’ was originally coined to denote the section of society that composed of people below the aristocrats but above the peasants in the Victorian era. The crystallization of the class, during the industrial revolution, led to their emergence as an important socio-economic force to be reckoned with. By challenging the then existing order based on the superiority of the aristocrats, this class sought to establish an egalitarian society, one based on merit rather than on birth. While the emergence of this class is associated with rapid urbanization and expansion of the economy, the economic boundary of the ‘middle class’ was not clear and has been loosely used. However, the importance of this class can’t be stressed enough. As noted by American economist William Easterly (2001)¹ countries with a large middle class do tend to have higher levels of income and growth, better economic policies, more human capital, better infrastructure and less political instability.

The origin of the modern day Indian ‘middle class’ can be traced to the unshackling of the economy with the reforms initiated in 1991. The gradual expansion of the economy in the 1990s led to the slow but steady crystallization of this category. Spectacular growth over the last decade not only succeeded in augmenting their purchasing power but added millions to their ranks. Although marketers and companies looked at this class from a purely economic perspective, their emergence has impacted the socio-cultural fabric of the nation.

From the global perspective, their importance rises when viewed in the context of the current global economic scenario. The ongoing global crisis has placed emerging developing economies, especially India and China, at the epicenter of the global growth process. With consumption in the West likely to remain weak for an extended period, the world will now increasingly look towards such emerging economies to drive global growth. With the Indian economy primarily driven by domestic consumption, the ‘middle class’ (howsoever one may choose to define it) will play a crucial and probably decisive role going forward. Its discretionary spending power holds the key to spurring investment and generating employment which holds the key to sustaining high growth.

While much has been written on this class, defining this enigmatic ‘middle’ has always been problematic for both academicians and marketers. Lack of a universally acceptable definition, coupled with the well-known problems associated with survey data have resulted in varying numerical estimates. Given that estimates range from 50 to 400 million, many questions have arisen on their actual strength and the purchasing power of this category. For a while, after business strategists took a more sober view of the market’s size, it looked as if the code had been cracked. Keeping track of the sales of certain categories of cars, the theory ran, would be enough to get a fix on the number of people in a certain income class. The idea may have been practical but it has run into serious difficulties. With interest rates collapsing and disposable incomes going up disproportionately, today’s consumers are buying goods that few in their income class have bought before. So, while marketers have a reasonable idea of the present, understanding the future remains a hazardous business.



So how does one define the ‘Middle Class’? A quick review of the main literature throws up many possible definitions. Typically, being ‘Middle Class’ is defined as having an income within some interval that includes the median. Birdsall et al. (2012)² defined the ‘Middle Class’ as those with incomes between 75% and 125% of the median in each country. While this is a relative definition, which implies that income bands will vary from country to country, other authors have come up with absolute definitions with common bounds across countries.

For example, Milanovic and Yitzhaki (2002)³ defined the ‘Middle Class’ as those living between the mean incomes of Brazil and Italy. Banerjee and Duflo (2008)⁴ identified the ‘Middle Class’ in developing countries as those living between \$2 and \$10 a day. However, with the mean income of Brazil being \$12.5, nobody is likely to be classified as ‘Middle Class’ by both Milanovic-Yitzhaki and Banerjee-Duflo’s definitions.

Our own definition has evolved over the last two decades. Instead of using the conventional NSS consumption expenditure data, we use longitudinal household income data of PRICE’s ICE 360⁰ surveys⁵ (2014, 2016 and 2021) generated by deploying best global practices⁶ to classify households. However, this is supplemented by using information gathered on various other parameters such as occupation, education, patterns of consumption and ownership of selected consumer goods. This enables us to better understand the complex underlying issues related to the ‘Middle Class’.

Broadly speaking, households have been divided into four categories based on the total household income accruing to them. The categories are: Destitutes, Aspirers, Middle Class and the Rich. According to our definition, households which are classified as Middle Class have an annual income in the range of Rs 5 lakh to Rs 30 lakh (at 2020-21 prices). Interestingly this translated into a per capita daily income band of roughly \$4.11 – \$23.56 (at the exchange rate of Rs 74.28 prevailing then), which is in line with the bands globally used.

What This Report Is About

Despite a very large sample size, it has not been possible to extend the ICE 360⁰ survey-derived income distribution beyond Rs 10 lakh a year to give robust estimates of consumption at higher income levels. The principal reason is the small cell sizes, which we believe should not be extrapolated to give consumption estimates for higher income groups. However, the fact remains that with consumer markets growing the way they are, the upper income groups have a special significance. With domestic and multinational firms flooding the market with premium products and services, it has become vital to extend this income distribution beyond the range provided in earlier publications.

To derive a robust distribution purely through sample surveys would mean increasing the sample many times. Further, in cluster samples, where intra-cluster

Key Highlights

- Findings presented in the report are based on statistical analysis of primary data collected through PRICE’s ICE 360⁰ Pan India Surveys (2014, 2016 & 2021).
- ICE 360⁰ Surveys used the Probability Sample Design to select over 40,000 households (the latest round 2021) from a sampling frame of 200,000 households (10,00,000 individuals) – one of the largest primary samples rural and urban part from 25 Indian states.
- **Income distribution projections** for the next 10 and 27 years (2030-31 and 2046-47).
- To project the income distribution for 2030-31 and 2046-47, the three parameters – population growth, household disposable income growth and rate of urbanization – are used.
- Income densities and income wise segmentation (8 broad Income classes) of which markets are growing faster than others plus India’s richest cities.
- Income distribution for States and Union Territories⁷ not covered in ICE 360⁰ surveys are estimated using small area estimation techniques.
- **Profile of households of 8 broad Income classes** (Demographic profile- Level of Education, Occupation-, Level of income, expenditure & savings, Quintiles, Digital readiness, Consumer sentiments, etc.)



Key Highlights

- **Prioritise Markets** – Ranking of the markets in the different income segments by geographical locations which helps to effectively develop business strategies.
- **Identify & locate potential markets** – Segmenting potential customers by 8 broad Income classes for following levels of reporting.
 - **Level 1:** All India, Rural and Urban
 - **Level 2:** 28 India States and 8 UTs individually for Total, Urban and Rural
 - **Level 3:** 6 Indian Zonal Councils (North, South, East, West, Central and North-East) individually for Total, Urban and Rural.
 - **Level 4:** 7 Geographical Clusters – Urban (Metros, Boom Towns, Niche Cities and Rest of Urban) and Rural (Developed Rural, Emerging Rural and Left-Behind Rural).
 - **Level 5:** 63 Million plus cities/urban agglomeration

correlations are high, the estimates would not be efficient, unless stratification at the block/village level is introduced. In view of this, we attempted a model approximating the empirical frequencies obtained through ICE 360⁰ with a theoretical distribution (see **Annexure 4**). This theoretical distribution was extended for the desired income ranges. While doing so, corrections were made to the reported income to take care of conceptual differences between national income statistics and the reported household incomes in the survey.

In 2004, this work has been available under the title, “*The Great Indian Middle Class: Results from the NCAER Market Information Survey of Households*”. This was the first attempt by the author as Senior Fellow with NCAER to estimate the country’s income demographics at the upper income levels. This time, we are keeping this report’s title similar to maintain continuity and confidence. Moreover, in this report the household income categories have been increased up to Rs 2 crore (US\$ 270,000).

This time, data from most recent longitudinal ICE 360⁰ surveys (2014, 2016 and 2021) has been taken to help build a time series and all data has been standardized to 2020-21 prices for purposes of comparison. Over the years, reputed national and international marketers have referred to the earlier publications for the smallest of details on the country’s income demographics.

This report has broadly clubbed these groups into seven categories, ranging from the ‘Destitute’ (those with an annual family income of under Rs 125,000 or US\$ 1,700 in 2020-21) to the ‘Super Rich’ (annual family income of over Rs 2 crore or US\$ 270,000 in 2020-21) with the Middle Class (annual household income of between Rs 5 lakh and Rs 30 lakh or US\$ 6,700 and US\$ 40,000) in between. The reason for clubbing households in this manner is that distinct patterns of consumption can be observed for these categories.

To project the income distribution for 2030-31 and 2046-47, the three parameters – population growth, household disposable income growth and rate of urbanization – are used and summary is presented in the table.

Our survey results show, for instance, the ‘Destitute’ household hardly ever buys a car. Less than five out of every ten ‘Aspirer’ households had an automobile in 2020-21. Moving up to the ‘Seekers’ category, with an income between

Parameter	2016-2021	2021-2031	2031-2047
Annual population growth (%)	1.26	0.79	0.51
Annual household growth (%)	1.87	1.47	1.04
Real annual household disposable income growth (% , at 2020-21 prices)	3.47	6.76	6.20
Parameter	2021	2031	2047
Rate of urbanisation (%)	35.2	39.9	50.0



Rs 5 lakh and Rs 15 lakh a year, almost three out of every 10 households have car. By the time you reach the 'Rich', or those with an annual household income of over Rs 30 lakh, every household owns a car. In the very top category, or the 'Crorepatis', there are almost three cars per family. Similarly in the case of air-conditioners, while the 'Destitute' households have none, among the 'Aspirers' two out of every hundred and about half of the 'Super Rich' have air-conditioners.

The report is divided into 17 chapters. **Chapter 1** provides an overview of the country's income demographics, by states, by urban and rural areas, and by geographical clusters for each of the 8 income categories. The chapter also details the rise of the cities as far as India's richer classes are concerned and explains how they are home to a growing number of rich Indians.

Chapters 2 through 9 do the same for each of the broad income categories. **Chapter 10** provides a detailed overview of the income demographics of the six zonal councils in the country, and the states/Union Territories within them. **Chapters 11 through 16** provide details of how the income classes have evolved in each state within the zonal council and outline the importance of top cities in various states. **Chapter 17** details the rise of 63 cities that have a population of over one million each. It also discusses a timeline on how the concentration of the rich has increased in the cities from 2015-16 and traces the change in the income demographics. This is followed by annexures, detailing the methodology, how the results have been validated as well as the statistical theory and tools used to estimate the upper tail income groups and income projections from the ICE 360° surveys. The report concludes with detailed tables for the year 2020-21 on which the report is based. Tables for 2015-16 are not provided in this report but can be obtained from PRICE separately.

1 Easterly, William (2001): "The Middle Class Consensus and Economic Development," *Journal of Economic Growth*, Vol 6, No 4, pp 317-35.

2 Birdsall, Nancy (2012): "A Note on the Middle Class in Latin America," CGD Working Paper 303, Washington DC.

3 Milanovic, Branko and Shlomo Yitzhaki (2002) "Decomposing World Income Distribution: Does the World Have a Middle Class?" *Review of Income and Wealth* 48(2): 155-78.

