

# Economic Recovery of Indian Households Post-COVID: Exceeding Expectations Yet Challenges Remain

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People Research India's Consumer Economy

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## Economic Recovery of Poor Households Post-COVID: Exceeding Expectations Yet Challenges Remain

### *Abstract*

This research report investigates the post-COVID economic recovery of Indian households, focusing on income distribution across different socio-economic strata. Utilizing data from the PRICE's ICE 360 surveys, this study explores income trends from pre-COVID (2016), during COVID (2021), and post-COVID (2023) periods. The findings reveal a significant rebound in household incomes, particularly among the poorest households, suggesting a narrowing of income inequality. However, the report underscores the need for continued support and policy interventions to sustain and further this recovery.

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### **Introduction**

The Indian economy's robust performance in 2023, with a 7.6% real growth rate in the second quarter, underscores a surprising resilience following the COVID-19 pandemic. This report examines how this macroeconomic recovery translates to microeconomic levels, particularly focusing on household incomes across various socio-economic groups. By delving into the income recovery patterns of different household segments, we aim to understand the broader implications for income distribution and economic inequality.

## **Major Findings**

### **...Incomes up since Covid, but poorest 20% still below FY16 level**

*"Average household income in India has increased around 12% since the Covid pandemic-induced fall, with the poorest seeing an over 75% jump, according to a survey by PRICE. The survey also revealed that income levels in rural India have climbed 16.6%. The survey shows the vulnerability of lower income segments and the need for government intervention"*

### ***Impact of COVID-19 on Household Incomes***

The pandemic's onset brought unprecedented economic challenges, particularly for the poorest households. The ICE 360<sup>0</sup> survey data from 2021 reveals that the income of the poorest households (Q1, bottom 20%) dropped by a staggering 52.4% compared to their 2016 levels. The lower middle segment (Q2) experienced a 32.4% decline, and the middle segment (Q3) saw a 8.7% reduction in income. In stark contrast, the upper middle (Q4) and richest households (Q5) managed to increase their incomes by 6.8% and 38.8%, respectively, during the same period. This data highlights the disproportionate impact of the pandemic on different socio-economic groups, with nearly 60% of households experiencing severe income reductions.

**Post-Pandemic Recovery**

By 2023 (post-Covid), the data indicate a significant rebound in household disposable incomes. The poorest households (Q1) saw their incomes grow by a remarkable 75.3% from their 2021 levels (Covid period). The lower middle group (Q2) experienced a 52.3% increase, and the richest households (Q5) reported a 9.6% rise in income. This broad-based recovery reflects not only the overall economic revival but also a more equitable distribution of income gains.

**Table 1: How Pandemic made Indian households Poorer and Richer?**

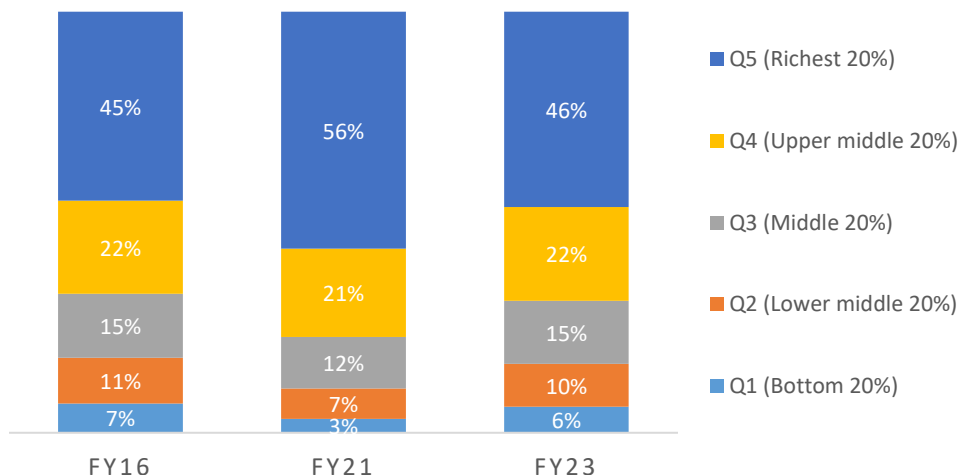
| Per capita income based population quintile | Annual average household income (Rs. Lakh at 2011-12 prices) |      |      | Increase/decrease (%) |           |
|---|--|------|------|-----------------------|-----------|
|   | FY16   | FY21 | FY23 | FY16-FY21             | FY21-FY23 |
| Q1 (Bottom 20%)                             | 1.37   | 0.65 | 1.14 | -52.4%                | 75.3%     |
| Q2 (Lower middle 20%)                       | 1.85   | 1.25 | 1.90 | -32.4%                | 52.3%     |
| Q3 (Middle 20%)                             | 2.25   | 2.05 | 2.70 | -8.7%                 | 31.6%     |
| Q4 (Upper middle 20%)                       | 3.01   | 3.22 | 4.04 | 6.8%                  | 25.6%     |
| Q5 (Richest 20%)                            | 5.27   | 7.31 | 8.01 | 38.8%                 | 9.6%      |
| Total                                       | 2.98   | 3.22 | 3.62 | 8.3%                  | 12.3%     |

Source: PRICE’s ICE 360 Surveys (2016, 2021 and 2023)

**Income Distribution and Inequality**

A noteworthy finding is the narrowing of the income gap between the lowest and highest quintiles in 2022-23. Households in the bottom-most income group (Q1) increased their share of household disposable income from 3.3% in 2020-21 to 6.2% in 2022-23. Conversely, the richest households (Q5) saw their share decrease from 56.3% to 46.4%. This trend marks a significant shift towards reducing income inequality, bringing the shares closer to their 2015-16 levels of 7% and 44.6%, respectively.

