

ICE 360°

People Research on India's Consumer Economy (PRICE)

(ICE 360° Survey, 2014) “National Survey of Indian Consumers”

TECHNICAL NOTE

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1. Purpose and Value of the Research

ICE 360° Survey, 2014 is the first household level primary survey conducted by PRICE covering an all-India representative sample of over 20,195 households with earners selected from a listing of 1,01,534 households. The survey primarily focussed on providing household level, insightful and relevant information on economic and social well-being of Indian households including social inclusion, especially access to public goods and infrastructure, for the public domain to aid in advocacy and evaluation of the effectiveness and appropriateness of economic and public policy. Some of the key themes of the Indian consumer economy, captured by the survey, included household level income, expenditure, saving patterns, social inclusion, and financial optimism and life style indicators. One of the key focus areas of the survey was to provide a better and sharper, understanding of **‘Middle India’** by defining it and profiling it; and assessing the impact it can potentially have in boosting India’s future prospects, as a successful and stable country, as a growing economy, as a preferred destination for future developmental interventions such as FDI etc. The survey had two other riders as two additional modules; the first on **‘Gold purchase and investment behaviour of Indian households’** and the second on **‘Two-wheeler ownership and future purchase intention of Indian households’**.

The usefulness of the output of this research will be to help policy makers develop appropriately targeted policies to transform Middle India; to enable banks and financial institutions to understand how best to include this group to harness their potential; for companies to understand what products and services can transform the earning capability and living conditions of this group; for social scientists to be able to understand the changes in policy and in social structure that this may bring about and its implications. For businesses too, understanding the next tier of consumers, the ‘middle of the pyramid’ consumers, is necessary to drive growth. Income, occupation, living conditions and consumption data shows that so called Middle Class (or top 20 income tier of consumers) is a discontinuously different group from the rest of India. So new product and service configurations and new business designs are necessary in order to serve Middle India, because merely transplanting what has been designed for the Middle Class has not been working. However developing this market is likely to yield more immediate returns for business than trying to mine the fortune at the bottom of the pyramid. Banks and financial institutions also need to know more about Middle India in order to be able to evaluate the credit worthiness of a group of people who are mostly in the informal sector, who strive, but who have livelihoods but not salaried jobs, mostly.

2. Objectives

Core focus areas

- To understand economic wellbeing of India households based on income, expenditure and saving profile
- To determine the status of households on key socioeconomic and demographic variables
- To understand occupational profile of households and their sources of income
- To understand state of the nation: perceptions, aspirations, trust levels etc.
- To determine the status of consumption
- To understand the level of financial inclusion
- To understand the level of social, political and economic inclusion of Indian households.

Theme 1: “Middle India”: Key to Inclusive Growth and a Prosperous Future India

- Describing and defining ‘Middle India’ on the basis of income and comparing it with ‘Poor India’ and ‘Rich India’;
- Exploring financial, social, and political inclusion of ‘Middle India’
- Profiling “Middle India” on how it earns, spends and saves
 - Earning: Frequency, regularity, occupation/income sources and vulnerability,
 - Spending: Patterns and consumption basket, and
 - Saving: Savings and saving behaviour;
- Understanding the ‘State of Mind’ of ‘Middle India’: Financial optimism, feeling of security, sense of belonging, contentment and aspirations;
- Understanding migration and its impact on inclusion

Theme 2: Gold purchase and investment behaviour of Indian households

- Role of gold as a part of household saving and investment portfolio
- Frequency, form and source of gold purchases
- Understanding factors that drive the household demand for gold
- Usage of gold as a security against loan
- Attitudes towards hallmarking of gold
- Attitude towards potential gold investment schemes such as gold deposit schemes in banks, ‘paper gold’, and so on;
- Barriers to gold purchase/investment; and
- Profiling of gold buyers/investors

Theme 3: Two-wheeler ownership and future purchase intention of Indian households

- To understand the current status of the Indian two-wheeler market and its underlying heterogeneity
- To understand the socio-economic and demographic enablers of two-wheeler ownership
- Understand future intention for two-wheeler purchase and the motivations behind

3. Survey Approach and Methodology

ICE 360° Survey, 2014 primarily relies on information covering over 20,195 households (probability sample) from **seven economic clusters** in 21 major states of India. As a first step a sampling frame of 1,01,534 households was constructed from 1,010 locations (710 urban blocks and 300 villages) in the covered states.

Survey procedures such as approach, concepts and definitions, sample design and sample size, content of the questionnaire and estimation procedure have been executed after reviewing best National¹ and International² practices.

To generate representative sample of households of diverse India, all districts were grouped into seven economic clusters based on developmental indicators generated from Census 2011 and NSS CES, 2011, separately for rural and urban areas. In case of urban India, a combination of three identified criteria namely, size of population, rate of urbanization and per capita market size (per capita household expenditure) have been used to categorise all districts into four urban clusters. These four urban clusters are **Metros**, the largest cities in terms of population and overall consumer markets; **Boomtowns**, which stand out as the next set of big-population cities with high expenditure per household; **Niche cities**, which are smaller in terms of overall population but still hit well above their weight in spending per household; and **Other urban towns (smaller cities)** – what is basically a semi urban or urban which are formed by large villages and new towns.

¹ **The major National Studies** reviewed include 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), National Survey of Household Income and Expenditure (NCAER's NSHIE, 2004-05); etc.