4 Banerjee, Abhijit V and Esther Duflo (2008): "What Is Middle Class about the Middle Classes around the World?" *The Journal of Economic Perspectives: A Journal of the American Economic Association*, Vol 22, No 2, pp 3-28.

5 ICE 360° surveys (2014, 2016 and 2021) aimed to generate integrated longitudinal data (interconnected, consistent and up to date) to provide a 360° view of "household's & people's" progress on financial conditions (income, expenditure, saving and borrowings), living conditions, access to public goods, amenities, state welfare, health, education, occupational conditions, social and occupational mobility and inclusion in the market economy (Rajesh Shukla, 2010a & 2010b).

Shukla, Rajesh (2010a). "The Official Poor in India Summed Up", *Indian Journal of Human Development*, Vol. 4, No. 2, pp. 301-28.

Shukla, Rajesh (2010b). "How India Earns, Spends and Saves", Sage Publications, New Delhi.

In recent times, it has been the only regular source of data on income, expenditure and saving in India. And among household surveys of its kind across the world, ICE 360° holds a unique position on account of scientific measurement of income, its massive sample size, range, and the depth of information it uncovers. Over the years, the survey has become the most credible source of information on Indian consumer market structures for decision makers in top marketing concerns, in public enterprises and in government. A representative sample of households is selected through a multi-stage stratified sample design, spread across the length and breadth of the country (a detailed survey methodology and its validation are presented in Annexure 1).

6 Survey procedures such as approach, concepts and definitions, sample design and sample size, content of the questionnaire and estimation procedure were executed after reviewing best national and international practices to fill the data gap on household income. The major sources reviewed includes Situation Assessment Survey of Farmers (NSSO); Integrated Household Survey (NSSO); Employment and Unemployment Survey (NSS); All India Rural Household: Survey on Saving, Income and Investment (NCAER 1962); Survey on Urban Income and Saving (NCAER 1962); Market Information Survey of Households (1985-2001, NCAER); Micro-Impact of Macro and Adjustment Policies (MIMAP, NCAER); Rural Economic and Demographic Survey (NCAER); Expert Group on Household Income Statistics, Canberra Manual; Household Income and Expenditure Statistics (ILO); Chinese Household Income Project (1995) and Household Income and Expenditure Survey (Sri Lanka), etc

7 Andaman & Nicobar Islands, Arunachal Pradesh, Jammu & Kashmir, Lakshadweep, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura.



MAJOR FINDINGS

India is growing immensely wealthy. By 2047, if political and economic reforms have their desired effect, India has the potential to become the fastest-growing economy in the world over the next two and half decades, with a sustained conservative annual growth rate of between 6 per cent and 7 per cent. Average annual household disposable income is set to rise to about INR 20 lakh (US \$27,000) at 2020-21 prices, while the population is expected to reach more than 1.66 billion by 2047 when India celebrates the centenary year of independence. This growth will not only make the Indian Middle Class the biggest income group in the country in numerical terms, but it will also transform it into a major driver of economic, political and social growth.

The country today boasts of more than 4.3 million Crorepati households, equivalent to 23 million consumers, and literally, millions are knocking on the doors to join this richie-rich bandwagon. For these new Indians, owning a Mercedes and holidaying at little known islands are fashion statements. Our report **‘The Rise of India’s Middle Class: Results from PRICE’s ICE 360° Surveys’** captures this whopping rise of wealthy Indians and offers pointers for the future.

By the end of this decade, the structure of the country’s demographics will change from an inverted pyramid, signifying a small rich class and a very large low-income class, to a rudimentary diamond, where a significant part of the low-income class moves up to become part of Middle Class. Consequently, the income pyramid will have a smallish layer at the bottom comprising the Desti-

tute and Aspirer groups, a huge bulge of the Middle Class and a big creamy Rich layer on top. The percentage growth is much higher for the upper income groups than the lower income groups. In fact, for the lowest income groups the growth could even be in the negative.

Gearing up for a billion-plus Middle Class by 2047

Estimates based on PRICE’s ICE 360° Pan-India primary surveys suggest that the population of the Destitute and Aspirer groups will decrease from almost 928 million in 2020-21 to 647 million by 2030-31 and further to 209 million by 2046-47. The top income segment – the Rich – will soar from 56 million to an estimated 169 million and 437 million, while the huge bulk of the population will comprise a Middle Class of nearly 1.02 billion in 2046-47, up from 715 million in 2030-31 and 432 million in 2020-21 (*Table 1*).

Within the category of the Indian Middle Class, the sub-group of Strivers—with an annual household income of between Rs 15 lakh and Rs. 30 lakh—has grown at 6.4 per cent annually between 2015-16 and 2020-21. The Seekers, another sub-group of the Middle Class earning between Rs 5 lakh and Rs. 15 lakh a year, has grown by 4.8 per cent annually during this period. (*Table 2*)

Super Rich households to increase five times by 2030-31

While the Middle Class has expanded quite rapidly, the most significant point

TABLE 1:
INDIAN INCOME PYRAMID

Consuming class	Income class (Rs. '000 at 2020-21 prices)	Population (million)			Population (%)			Annual growth (%)	
		2020-21	2030-31(P)	2046-47(P)	2020-21	2030-31	2046-47	2021-31	2031-47
Destitutes	<125	196	79	25	14	5	2	-8.6	-6.9
Aspirers	125– 500	732	568	184	52	37	11	-2.5	-6.8
Middle Class	500-3,000	432	715	1,015	31	47	61	5.2	2.2
Rich	>3,000	56	169	437	4	11	26	11.7	6.1
Total		1,416	1,532	1,661	100	100	100	0.8	0.5

(P): Projections (Refer to Annexure 5 for the methodology used in the forecast)

Source: ICE 360° Surveys (2014, 2016 and 2021), PRICE

**TABLE 2:
GROWING PROSPERITY**

Consuming class	Income class (Rs. '000 at 2020-21 prices)	Number of households ('000)		Annual growth in households between 2015-16 to 2020-21 (%)
		2015-16	2020-21	
Destitute	<125	46,474	45,171	-0.6
Aspirers	125– 500	1,55,984	1,60,792	0.6
Seekers	500-1,500	61,140	77,128	4.8
Strivers	1,500-3,000	10,117	13,799	6.4
Near Rich	3,000-5,000	2,286	3,263	7.4
Clear Rich	5,000-10,000	2,024	3,171	9.4
Sheer Rich	10,000-20,000	1,495	2,431	10.2
Super Rich	>20,000	1,057	1,807	11.3
Total		2,80,576	3,07,563	1.9

Source: ICE 360° Surveys (2016 and 2021), PRICE

is that there has been an even faster growth among various categories of the Rich. For instance, the number of Super Rich, earning more than Rs 2 crore in 2020-21, has gone up from 1.06 million households (6.1 million consumers) in 2015-16 to 1.81 million households (10.2 million consumers) in 2021. This works out to an annual growth of 11.3 per cent. By 2030-31, the number of Super Rich households is expected to increase even faster, to 9.1 million households (46.7 million consumers), and by 2046-47 this is expected to go up to 32.7 million households (150 million consumers).

The overall category of the Rich, or those with family income of over Rs 30 lakh in 2020-21, is estimated at about 11 million households comprising 56 million consumers, compared to nearly 7 million households with 37 million consumers in 2015-16. By 2030-31, this will go up to 35 million households with 170 million consumers. And by 2046-47, the number will grow to 100 million households with 437 million consumers (*Table 3*).

The number of Destitute households, or those with an annual family income of less than Rs 1.25 lakh at 2020-21 prices, has marginally declined between 2015-16 and 2020-21. By 2030, the number of such households will drop to about 20 million, and to 7.2 million, mostly in rural India, by 2046-47.

Due to lower growth in income levels for urban households between 2015-16 and 2020-21, the percentage of Urban Middle Class households dipped mar-

ginally from 56 per cent in 2015-16 to 52 per cent in 2020-21. (*Table 4*).

Rural Super Rich growing faster than Urban Super Rich

The proportion of people living in rural areas between 2015-16 and 2020-21 has remained unchanged. However, an interesting aspect is that growth of higher income classes among rural households has been greater.

Significantly, the urban poor has become poorer during this period. While rural India witnessed a decline of

INDIA SHINING

With the upper-income classes rising faster than the lower ones and the 'Destitute' class shrinking, by the end of the decade India's income demographics will be transformed. In 2004-05, around 30 per cent of the country's population was classified as 'Destitutes' and declined to below 14 per cent in 2020-21. By 2030, their numbers are projected to fall to a little over 5 per cent and further to less than 2 per cent in 2047. The Indian Middle Class will grow from 14 per cent in 2004-05 to as much as 31 per cent in 2020-21, 47 per cent in 2030-31 and 61 per cent in 2046-47, and the Rich will grow from 0.5 per cent to 4 per cent, 11 per cent and 26 per cent.

**TABLE 3:
GROWTH OF THE GREAT INDIAN MIDDLE CLASS**

Consuming class	Income class (Rs. '000 at 2020-21 prices)	Number of households ('000)			Annual growth (%)	
		2020-21	2030-31(P)	2046-47(P)	2021-31	2031-47
Destitute	<125	45,171	19,905	7,222	-7.9	-6.1
Aspirers	125– 500	1,60,792	1,36,171	49,796	-1.6	-6.1
Seekers	500-1,500	77,128	1,35,629	208,087	5.8	2.7
Strivers	1,500-3,000	13,799	29,423	54,743	7.9	4.0
Near Rich	3,000-5,000	3,263	7,494	16,163	8.7	4.9
Clear Rich	5,000-10,000	3,171	9,299	24,131	11.4	6.1
Sheer Rich	10,000-20,000	2,431	9,266	27,463	14.3	7.0
Super Rich	>20,000	1,807	9,096	32,720	17.5	8.3
Total		3,07,563	3,56,283	420,324	1.5	1.0

(P): Projections (Refer to Annexure 5 for the methodology used in the forecast)

Source: ICE 360° Surveys (2014, 2016 and 2021), PRICE

TABLE 4:
THE RURAL-URBAN SPLIT

Consuming class	Income class (Rs. '000 at 2020-21 prices)	Number of households ('000)				Annual growth in households between 2015-16 to 2020-21 (%)	
		2015-16		2020-21		Rural	Urban
		Rural	Urban	Rural	Urban		
Destitute	<125	41,845	4,629	38,589	6,582	-1.6	7.3
Aspirers	125– 500	108,816	47,168	110,925	49,867	0.4	1.1
Seekers	500-1500	27,706	33,434	37,473	39,655	6.2	3.5
Strivers	1500-3000	3,846	6,272	5,476	8,323	7.3	5.8
Near Rich	3000-5000	836	1,450	1,255	2,008	8.5	6.7
Clear Rich	5000-10000	629	1,394	1,035	2,136	10.5	8.9
Sheer Rich	10000-20000	464	1,030	818	1,614	12.0	9.4
Super Rich	>20000	196	861	381	1,426	14.2	10.6
Total		184,338	96,238	195,951	111,612	1.2	3.0