**Figure 1: Distribution of personal household income**



Source: PRICE’s ICE 360 Surveys (2016, 2021 and 2023)

## Discussion

The rapid recovery of the poorest households underscores their resilience and adaptability, particularly in urban areas. As urban economies revived, employment opportunities for casual laborers, street vendors, domestic workers, electricians, plumbers, and a wide range of service providers surged, driving the income recovery. Government welfare schemes played a crucial role in supporting households during this period, contributing to unprecedented gains in net savings for the bottom 40% of households.

## Policy Implications

Despite the positive recovery trends, the poorest households require continued support to fully restore their pre-pandemic income levels. Ensuring food security and extending financial inclusion are essential to protect against future economic shocks. Expanding health insurance coverage through schemes like PMJAY to include the middle 40%, who often lack adequate health coverage, would significantly enhance economic stability and resilience.

## Conclusion

As India progresses into 2024, it is crucial for policymakers to learn from the post-COVID recovery and implement targeted interventions aimed at boosting employment and enhancing healthcare systems. Ensuring that the benefits of economic growth are equitably distributed will be key to sustaining India's long-term growth and development.

## Recommendations

- **Enhance Employment Opportunities:** Implement policies that foster job creation, especially for the most vulnerable segments of society. This could include vocational training programs, support for small businesses, and infrastructure projects.
- **Strengthen Primary Healthcare:** Focus on improving primary healthcare and preventive care services to ensure accessible and affordable healthcare for all, particularly in rural and underserved areas.
- **Expand Financial Inclusion:** Develop programs to enhance financial inclusion for the bottom 40% of households to prevent them from falling into informal debt traps. This could involve microfinance initiatives, digital banking solutions, and financial literacy programs.
- **Extend Health Insurance Coverage:** Broaden the scope of health insurance schemes like PMJAY to cover more households, particularly those in the middle-income brackets who lack adequate health insurance.

## About PRICE

[www.price360.in](http://www.price360.in)

- People Research on India’s Consumer Economy (*PRICE branded as ICE 360°*) established in 2012 as an independent, *not-for-profit*, ‘fact tank’ and ‘think tank’ registered U/S 8 Companies Act. The vision of PRICE is to be the premier research institute offering unparalleled insights into India’s household economy. Its mission includes conducting high-quality research, providing data-driven insights, and fostering a deeper understanding of India’s economic landscape. The institute conducts large-scale surveys to gather data on household well-being, which it then analyzes to identify trends and develop policy recommendations. As an independent organization, PRICE is committed to producing unbiased and objective analysis, contributing to the socio-economic development of India.
- Largely supported by grants and contract research, PRICE’s strengths lie in its access to comprehensive data sets, experienced team of researchers, and strong collaborations with academic institutions, government bodies, and industry players.

## About PRICE’s ICE 360°

PRICE’s ICE 360° surveys called as **“Household Survey of India’s Consumer Economy and Consumer Environment”** 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 household economy.

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° surveys hold a unique position on account of scientific and robust 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 Indian household economy in government.

These surveys (2014, 2016, 2021 and 2023) are mammoth and complex exercise, for instance, the Wave 2.0 covered about 300,000+ households through a household listing exercise, followed by a more detailed survey of 61,000 households - 25,000 in rural India and 36,000 in urban India deploying probability sample design. Geographically, the sample has been drawn from across 216 districts, 1217 villages and 487 towns spread across 25 major states.

**PRICE’s ICE 360° survey - Features**

| Feature          | ICE 360° survey (2014)  | ICE 360° survey (2016)         | ICE 360° survey (2021)          | ICE 360° survey (2023)         |
|------------------|---|--------------------------------|---------------------------------|--------------------------------|
| Survey type      | Best mix of Baseline-Panel-Longitudinal -Cross-sectional                        |                                |                                 |                                |
| Sample design    | <b>Probability Sample:</b> Three stage stratified random sample design          |                                |                                 |                                |
| Coverage         | 21 states & UTs (Rural &Urban)  | 25 states & UTs (Rural &Urban) | 23 states & UTs (Rural &Urban); | 25 states & UTs (Rural &Urban) |
| Sampling frame   | 100,000 households  | 300,000 households             | 200,000 households              | 200,000 households             |
| Sample size      | 20,000 households   | 61,000 households              | 40,000 households               | 43,000 households              |
| Data collection  | Face-to-face interview  |                                | Face-to-face interview - CAPI   |                                |
| Respondents      | Chief Wage Earner (CWE)/Head, Housewife and other earning members of households |                                |                                 |                                |
| Reference period | Financial Year - 2014   | Financial Year - 2016          | Financial year - 2021           | Financial year - 2023          |

The findings in the form of actionable insights, presentations, and reports including the household level data are shared with various stakeholders ranging from policymakers in government, policy advisors, business strategists, media, academic & research institutions including national and international individual researchers.

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