

## Growth in income in last three decades: How consumer trends evolved in India

With income growth in the last thirty years and more supply at various price points, and better access to credit, there are a whole class of “have-somes” who are consuming now.

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The fact is that pragmatic consumption remains the hallmark of most of Consumer India’s spending. (AP Photo for Representation)

The last three decades have brought consumption front and centre into Indian lives, irrespective of age or income. The major life focus of all Indians is to strive to earn more and save more in order to buy a better quality of life for themselves and their family. The tenet that consumption is wasteful and best done in moderation has been replaced by “it’s OK to want it, now let’s see how we can afford it”. What hasn’t changed, though, is belief that the Almighty needs to lend a hand too. The PayTM sign at the Kedarnath temple high up in Himalayas says it all. The moral purification of consumption is complete.

### Pragmatic Consumption

Popular narratives of India’s new consumption as hedonistic and a means of self-expression are shaped by interactions with or anecdotes of the richest 10 or 20% of urban India, accounting for less than 10% of Indian households (HHs), and 15 to 20% of HH income (pre-Covid); less than 10% of Indian HHs have people with a regular job and salary, while almost 60% of this group does. The fact is that pragmatic consumption remains the hallmark of most of Consumer India’s spending. Quality of life improvement is about getting a better house, be it a first-time bathroom or a second home; more water than the municipality supplies, brought in tankers to posh buildings or bastis

alike; getting 24x7 electricity whether through inverters or Chinese rechargeable torches; better health care in America or from a private doctor or nursing homes (even in underdeveloped rural districts and in the poorest 20% of Indian households, 50-60% seek private health care).

Child-centric spending is huge but its focus is mostly about giving children a better shot at the future -- education abroad, capitation fees, private colleges and even among the poor, private non-government schools, and tuition and coaching of all shades. Even modest income HHs will stretch to buy a timeshare resorts subscription because their children can have exposure to swimming pools and sophisticated augmented reality games a few weeks every year. They will buy a bike for the child to get to coaching class on time and fresh.

Two-wheeler purchases are mostly pragmatic productivity tools for the self-employed and smart phones have the utility of cheap entertainment, though good looks are a must.

Don't Indians believe in spending for emotional not utilitarian payoffs and to get fun? First, pragmatic consumption, while appearing utilitarian, has strong status and emotional payoffs. Secondly, "affordable indulgences", whether food, fashion, travel or entertainment are definitely seen as part of better living. As adman Santosh Desai puts it, for Indians now, life is not a condition to be endured but a product to be experienced. And Indians are excitedly seeking experience, provided the price fits the pocket.

There is mass market demand for everything, provided affordable supply exists. Whenever it does, demand explodes, as we have seen with air travel after Indigo or data consumption after Jio or apparel after Myntra or temple tourism in the Himalayas.

Borrowing to consume has also been morally purified. The cultural label of debt has changed from "irresponsible living beyond your means" to "responsible ways of achieving your goals of a better quality life". Consumer India has mostly proved to be a responsible borrower with consumer durable and housing loans forming a large part of retail credit and debit cards outnumbering credit cards and by not borrowing when the future seems uncertain. After credit scores and CIBIL, they are even more cautious.

### **More volatility in Consumption**

Today consumption is a lot more volatile than in 1991, despite economic growth. Earlier, there were only the haves and the have-nots, and it was mostly the "haves", typically quite secure in their employment, who consumed, such consumption being further smoothed by controlled supply. With income growth in the last thirty years and more supply at various price points, and better access to credit, there are a whole class of "have-somes" who are consuming now.

But these “have-somes” have stayed small-time self-employed, in a more volatile economy with low resilience to income shocks (60% of India has less than 5-6% surplus income after all their expenditure and account for 50% to India’s household consumption).

Despite their optimism, they fall off various compartments of the consumption bandwagon frequently and get back on it when they can.

### **A more complex consumer khichdi**

Earlier consumer categorisation was simple and binary. Today as exposure and experiences have increased, leading to more choices of how to live, it is a continuum with many shades of modern-traditional , westernised-Indian, rural-urban etc.

A rich land-owning joint family living in the village with children studying abroad or in the city, with cars and modern appliances, but still steeped in traditional ritual celebrations is one example that defies simple stereotyping, and there are hundreds more.