Source: ICE 360° Surveys (2016 and 2021), PRICE

TABLE 5:
GROWTH IN NUMBER OF HOUSEHOLDS IN DIFFERENT INCOME CLASSES BY ZONAL COUNCILS

(Annual growth between 2015-16 and 2020-21)

Consuming class	Income class (Rs. '000 at 2020-21 prices)	Regional Growth (%)						Total
		Southern	Western	Northern	Eastern	Central	North-Eastern	
Destitute	<125	-1.3	-1.1	-1.3	-0.3	0.0	-1.6	-0.6
Aspirers	125– 500	-0.1	0.0	-0.2	1.5	1.2	0.2	0.6
Seekers	500-1500	4.0	3.9	4.1	6.2	5.9	5.2	4.8
Strivers	1500-3000	6.1	5.8	5.6	7.6	7.7	7.0	6.4
Near Rich	3000-5000	7.2	6.8	6.5	8.6	8.9	8.1	7.4
Clear Rich	5000-10000	9.5	8.9	8.4	10.6	11.2	10.3	9.4
Sheer Rich	10000-20000	10.5	9.7	9.2	11.4	12.8	11.4	10.2
Super Rich	>20000	12.0	10.8	10.4	12.4	14.7	13.1	11.3
Total		1.4	1.8	1.9	2.0	2.1	1.7	1.9

Source: ICE 360° Surveys (2016 and 2021), PRICE

1.6 per cent per annum in the number of Destitute families, urban India recorded a 7.3 per cent annual growth of such households.

While urban poor has grown significantly, rural poor declined

In the case of the Super Rich (households with income of Rs 2 crore-plus), the annual growth in urban areas was 10.6 per cent compared to 14.2 in rural areas. Similarly, for the Sheer Rich (households with income of Rs 1 crore

to Rs 2 crore), annual urban growth was 9.4 per cent compared to 12 per cent for rural areas. Interestingly, it is in the Destitute category that the difference between urban and rural India — about 9 per cent — is the starkest. Urban poor has grown at 7.3 per cent annually between 2015-16 and 2020-21 but rural poor declined at 1.6 per cent annually in the same period.

A zone-wise analysis reveals that though the largest concentration of the Middle Class is to be found in southern and central India, the fastest growth has taken place in central and eastern India. (Table 5)

The surprising element is that though the western states have the highest per capita incomes, the biggest growth has been in the central, followed by the north-eastern states.

Changing structure of Rural and Urban India

Rising incomes have had major implications on the profile of the Middle Class in India. And most of these changes are taking place in rural India and semi-urban India.

Rural India is no longer a big anonymous mass of people with similar socio-economic characteristics. ICE 360° research shows that out of 196 million rural households (population: 919 million) more than a third are to be found in medium sized villages (with population of 2000-5000), a little more than a quarter live in villages with population of 1000-2000 people and roughly 8 per cent reside in large villages with population of more than 10,000.

Their location thus influences the kind of occupations, education, resources and infrastructure that are available to them which further impacts their status in terms of poor, middle and upper middle classes. Thus, based on these findings it's more prudent to classify rural India by type of location – i.e., Left-Behind Rural, Emerging Rural and Developed Rural.

A similar shift has been taking place in urban India. With increasing urbanisation, there has been a massive spurt in the rural phenomenon. Our studies have shown that population sizes of different towns, available amenities and consequent opportunities are widely divergent. Boom towns (population size: 2.5-5 million) and niche cities

(population size: 1-2.5 million) with access to differing levels of resources and infrastructure are thus shaping the socio-economic structure of urban India.

Poor Households are synonymous with Rural

A large proportion of Destitute and Aspirer households live in rural areas (83 per cent) compared to urban areas (17 per cent). There is a 67-33 per cent split between urban and rural areas among Aspirer households. Nearly 48 per cent Seeker households live in the cities versus 52 per cent in rural areas. On the other hand, 82 per cent of Super Rich households live in urban India versus only 18 per cent in rural India (*Chart 1*).

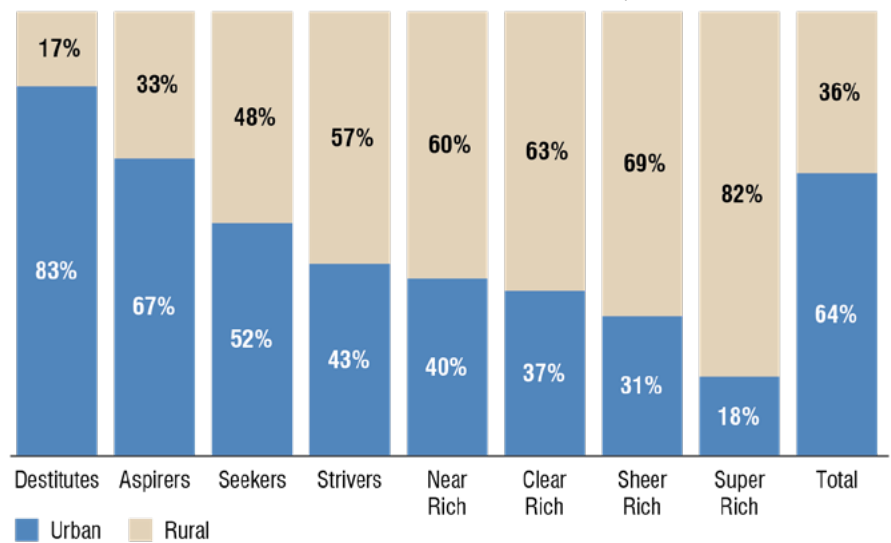
To get a better idea of this growing prosperity in rural India, consider these developments.

A higher proportion of Middle Class households are to be found in the Developed Rural (24 per cent) than that of Rest of Urban (21 per cent). So, while Metro cities have moved up the income ladder with a bigger proportion of Middle Class and Rich households, Emerging Rural and Left-behind Rural are capturing a larger proportion of the Destitute households - 53 per cent and 24 per cent, respectively (*Chart 2*).

Significantly, there are more Middle Class and Rich households in Developed

CHART 1: RURAL-URBAN DIVIDE

(Figures in per cent, 2020-21)



Source: ICE 360° Survey (2021), PRICE

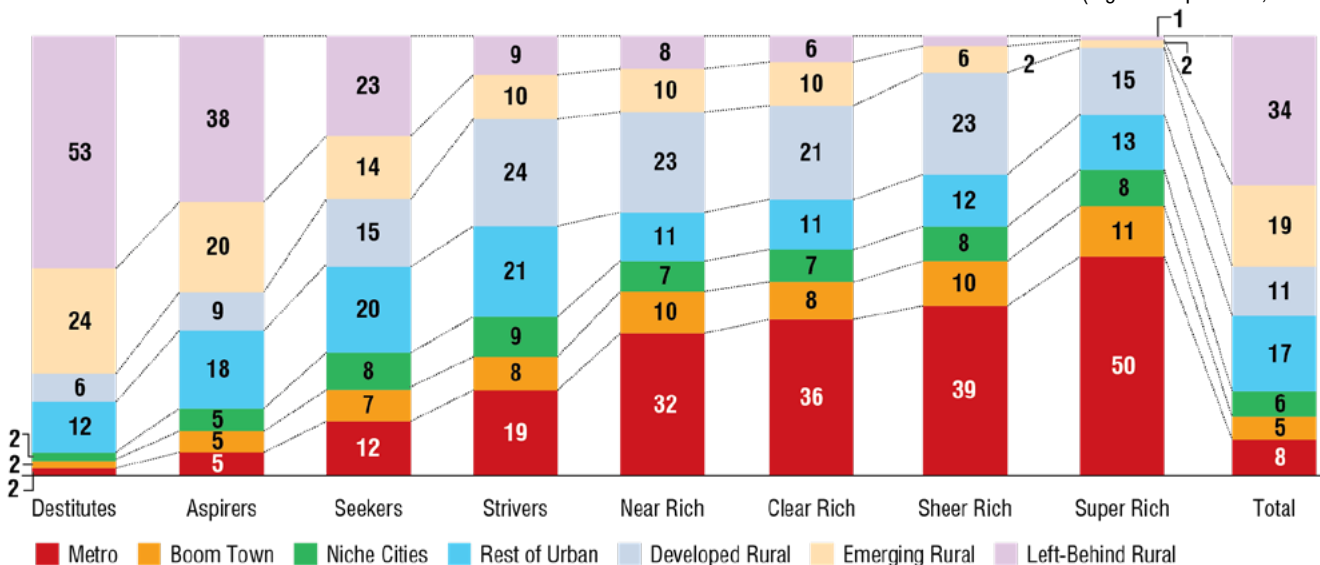
Rural compared to Boom Towns and Niche Cities combined.

Metros account for hardly 8 per cent of total households in the country but it is home to 50 per cent of Super Rich, 39 per cent of Sheer Rich, 36 per cent of Clear Rich and 32 per cent of Near Rich.

The biggest concentration of Aspirer and Destitute households is in Left-behind Rural (38 per cent and 53 per cent) followed by Emerging Rural (20 per cent and 24 per cent) and Rest of Urban (18 per cent and 12 per cent).

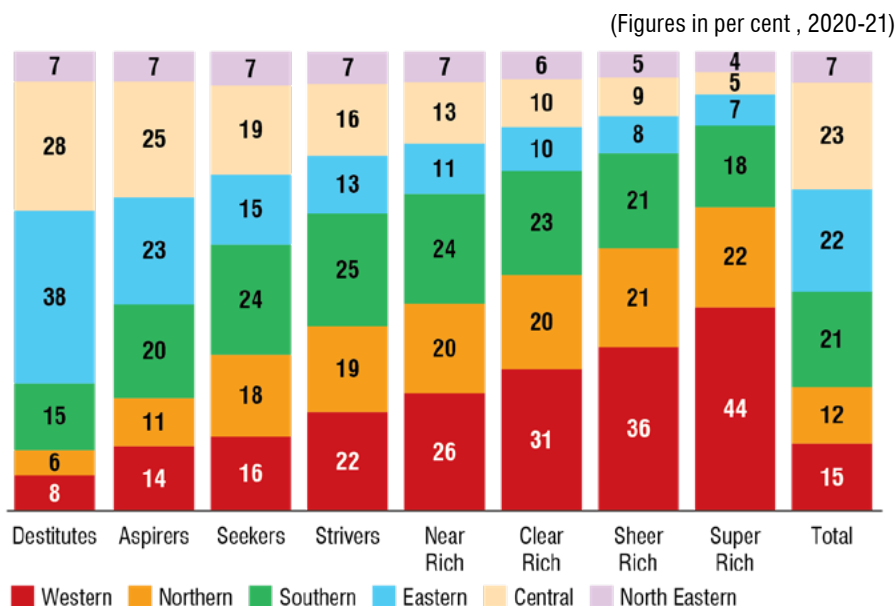
CHART 2: WHERE THEY LIVE - GEOGRAPHICAL CLUSTERS

(Figures in per cent, 2020-21)



Source: ICE 360° Survey (2021), PRICE

CHART 3:
WHERE THEY LIVE - ZONAL COUNCILS



Source: ICE 360° Survey (2021), PRICE

The West has highest number of Super Rich though growth rate is slower

Yet, for historical reasons, the west remains the best hunting ground for marketers. Apart from the fact that the west has the highest number of Super Rich (8.03 lakh households versus 3.94 lakh for the northern states), the western states have the highest ‘density’ of the rich — that is, the share of rich households in the zone.

The share of Super Rich households in western states is about 1.8 per cent of the total households in the zone while the northern states’ share is 1 per cent.

Among the states, Maharashtra has 6.48 lakh Super Rich households earning over Rs. 2 crores per annum (2020-21), Delhi ranks second with 1.81 lakh, Gujarat third with 1.41 lakh, Tamil Nadu fourth with 1.37 lakh and Punjab fifth with 1.01 lakh. Close to half of India’s Super Rich live in Maharashtra and Delhi. These five states account for 57 per cent of the Sheer Rich, 51 per cent of the Clear Rich and 44 per cent of the Near Rich (Table 6).

The poorest five states — Bihar, Uttar Pradesh, West Bengal, Madhya Pradesh, and Odisha — account for about 40 per cent of total households in 2020-21 and are home to nearly 56 per cent Destitute households and only 11 per cent Super Rich. On the positive side, these states have individually registered double digit growth in the number of Rich households - across all sub-groups including the Middle Class - during the 2015-16 and 2020-21 period. On this score, they have beaten traditionally rich states like Maharashtra, Delhi and Gujarat.

Over three-fourths of India’s rich live in just eight states — Maharashtra, Tamil Nadu, Uttar Pradesh, Gujarat, Delhi, Karnataka, West Bengal and Punjab.

The top two cities with the richest households in the country are

TABLE 6:
INDIA’S TEN RICHEST STATES IN 2020-21

(Number of households in ‘000)

Consuming class	Income class (Rs. '000 at 2020-21 prices)	Maharashtra	Delhi	Gujarat	Tamil Nadu	Punjab	Karnataka	West Bengal	Uttar Pradesh	Haryana	Telangana
Destitute	<125	2,365	14	1,128	2,483	198	1,506	4,978	6,119	136	977
Aspirers	125– 500	14,347	627	8,129	12,017	2,540	7,609	12,938	22,851	2,342	5,074
Seekers	500-1500	8,050	2,232	4,111	5,827	2,734	5,553	5,254	10,490	2,626	3,227
Strivers	1500-3000	2,016	594	877	1,181	589	973	909	1,556	531	554
Near Rich	3000-5000	588	169	228	284	159	223	205	324	136	122
Clear Rich	5000-10000	721	209	239	279	168	203	189	251	136	108
Sheer Rich	10000-20000	661	182	192	203	145	141	130	165	112	72
Super Rich	>20000	648	181	141	137	101	91	88	70	70	44
Total		29,398	4,208	15,045	22,410	6,635	16,299	24,691	41,826	6,091	10,178

Source: ICE 360° Survey (2021), PRICE

Mumbai and Delhi. In the case of million+ population cities in 2021 about half of the Super Rich lived in these two cities. Mumbai has recorded 50 per cent more Super Rich households than Delhi. Forty per cent of the Sheer Rich, 33 per cent of the Clear Rich and 29 per cent of the Near Rich are residents of these cities. (Table 7).

Education and Income are directly proportional

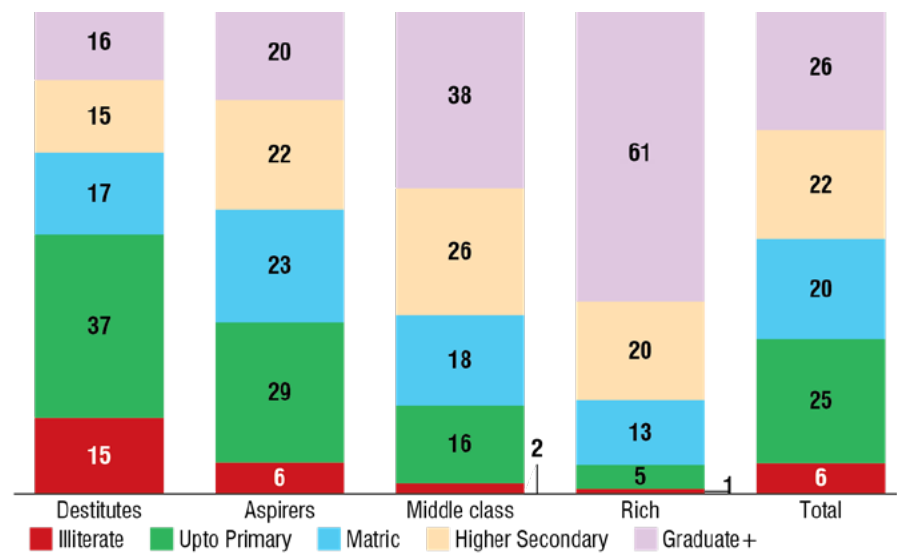
One of the most direct linkages in the economic wellbeing of a nation is that between education and employment. More job opportunities for the large numbers of Indian youth would further give an added impetus to financial savings, consumption and investment. However, in the light of the country’s poor track record in creating jobs as well as enhancing the state of education for its huge population, the opportunities are being squandered away.

The grim education scenario can be seen from the fact that only 26% of all Indian households have at least one graduate (or above) member compared to 31% where a member has studied up to the primary education level or illiterate.

The highest educational qualification by type of household provides a clear picture of the value accorded to education by Indian households. The higher the income of a household the more likely it is that there is at

CHART 4: HIGHEST EDUCATION LEVEL IN THE HOUSEHOLDS

(Figures in per cent , 2020-21)



Source: ICE 360° Survey (2021), PRICE

least one member who is a graduate or has higher educational qualifications, 61 per cent of Rich households has at least one graduate in the households against 16 per cent in the case of the Destitute. In stark contrast, an almost equal percentage (37 per cent) of Destitute households has at least one member whose highest education is upto the primary level. The linkage between education and income is also very evident. As families rise up the income ladder, educational levels also rise. (Chart 4)

TABLE 7: INDIA’S TEN RICHEST CITIES IN 2020-21

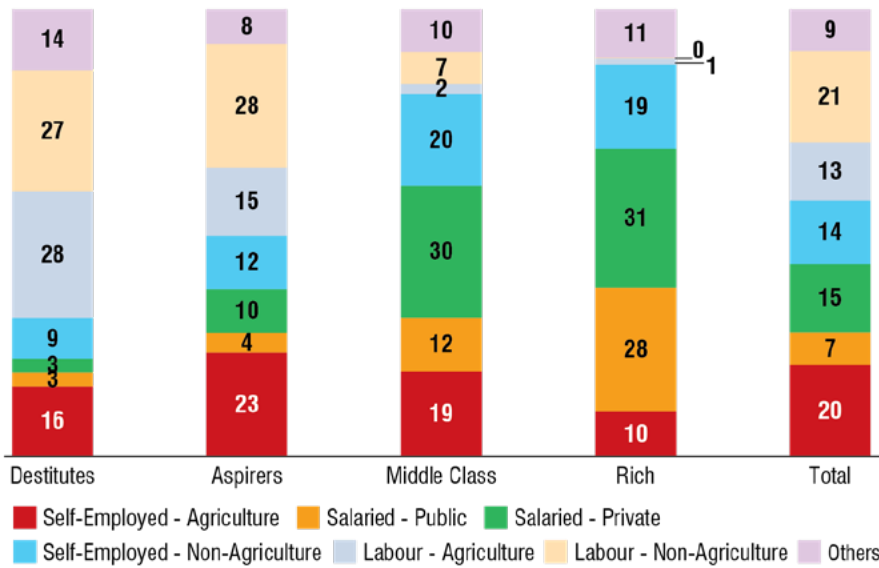
(Number of households in ‘000)

Consuming class	Income class (Rs. '000 at 2020-21 prices)	Number of households in '000									
		Mumbai	Delhi	Pune	Kolkata	Chennai	Nagpur	Ahmedabad	Surat	Nashik	Bangalore
Destitute	<125	27	12	7	54	28	8	19	24	16	35
Aspirers	125– 500	1,210	586	464	1,733	703	209	694	831	205	1,240
Seekers	500-1500	1,864	2,175	620	1,323	1,353	263	614	522	171	1,393
Strivers	1500-3000	578	582	191	316	310	82	158	135	54	294
Near Rich	3000-5000	183	166	60	81	77	26	43	37	17	67
Clear Rich	5000-10000	252	206	83	88	80	36	50	43	24	62
Sheer Rich	10000-20000	241	179	79	65	57	34	40	35	24	38
Super Rich	>20000	269	180	88	52	43	39	35	31	27	24
Total		4,623	4,087	1,593	3,711	2,653	697	1,654	1,659	538	3,152

Source: ICE 360° Survey (2021), PRICE

**CHART 5:
PRIMARY SOURCE OF HOUSEHOLD'S INCOME**

(Figures in per cent , 2020-21)



Source: ICE 360° Survey (2021), PRICE

The rise of self-employed in non-agriculture activities like shop owners, self-employed professionals (lawyers, CAs, doctors, etc.) is growing particularly among the Middle Class and Rich income groups

Rise of self employed in non-agriculture is a huge opportunity

Self-employed agriculture as a job option is losing ground rapidly even among the poorest Indian households. Only 16 per cent of households depend on their income from such jobs whereas 55 per cent are employed as labour.

The rise of self-employed in non-agriculture activities like shop owners, self-employed professionals (lawyers, CAs, doctors, etc.) is growing particularly among the Middle Class and Rich income groups. This presents a huge opportunity for public policy makers in initiating adequate schemes for skilling and development through appropriate vocational training and innovative programs for providing enhanced education. This would also lead to an increased rate of job creation. Salaried employment is the main source of income for 59 per cent and 42 per cent Rich and Middle Class groups (Chart 5).