Food is a great metaphor for this. We commonly see vegetarian Mexican and Italian, “100% Belgian Waffles but no egg”, many shades of where and how non-vegetarian, north Indian homes now easily make dosas and south Indian eat Amritsari Chole (use a mix or just heat and eat or learn it on YouTube).

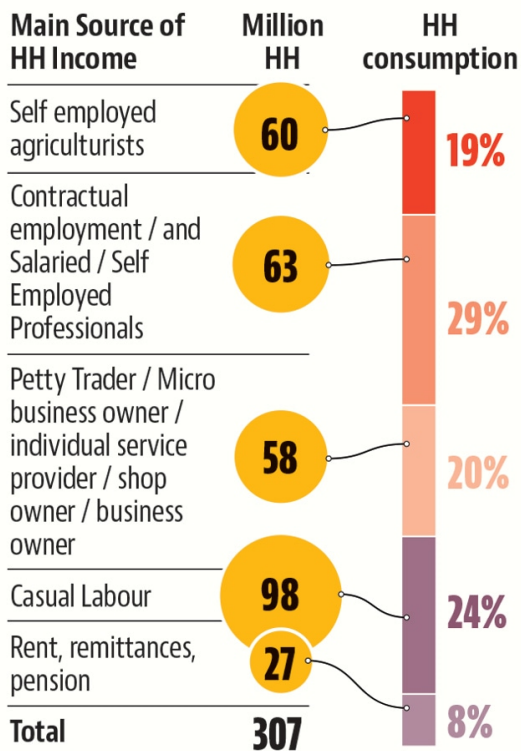
This fluidity compared to the rigidity of 30 years ago makes marketing more complex but provides far more opportunities to capture value.

# Mapping changing patterns



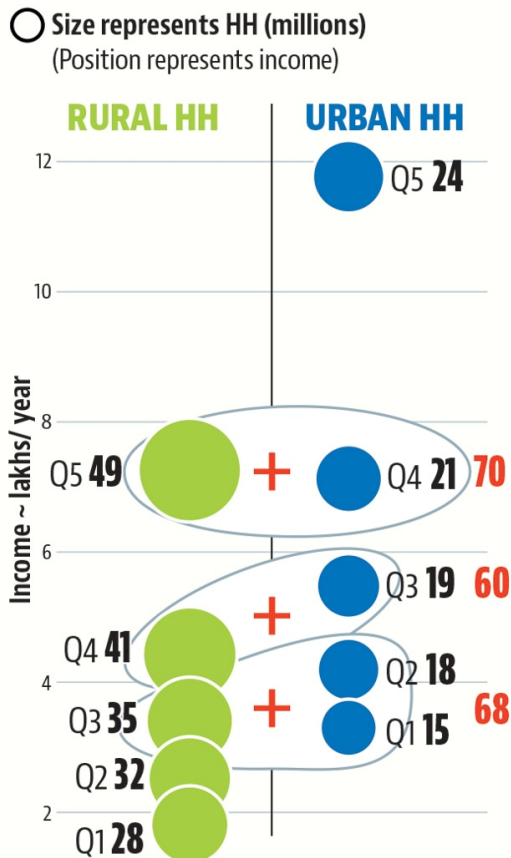
Consumption today is a lot more volatile than in 1991, despite economic growth. From the haves and the have-nots, we now have a whole new class of "have-somes"

**CHART 1 How consumer India earns and spends - 2020**



Rural HH account for 57% of all India Consumption, Urban HH for 43%

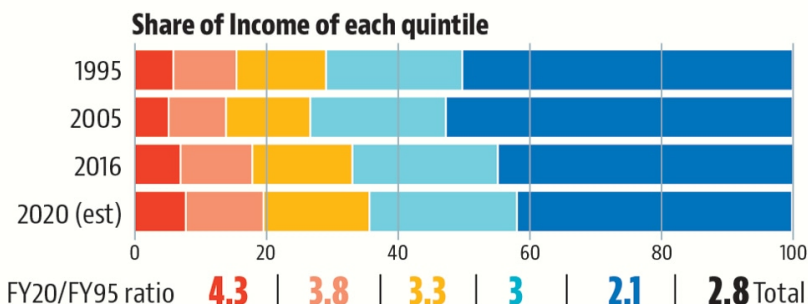
**CHART 2 Mass market at last**



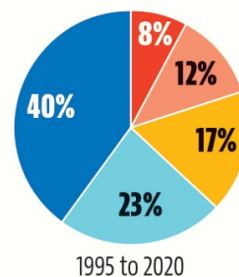
Quintiles are 20% slabs of equal population constructed based on per capita income of HH; Q5= richest, Q1= poorest  
UQ & RQ are quintiles of urban households and rural households respectively.