Entrepreneurship continues to be the most significant form of job creation in the country. Nearly 22 per cent of all Indian households and a similar percentage work in their own family enterprises or are self-employed in agriculture. An almost equal percentage of households in the Middle Class and Rich income groups work in their own family enterprises. In contrast, more

Aspirer households are self-employed in agriculture.

Job security is a concern for lower income groups

Nearly 21 per cent and 26 per cent of Destitute and Aspirer income groups are working in enterprises where they are likely to be removed without a notice. In contrast, this percentage declines as one goes up the income ladder.

Not surprisingly job satisfaction is higher among Rich and Middle Class income groups (77 per cent and 72 per cent respectively) compared to the other groups.

Quarter of high-income group faces problems of uncertain income

Across all income groups, insufficient income is the major reason for job dissatisfaction, which stands at 70 per cent at an all-India level. Surprisingly, slightly more Middle Class income households (72 per cent) than those at the bottom most rung (69 per cent) cite 'insufficient income' as a reason for job dissatisfaction.

Significantly, 26 per cent Rich income households cite irregular or uncertain earnings as a cause for job dissatisfaction. The reason for this could be that this group is being hit hard by the severe contraction of job growth in the manufacturing and service sectors. In contrast, uncertainty or irregular income is a concern for just 19 per cent of Destitute households.

Social security benefits lag behind for most salaried employees

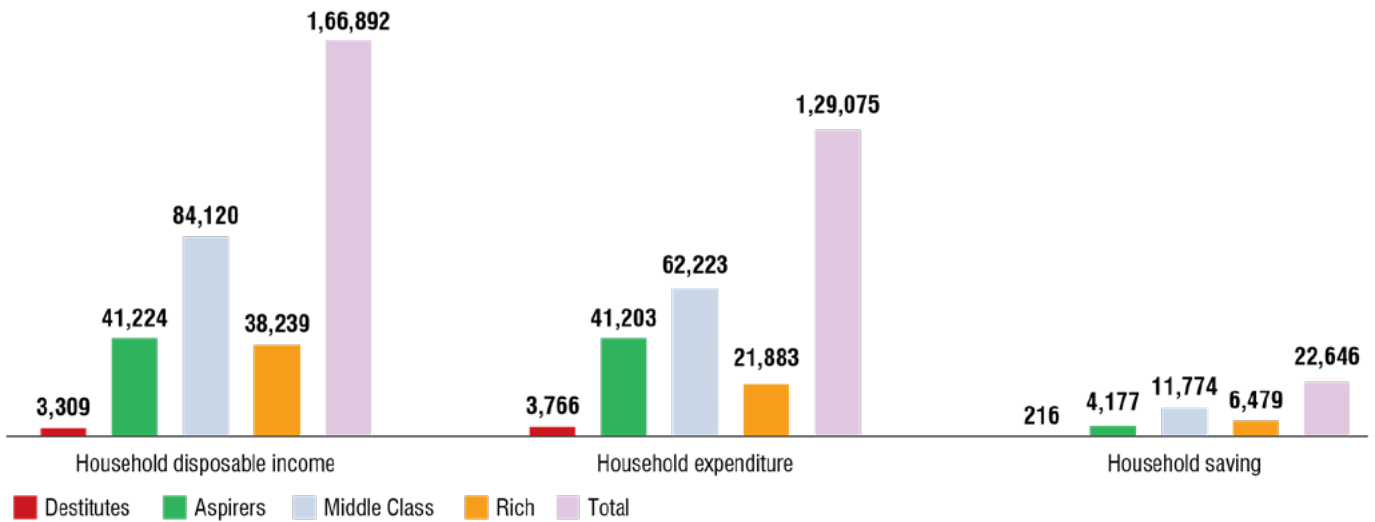
Nearly 56 per cent of all Indian households are managed by a chief wage earner (CWE) whose employment is on contractual terms and only 44 per cent of them have a job contract.

A majority of Rich CWEs has permanent jobs while more than half of the Destitute and Aspirer CWEs have contractual jobs.

At all India level only 46 per cent salaried CWEs are entitled to bonus. The percentage for provident fund is 36 per cent and health insurance benefits are available to 35 per cent CWEs. Over half of the rich CWEs are entitled to provident fund and bonus. Health insurance is available to only half of this

CHART 6:
ESTIMATES OF HOUSEHOLDS' POOLED INCOME, EXPENDITURE AND SAVING

(Figures in Rs. billion , 2020-21)



Source: ICE 360° Survey (2021), PRICE

CHART 7:
PROFILE OF CONSUMING CLASSES

(Figures in per cent , 2020-21)



Source: ICE 360° Survey (2021), PRICE

The Middle Class group is the country's biggest contributor in terms of income (50 per cent), expenditure (48 per cent) and savings (52 per cent)

income group while only a fraction of the other groups is eligible for these social security benefits.

Size Matters

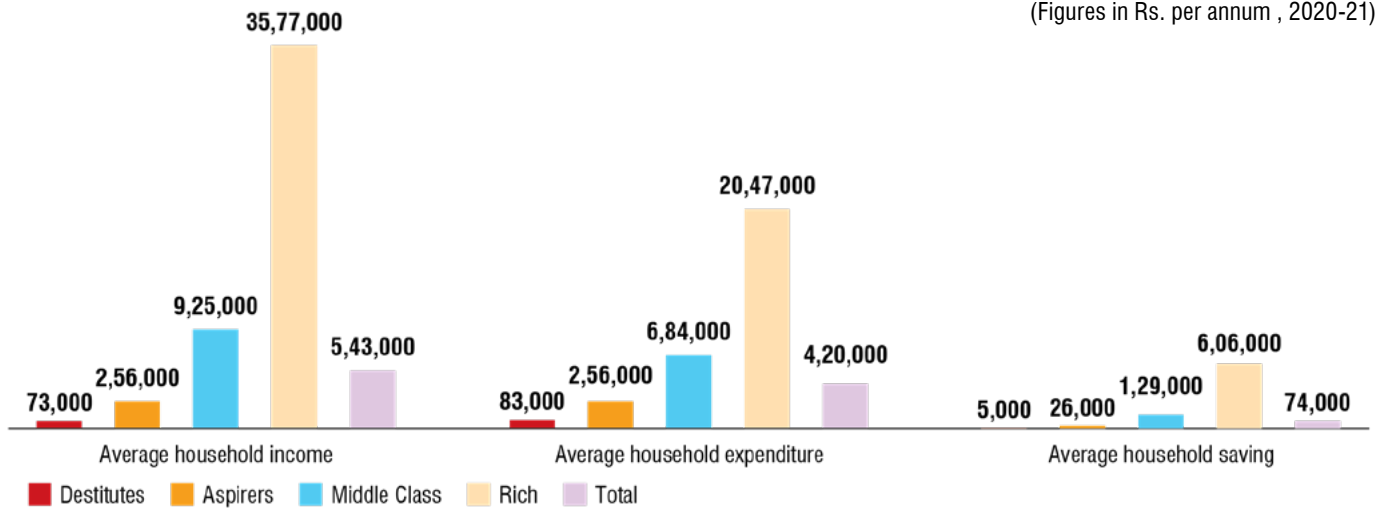
The Middle Class category, comprising 432 million people whose annual household income is in the Rs 5 lakh to Rs 30 lakh range has a total household income of Rs 84,120 billion, and spending of Rs 62,223 billion in 2020-21. The Middle Class saved about Rs 11,774 billion during 2020-21. As a group, the household income is more than

twice the earning of the Rich category (56 million people, earning at the average annual rate of more than Rs 30 lakh) pegged at Rs 38,239 billion. In spending terms, the Middle Class spends a little less than three times that of the Rich category (*Chart 6*).

It is thus evident that the Middle Class group is the country's biggest contributor in terms of income (50 per cent), expenditure (48 per cent) and savings (52 per cent). The Aspirer group is placed at No. 2 when it comes to income (25 per cent) and expenditure (32 per cent) (*Chart 7*).

CHART 8:
HOW MUCH THEY EARN, SPENDS, AND SAVES

(Figures in Rs. per annum , 2020-21)



Source: ICE 360° Survey (2021), PRICE

CHART 9:
SHARE OF EXPENDITURE AND SAVING TO INCOME

(Figures in per cent , 2020-21)



Source: ICE 360° Survey (2021), PRICE

The share of Rich population is about 4 per cent but contribute 23 per cent of household disposable income, 17 per cent of expenditure and a lion's share in saving (29 per cent).

The economic wellbeing of Desitute is dismal. The share of this category is 13 per cent in total country's population but accounts for only 2 per cent share in income and 3 per cent in expenditure. People in this group hardly saves and they borrow to meet their subsistence needs.

Income inequality reigns

The individual household level picture however shows the stark differences that exist between the lowest

income households and their more well to do counterparts. While the average all India household income figure stands at Rs 543,000, the Destitute and Aspirer households earn hardly one-seventh and half, respectively, of that, while the Middle Class and Rich households earn 13 times and 50 times respectively, the amount that a Destitute household does.

In terms of expenditure, the Middle Class households spend eight times that of Destitute households while the Rich households' expenditure is nearly 25 times that of Destitute households. (Chart 8)

While Aspirers' saving amount is Rs. 26,000 annually, the Destitute merely saves about Rs. 5,000 annually and sometimes borrow to meet their subsistence. In contrast, the Middle Class households save about Rs. 1.29 lakh annually and this increases to Rs. 6.06 lakh for the Rich households.

When it comes to share of expenditure and savings to income, the Destitute households outspend what it earns (114 per cent) but also saves. The biggest savers are the Rich households which save 43 per cent of what they earn (Chart 9).

A little less than half of all Destitute households, and a quarter of Aspirer households have negative surplus income (current year income minus expenditure), or in other words, are indebted and therefore borrow money to make ends meet.

Poor income households are spending beyond their means

Expenditure levels for the Middle Class household group stands at Rs 6.86 lakh per annum in 2020-21, Rs 20.47 lakh for the Rich income group and Rs 82,300 for the Destitute household group respectively. The Destitute household ends up spending more than it earns by about Rs 10,000 per annum. The Aspirer income household group manages to keep its hand to mouth existence and had a nil household balance in 2020-21 (*Table 8*).

Poor households spend a major part of their income on food

Destitute households spend on an average Rs 55,000 on food per annum – share of spending is 67 per cent. In stark contrast share of spending on food items by Middle Class households is 51 per cent (Rs 351,000) and that of Rich income households is 44 per cent (Rs 892,000).

Expenditure inequality reigns

Rich households spend considerably more on holiday trips, consumer durables and higher education. In contrast, Destitute households spend more on upgrading and repair of their houses. Food and shelter continue to be major considerations for Destitute households. Health spending and marriage expenses are also prominent.

The huge inequality that exists between the poorer households and the top is evident when you consider the annual average spending. A rich household spends Rs 20.47 lakh annually which is almost twenty-five times that of a Destitute household (Rs 82,300), eight times that of Aspirer household, and almost three times that of a Middle Class household.

TABLE 8:
CONSUMPTION BASKET

(Annual average household spending in Rs., 2020-21)

Expenditure items ¹	Destitute	Aspirers	Middle Class	Rich	Total
Cereals	37,000	94,000	1,56,000	2,27,000	1,09,000
Pulses	2,000	11,000	22,000	86,000	16,000
Fruits & Vegetables	2,000	12,000	49,000	1,54,000	26,000
Beverages & Packaged Food	2,000	10,000	39,000	1,54,000	22,000
Food-Dining Out	1,000	6,000	22,000	1,03,000	13,000
Other food items	11,000	29,000	63,000	1,68,000	41,000
Food (Total)	55,000	1,62,000	3,51,000	8,92,000	2,27,000
Education	3,000	13,000	53,000	1,63,000	29,000
Health Care & Fitness	6,000	18,000	52,000	1,71,000	31,000
Tours & Travel	2,000	11,000	44,000	1,74,000	25,000
Housing and Related Utilities	5,000	23,000	75,000	2,11,000	42,000
Household Services	1,000	2,000	8,000	53,000	6,000
Communication	2,000	6,000	24,000	81,000	13,000
Entertainment & Recreation	1,000	4,000	17,000	61,000	9,000
Beauty & Personal Care	300	2,000	7,000	80,000	6,000
Toys & Baby Care	1,000	5,000	18,000	54,000	10,000
Apparel, Footwear and Accessories	1,000	4,000	18,000	47,000	9,000
Consumer Durable Goods	1,000	3,000	13,000	50,000	7,000
Others	4,000	5,000	6,000	10,000	5,000
Non-Food (Total)	27,300	96,000	3,35,000	11,55,000	1,92,000
Total Expenditure	82,300	2,58,000	6,86,000	20,47,000	4,19,000

Source: ICE 360° Survey (2021), PRICE

For Middle Class and Rich households non-food spends constitute a large chunk

Food spend share for Rich households stands at 44 per cent. The shares for Destitute and Aspirer households are 67 per cent and 63 per cent respectively. It's evident that poorer income households are spending a major part of their earnings on food, healthcare, and housing. Rich household group's share of education expenditure is highest at 8 per cent (*Table 9*). Cereal consumption

¹ **Beverages** (tea, coffee, cold drinks, juices etc.); **Packaged food** (Biscuits, salted refreshments, jam, cakes, sauce, pickles etc.); **Other food items** (Sugar, salt, spices etc.); **Food and non-alcoholic beverages 'Dining Out'**: Spend on food & beverages outside the home for- daily meals substituted for home meals, eating at restaurants, hotels etc.; **Housing and Related Utilities** (Electricity, Water, LPG/piped gas etc.) (Monthly) Household services (full time cook, driver, cleaner, maid, part-time domestic help, washing services); **Health care** (self-paid OPD expenses, medicines, medical equipment, expenses on hospital stay and treatment for, if any, other services excluding insurance); **Fitness** (gym membership, yoga classes, other sports, nutritional supplements, and other fitness equipment/services for use at home); **Travel** (Public transport, car-rental/sharing, cab rentals, private car/two-wheeler- monthly mortgage/lease payments, fuel, maintenance costs); **Tours** (A holiday trip); **Communications** (Fixed-line phone, cellular phone, broadband, postal services); **Entertainment & Recreation** (Movies, music, games, DTH, Digital video apps, amusement parks, other online applications, magazines and subscriptions); **Education** (all pre-school, school, higher levels, any vocational courses, trainings, tuition, online learning, onetime payment for higher education etc.); **Beauty & Personal care** (Cosmetics, skincare, haircare, grooming products, salon services, etc.); **Toys & Baby Care** (diapers, baby food products, toys, baby furniture, baby clothes, others); **Apparel, Footwear and Accessories** (Garment fabric, footwear, jewellery, accessories, services like tailoring); **Consumer durables** (home appliances: furniture, home furnishings, household appliances, kitchenware, housewares, TV/Fridge/WM/ACs etc., Automobile: Car/ SUV/TWs, etc.)

**TABLE 9:
CONSUMPTION BASKET - FOOD VS. NON-FOOD**

(Figures in per cent, 2020-21)

Expenditure items	Destitute	Aspirers	Middle Class	Rich	Total
Cereals	45	37	23	11	26
Pulses	3	4	3	4	4
Fruits & Vegetables	3	5	7	8	6
Beverages & Packaged Food	3	4	6	8	5
Food-Dining Out	1	2	3	5	3
Other food items	13	11	9	8	10
Food (Total)	67	63	51	44	54
Education	4	5	8	8	7
Health Care & Fitness	7	7	8	8	7
Tours & Travel	3	4	6	8	6
Housing and Related Utilities	6	9	11	10	10
Household Services	1	1	1	3	1
Communication	2	2	3	4	3
Entertainment & Recreation	1	2	3	3	2
Beauty & Personal Care	0	1	1	4	1
Toys & Baby Care	1	2	3	3	2
Apparel, Footwear and Accessories	1	2	3	2	2
Consumer Durable Goods	1	1	2	2	2
Others	4	2	1	1	1
Non-Food (Total)	33	37	49	56	46
Total Expenditure	100	100	100	100	100

Source: ICE 360° Survey (2021), PRICE

**TABLE 10:
WHERE INDIAN HOUSEHOLDS SAVES (MULTIPLE RESPONSE)**

(Figures in per cent, 2020-21)

Saving instruments	Destitute	Aspirers	Middle Class	Rich	Total
Saved in banking instruments	41	57	100	100	69
Saved in post office	3	4	5	4	4
Saved in capital market	0.2	0.4	0.8	3.0	0.6
Life insurance policy	13	12	16	14	14
Saved in physical gold (Jewellery & Coin bar)	8	11	15	20	12
Saved in paper gold	0.3	0.4	0.3	1.1	0.4
NBFC/Chit fund or SHG (Informal Savings)	2	2	1	1	2
Saved in other instruments	1	4	5	13	5

Source: ICE 360° Survey (2021), PRICE

is highest among Destitute households while share of pulses expenditure is same across income groups (3-4 per cent of total expenditure).

Of the total expenditure incurred by a

household, maximum share is spent on food as much as half across all income groups except Rich. As households move up the income ladder, the share of total expenditure on food also declines. This suggests that the constraint of income forces the poorer households to spend more on food (which is indispensable) and less on other items (which can be managed without). On the other hand, there is a consistent increase in expenditure on non-food items with increase in income levels of households. Here again, the difference might very well be because of the fact that the households earning less income have lesser income at their disposal as a result of which, they spend less on non-food items.

Upwardly mobile households have similar saving priorities

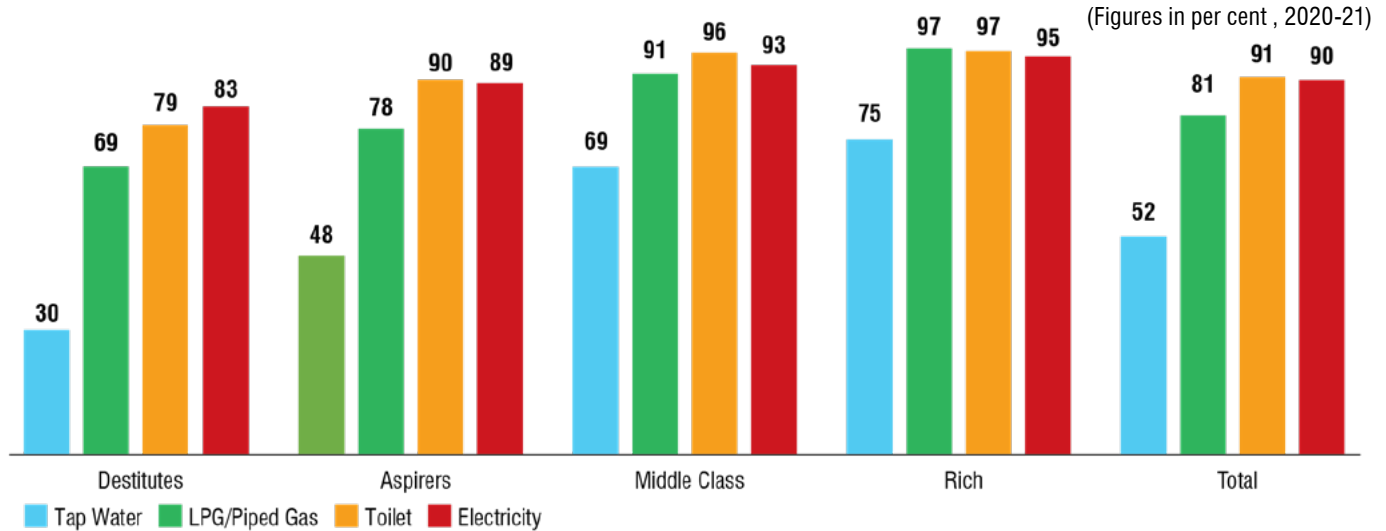
Traditionally, Indians have been a thrifty people and households are generally inclined towards saving for emergencies. This remains true in the national context but as prosperity grows among a certain section of the population and consumption habits change, the savings rate has seen a dip.

Digging deeper into the savings behaviour of households, we find that that almost all Indian households have a savings bank account and 82 per cent have a bank account that is linked to an Aadhar account. The percentage of the latter dips to 61 per cent among the poor income group households.

Emergencies are the major reason for saving, across all income groups. Higher education is the second highest priority followed by wealth creation. The top three income groups are almost identical in terms of their priorities for saving. Clearly as income rises, households are displaying a tendency towards saving for reasons of wealth creation, retirement planning, future risk mitigation and tax relief.

Changing attitudes towards saving instruments

An overwhelming 69 per cent of all households have saved in banking instruments while hardly 4 per cent of the country's households save in post office. Insurance policies are another big saving instrument for 14 per cent of all households. The most heartening statistic is that even among the poorest households, more of them are saving in

**CHART 10:
ACCESS TO BASIC AMENITIES**


Source: ICE 360° Survey (2021), PRICE

banking instruments (41 per cent) as opposed to keeping saving in post office (3 per cent). Saving in gold and gold related products is the third preference across all income households (*Table 10*).

Middle Class and Rich households have a more diverse savings portfolio

While Destitute and Aspirer income groups hold most of their savings in bank accounts, a certain percentage of this is also being saved in gold and jewellery and informal saving. The Middle Class and Rich households are exposed to a more diverse savings portfolio with banking accounts, insurance policies and gold being among the top three options. Saving in capital market instruments is primarily used by Rich households.