**CHART 3 Income growths by income strata**

■ Q1 (Poorest 20%) ■ Q2 ■ Q3 ■ Q4 ■ Q5 (Richest 20%)



Share of increased national income



1995, 2005 data from NCAER surveys, 2014, 2016 data from ICE360 surveys using compatible methodology  
2020 estimate based on simple projection of trend in observed data and GDP growth

But

Consumer India is a spoilt brat who loves “and” doesn’t like “or” , so all permutations of physical and digital are here to stay.(Hindustan Times)

### **Blurring urban-rural divide**

This blurring of boundaries is most evident in the rural-urban divide. Roads, the internet, TV, cars, cell phones have collapsed distances and provide a quantum jump in urban-like exposure to a lot of rural India. The diversification of rural India’s occupation away from agriculture provides better income increases and along with that, amorphous entities called census towns have morphed into something best called “rurban”. The most interesting thing about this blurring of the urban-rural divide in income and exposure is the creation at last of a singular mass market that straddles both (See Chart 3 --mass market at last).

### **Digital Moksha is here**

The education deficit has still not been fixed in these last 30 years, but digital literacy has stepped in, providing knowledge, information, ability of various kinds hitherto not possible. Digital environments now provide status-blind service for those lower in the social hierarchy (humans discriminate, IVRs and chatbots don’t).

Middle Consumer India’s confidence is on the rise. A lot has been written about how digital ability creates livelihoods so I won’t repeat any of that. But in an everyday sense it helps too.

A vernacular medium person with middle school knowledge of English alphabets who doesn’t speak English now confidently communicates via text with customers and employers in Roman Hindi. WhatsApp helps you project who you are (check out your tailor or subziwala’s DP), improves social bonding, allows easy assertion of decreased social distance (see who is sending you good morning messages or festival greetings) and easy e-commerce without spending on a website. When temples, government services, train ticketing and mobile recharges have gone online, when you can find everyday information or get an SMS that saves you a trip and money, when 57% of the poorest 20% of households have a smart phone, Cyber Consumer India is well and truly entrenched. But Consumer India is a spoilt brat who loves “and” doesn’t like “or” , so all permutations of physical and digital are here to stay.

### **The cookie toughens**

Consumer India has seen prices come down and quality go up of a lot of things (think airlines, telecom durables) and seen inconvenience turn into convenience; e-commerce and China have done their bit too by dropping price-performance points, upping convenience and variety and providing better service at no extra cost and the new sharing economy says pay only for what you need to use. Amazon and Instagram have made “unorganised” or “boutique” suppliers mainstream and weakened the draw of big brands and reduced switching costs or costs of trying and

experimenting. So, the “value conscious” Indian Consumer has become “value expecting and demanding” and loyalty has given way to promiscuity in purchaser choices.

### **The spirit is willing, the flesh, weak**

Consumer India is very keen to consume more, but its income and income growth are the constraint. The good news is that Consumer India’s income has grown substantially these last three decades. The bad news is that we are, and will be for a long time to come, a large economy with lots of modest-income consumers, a fact that we don’t honestly enough acknowledge. The good news is that income growth has happened across the board, geographically and by income classes, which makes for more and more robust consumer economy.

In the past thirty years, at an accelerating pace, Consumer India has grabbed all opportunities that have come its way to evolve both as a consumer and as a person.

The supply side has not kept pace and embraced the new Consumer India, focusing instead on operational efficiency improvement and scale building simplicity.

Rama Bijapurkar is co-founder of People Research on India’s Consumer Economy (PRICE). All data in this article is from ICE360 pan Indian surveys of PRICE