Three-fourths of all Indian households are debt-free

Significantly, nearly three fourths (73 per cent) of all Indian households report they are debt free or have no running loans or borrowings. The percentage of debt-free households is lowest among the low-income earners and highest for the top earning groups.

Quantum of inherited debt is larger for rich households

Inherited debt as also mortgaged assets are major concerns for the rich income households' group. While 25 per cent

of Destitute households have at least some assets currently mortgaged, the figure is 44 per cent for the Rich income households. Surprisingly, almost three times more rich households than poor have inherited debt.

High income households take formal loans to buy real estate

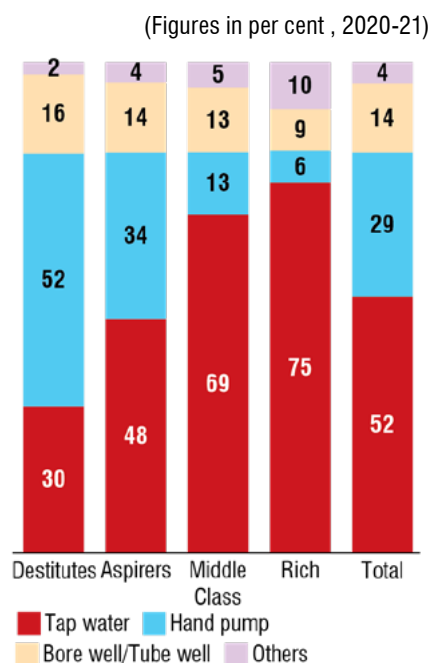
At an all-India level 38 per cent of formal borrowing is used to meet agricultural and livestock requirements. Nearly 40 per cent of formal loans that the Rich households take are related to purchase of real estate compared to just 11 per cent for Aspirer and Middle Class households. In contrast, the main reason for taking a formal loan among the Destitute groups is to meet agricultural and/or livestock requirements, followed by medical emergencies and meeting social obligations such as expenses for weddings, etc.

Low-income households take informal loans to meet medical emergencies

Ten per cent of all Indian households use informal loans to purchase land and 25 per cent of such loans go towards meeting medical emergencies and health related issues. Social obligations constitute 21 per cent of such loans. Nearly 7 per cent and 10 per cent of informal borrowings are used by Destitute households and Aspirer groups respectively to fund purchase of land and real estate. Low-income households spend 30 per

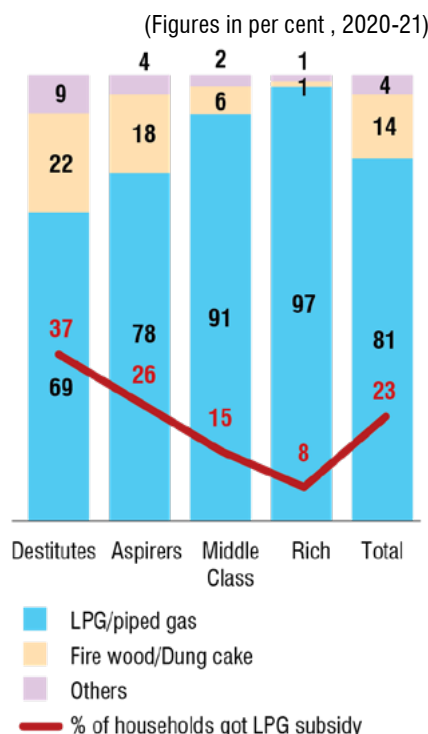
The Middle Class and Rich households are exposed to a more diverse savings portfolio with banking accounts, insurance policies and gold being among the top three options

CHART 11: MAJOR SOURCE OF DRINKING WATER



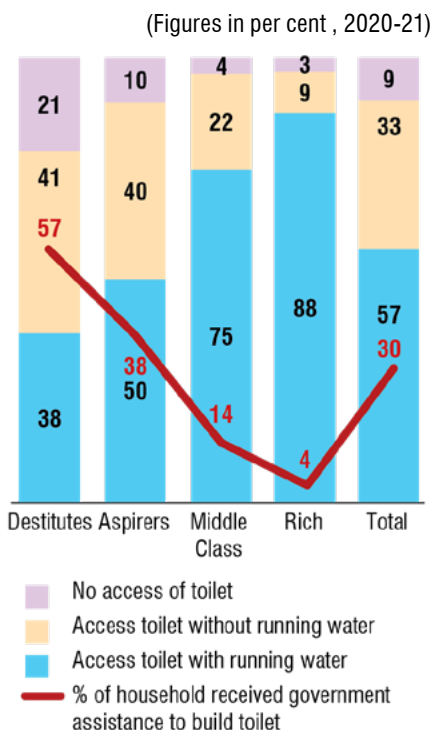
Source: ICE 360° Survey (2021), PRICE

CHART 13: COOKING FUEL USAGE



Source: ICE 360° Survey (2021), PRICE

CHART 12: ACCESS OF TOILET



Source: ICE 360° Survey (2021), PRICE

Nearly 90 per cent of all Indian households have access to electricity, a significant share (81 per cent) has access to LPG/piped gas and 91 per cent has access to toilet. However, only a little over half of all households at an all-India level have access to tap water.

The Destitute and Aspirer households are doing better in terms of access to many of these basic amenities. For instance, about 83 per cent of all Destitute households and 89 per cent of Aspirer households have electricity in their homes. In contrast, only 30 per cent and 48 per cent respectively have access to tap water (Chart 10).

Safe Drinking Water is a luxury for most Indian households

While electricity connection has grown exponentially, access to safe drinking water continues to be a luxury that only the Middle Class and Rich households can afford. The dismal picture on this front is evident from the fact that only a little more than half of all households (52 per cent) have access to tap water and a little more than a quarter of households (34 per cent) can get water that has undergone some degree of purification.

Nearly 75 per cent of Rich households have access to tap water compared to 30 per cent of Destitute and 48 per cent of Aspirer households. In contrast, the main source of drinking water for the Destitute households is the handpump (Chart 11).

Lack of toilets continues to be a major issue for poor households

As sanitation and hygiene become focus areas for the government, the impact for creating toilet facilities within the premises has gained momentum particularly in the poorer sections of society. At an all-India level, nearly 57 households have access to toilets with running water compared to 9 per cent that do not have access to toilet. Even so, an overwhelming majority of Destitute households (21 per cent) do not have access to toilets and among the Aspirers, this percentage is 10 per cent. (Chart 12)

In response to a question posed to all toilet owning households: “Did you get any assistance from the state/central government in building this toilet?”

cent of such loans to meet medical emergencies compared to 18 per cent for the Rich income households; this ratio is 23 per cent and 19 per cent respectively for meeting expenses for social obligations.

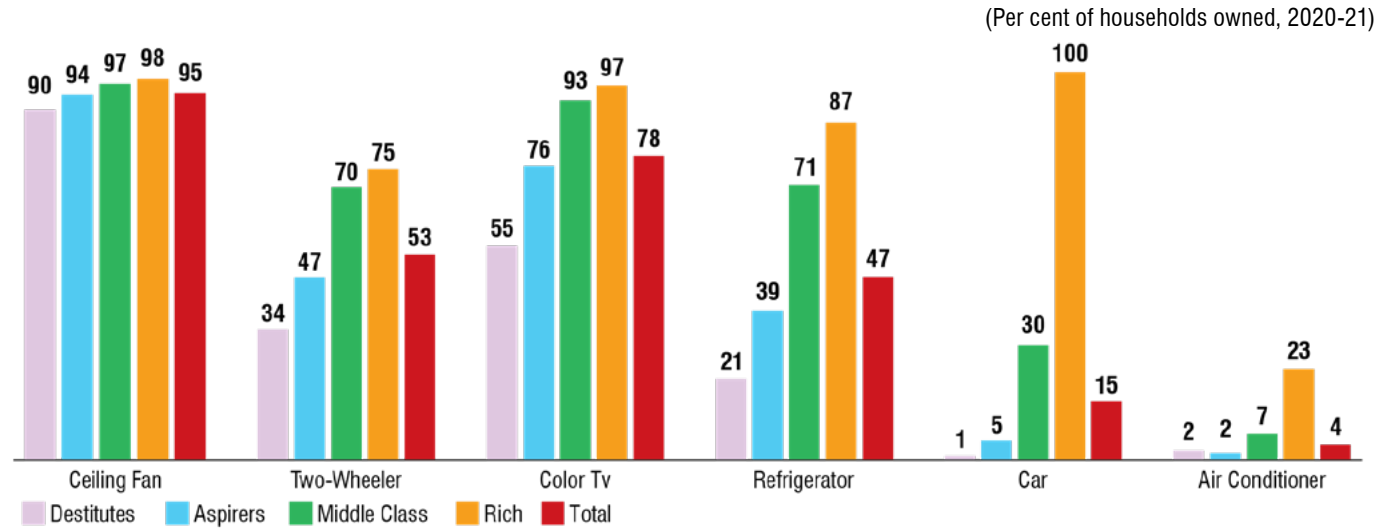
Long term indebtedness a major concern for low-income households

At an all-India level, 44 per cent of formal borrowers and 45 per cent of informal borrowers claim they will be able to repay their loans within a one-to-three-year period. Almost 19 per cent formal borrowers and 21 per cent informal borrowers respectively are not sure as to when they will become debt-free. Among low-income households, almost 31 per cent of informal borrowers and 37 per cent of formal borrowers are unsure as to when they will become debt-free. Clearly, then long term indebtedness is a major concern for such households.

Access to Amenities

Electricity, tap water, piped/LPG gas and toilet are essential amenities and access to these varies according to the economic profile of the households.

CHART 14:
OWNERSHIP OF CONSUMER DURABLE GOODS



Source: ICE 360° Survey (2021), PRICE

57 per cent of Destitute and 38 per cent of Aspirer households stated that they had got assistance.

Majority of Indian households now have LPG/Piped gas

Usage of safe and pollution-free cooking fuel is a luxury that is currently mostly available across income categories. Overall, 81 per cent Indian households use LPG/piped gas to cook their meals while 14 per cent use firewood/dung cake.

In response to a question posed to all LPG/piped gas owners: “Did you get gas

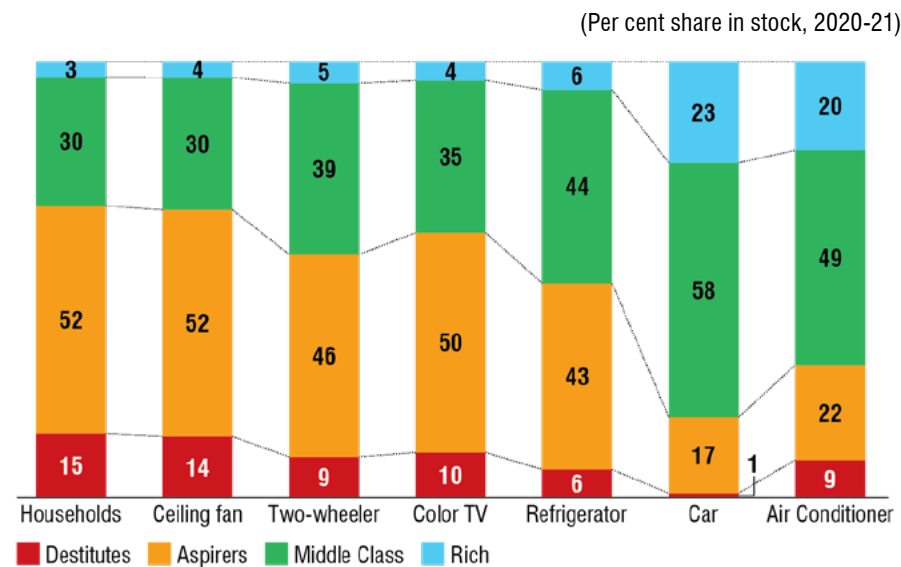
subsidy?”, about one-third of Destitute and one-fourth of Aspirer households stated they had got the LPG subsidy (Chart 13).

Motorbikes and TV sets dominate consumer durable ownership

While car ownership signifies affluence in most nations, in India, the motorcycle is the symbol of an upwardly mobile Indian household. While the proportion of Destitute households that own a bicycle is significantly large (63 per cent),

One-third of Destitute and one-fourth of Aspirer households stated they had got the LPG subsidy

CHART 15:
DISTRIBUTION OF STOCK OF SELECTED CONSUMER DURABLE GOODS



Source: ICE 360° Survey (2021), PRICE

Nearly 58 per cent of all cars are owned by the Middle Class, compared to just 23 per cent by the rich

almost 34 per cent such households own a two-wheeler (moped or motorcycle or scooter). For Aspirer and Middle Class households this percentage is 47 per cent and 70 per cent respectively. Even among Rich households, 75 per cent own a two-wheeler (mostly luxury motorbike) compared to 100 per cent who own a car.

Television and refrigerator are the consumer durable goods that are commonly found in a majority of households – at an all-India level, the percentage of TV and refrigerator owning households is 78 per cent and 47 per cent, respectively. While fewer Destitute households (21 per cent) own a refrigerator, this percentage is almost double (39 per cent) for the next group. Penetration of refrigerator in Middle Class and Rich households has reached 77 per cent and 87 per cent, respectively. There is a much lower penetration for products such as air conditioners (Chart 14).

More importantly, while the Middle Class forms just 31 per cent in 2020-21 of the total Indian households its share of total income is nearly half of the income and expenditure and saves more than over a quarter of its income. The growing clout of the Middle Class becomes even more apparent when one looks at the ownership patterns of household goods. Nearly 58 per cent of all cars are owned by the Middle Class, compared to just 23 per cent by the rich. Similarly, 49 per cent of all air conditioners are owned by Middle Class homes (Chart 15).

Exponential growth in households' digital infrastructure

The most dramatic change that is being witnessed across all households is in the digital infrastructure space. An overwhelming 93 per cent of all Indian households today have mobile connections, 64 per cent have dish or cable connections and 52 per cent have internet connections. Computer/laptop ownership is lower at 8 per cent.

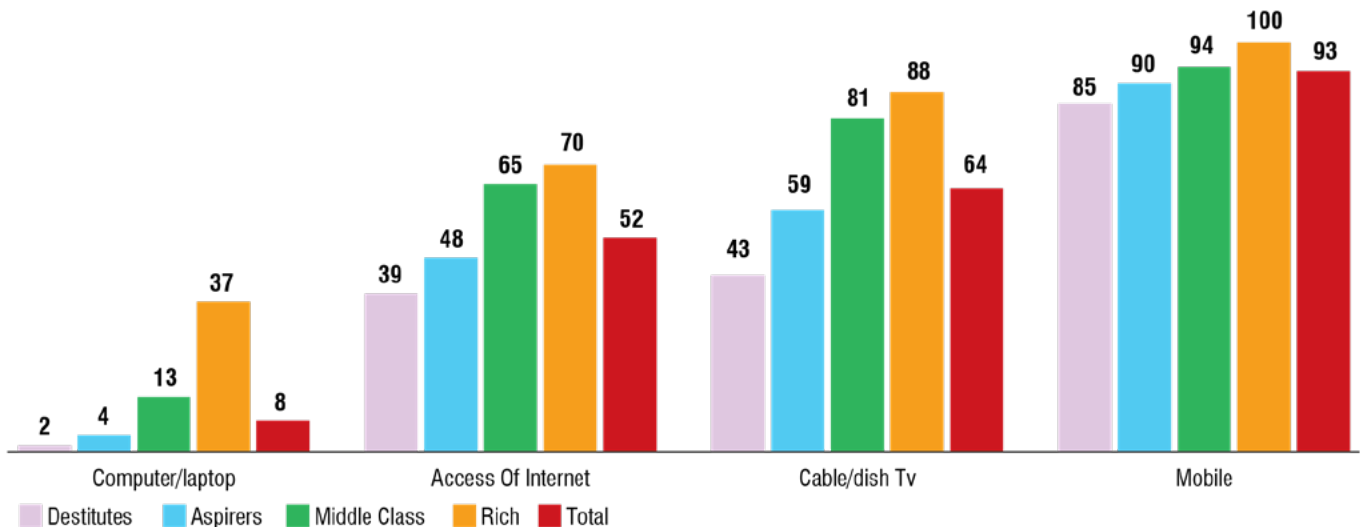
Mobile connections are near ubiquitous with penetration among poor households at 85 per cent compared to 90 per cent for Aspirers and 94 per cent for Middle Class groups. Almost all the households in the top tier – Rich – has mobile connections (Chart 16).

Financial optimism is positive but barely so

Notwithstanding the diversity of the Indian Middle Class households, at first glance, there seems to be a general positive financial outlook across all income segments of households. While it may be facile to attribute this optimism to growing incomes and improvement in overall wellbeing, the upward mobility of this diverse and huge segment of the population is indeed cause for celebration. Given the huge numbers of the lower Middle Class income group and its growth, this segment draws its aspirations from the groups above it.

CHART 16: DIGITAL INTERFACE

(Per cent of households owned, 2020-21)



Source: ICE 360° Survey (2021), PRICE

However, a closer look reveals that the bottom two groups (Destitute and Aspirer) are having a tougher time than other groups on the financial front. Prospects though are uncertain for a large majority of households.

In 2020-21, nearly 35 per cent of all Indian households were relatively satisfied about the financial situation of their household, another 35 per cent had a neutral outlook, 18 per cent were dissatisfied to some extent and 5 per cent were completely dissatisfied. Not surprisingly, the Destitute are more dissatisfied and as income level rises, percentage of the dissatisfied decreases. As is to be expected, higher proportion of Middle Class and Rich households are completely satisfied with the state of their household finances.

Meeting basic needs is a stretch for poor households

Overall, 48 per cent households in India are meeting their basic needs with some difficulty. Nearly 61 per cent and 24 per cent Destitute households are struggling to meet their basic needs either with some difficulty or great difficulty, respectively. A much larger proportion of Middle Class and Rich households can meet their needs easily compared to Aspirer and Destitute households (Chart 17).

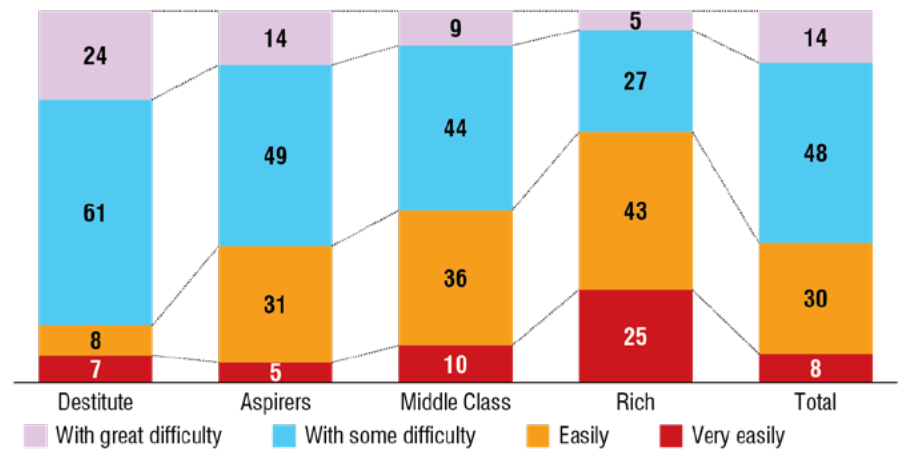
To sum up... Middle Class is emerging as the driving force of the Indian economy

Absolute incomes may well be higher among the rich, but the numerical strength of the Indian Middle Class suggests that it will become the driving force of the Indian economy, while its aggregate purchasing power will result in the creation of one of the largest markets in the world. The discretionary spending power of this burgeoning section of society could both spur investment and generate employment, thereby providing a further boost to economic growth.

India should also benefit from its youthful and fast-growing working age population, a demographic dividend that will provide the country with the largest number of working age people in the world. This could have a material impact on domestic demand and output. However, to maximise the potential of this 30-year demographic sweet spot, certain key changes are needed.

CHART 17: LEVEL OF COMFORT TO MEET THE BASIC NEEDS THROUGH CURRENT INCOME

(Figures in per cent of households)



Source: ICE 360° Survey (2021), PRICE

form; a strengthening of macroeconomic fundamentals and institutions; and, crucially, mass education. If these are delivered effectively, the rapidly growing working age population should make a productive contribution to long-term economic growth. In the absence of a good education, however, young people will remain unemployable and a drag on scarce resources.

Assuming that reforms are initiated, and India's Middle Class expands to a cohort of more than one billion people, the implications will be profound. A country's Middle Class plays a pivotal role in the social and economic fabric because it participates in a wider range of economic activities than any other section of society. The middle classes act as employers and employees, consumers and producers, and agents of political change. This is particularly true in the West, where the Middle Class plays a crucial and integral role in the functioning of democracy.

Aristotle once said: "The best political community is formed by citizens of the Middle Class," and "Those states are likely to be well administered in which the Middle Class is large". This age-old wisdom may become increasingly relevant in India because as the Middle Class expands it may well become more politically engaged, acting as an agent of change and an important stabilising force. Thus, as India grows and becomes more globalised, the Middle Class may play an important role in shaping Indian society and politics, as well as its economy ●

"The best political community is formed by citizens of the Middle Class," and "Those states are likely to be well administered in which the Middle Class is large"



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