² **The major International Studies;** Expert Group on Household Income Statistics (Canberra Manual) Canberra City Group of UN Statistical Commission; Household Income and Expenditure Statistics (ILO); Chinese Household Income Project (1995) and Household Income and Expenditure Survey (Sri Lanka), etc.

URBAN Clusters				
Urban Clusters	Population (Census 2011)	Total Number of Districts	Number of Sample Districts	Sample Districts
Metros	>= 5 million	10	8	Delhi, Mumbai, Bangalore, Pune, Ahmadabad, Chennai, Surat and Kolkata
Boom Towns	2.5 to 5 million	18	13	Hyderabad, Nagpur, Jaipur, Lucknow, Kanpur Nagar, Ernakulam, Nashik, Indore, Rajkot, Kozhikode, Patna and Kamrup, Coimbatore
Niche Cities	1 to 2.5 million	39	23	South Twenty-Four Parganas, Madurai, Vadodara, Thiruvananthapuram, Ludhiana, Bhopal, Tiruchirappalli, Erode, Aurangabad, Chittor, Meerut, Faridabad, Mysore, Amritsar, Khordha, Ranchi, Gwalior, Gurgaon, Chandigarh, Gautam Buddha Nagar, Dehradun, Jamnagar and Bokaro
Other Urban Towns	Less than 1 million	559	37	Nadia, Raipur, Belgaum, Varanasi, Bellary, Gulbarga, Patiala, Darjiling, Jhansi, Cuttack, Shimoga, Hardwar, Nizamabad, Udaipur, Latur, Maldah, Chhindwara, Mhaboob Nagar, Medak, Hisar, Ganganagar, Bathinda, Yamunanagar, Karnal, Satna, Puruliya, Sambalpur, Guna, Raigarh, Shimla, Rae Bareli, Bahraich, Bastar, Kalahandi, Kangra, Jhabua and Jaisalmer

Rural India is more homogeneous than urban. For better rural representation, ***District Development Index*** has been calculated for all 640 districts using a set of 21 developmental indicators on demographics, financial inclusion, access of basic amenities, assets penetration, etc. available from Census 2011. Using the overall index value, all districts have been grouped into three economic rural clusters irrespective of states. These are ***Developed Rural***, all the top 25 per cent districts; ***Progressive Rural/Emerging Rural***, next 25 per cent and rest all the districts under ***Underdeveloped Rural***.

RURAL Clusters			
Rural Clusters	Total Number of Districts	Number of Sample Districts	Sample Districts
Developed Rural	152	26	Pune, Thiruvananthapuram, Tiruchirappalli, Nagpur, Kangra, Rajkot, Ludhiana, Ganganagar , Meerut, Surat, Ernakulam, Coimbatore, Kozhikode, Jamnagar, Amritsar ,Patiala, Bangalore, Bathinda, Indore, Dehradun, Shimla, Gurgaon, Delhi, Faridabad and Chandigarh
Emerging Rural	158	19	Medak, Chittoor, Belgaum, Nashik, Rae Bareli, Jaipur, Nizamabad, Vadodara, Mysore, Latur, Kamrup, Madurai, Varanasi, Kanpur Nagar, Lucknow, Ahmadabad, Jhansi, Hardwar, Palwal and Bhopal
Under Developed Rural	315	28	South Twenty Four Parganas, Purba Champaran, Nadia, Maldah, Darbhanga, Gaya, Bahraich, Raipur, Patna, Araria, Udaipur, Puruliya, Bhagalpur, Cuttack, Aurangabad, Satna, Kalahandi, Chhindwara, Ranchi, Raigarh, Bellary, Mahbub nagar, Bastar, Bokaro, Jhabua, Gwalior and Jaisalmer

3.1 Sample design: Household is the basic unit of data collection and analysis. This survey is designed to generate reliable estimates at the cluster level and group of states covering both rural and urban India. Both quantitative (sample survey) and qualitative (PRA/RRA techniques) approaches were employed to generate the primary data. The target population of the survey was the total population in the country, with states and urban/rural categories as sub-populations or target groups. A three-stage stratified sample design has been adopted for the survey to generate representative samples. Sample districts, villages and households formed the first, second and third stage sample units respectively for selection of the rural sample, while cities/towns, urban wards and households were the three stages of selection for the urban sample. Sampling was done independently within each seven economic clusters.

3.2 Sample size and its allocation: The sample sizes at first, second and third stages in rural and urban areas were determined on the basis of available resources and the derived level of precision for key estimates from the survey, taking into account the experience gained in conducting the similar surveys as well experience gained through reviewing process. A total of 20,195 households were covered in the current survey which is distributed over larger geographical area particularly in urban areas to increase the reliability of estimates. For instance, in urban areas, a sample of 14,258 households, out of preliminary listed sample of 71,486 households, was spread over 710 urban wards in 81 districts covering the 21 States/UTs. Similarly in rural areas, the realised sample of 5,937 households out of preliminary listed sample of 30,048 households was spread over 300 villages in 72 districts covering the 21 States/UTs.

3.3 Selection of URBAN households: A total of 81 urban districts were selected using PPS sampling covering all four urban clusters in the 21 covered states. From each sample urban district, the pre-determined number of urban wards (blocks) was selected independently from each sample district using the Systematic Random Sampling technique.

Within a selected ward (urban block), a sample of about 100-150 households were listed to develop most updated urban sampling frame of households with desired information which was used for stratification and selection of representative sample households. Information on 10 household indicators related to demographics (household size, highest education in the household, major source of household income), perceived average annual household income, monthly average household consumption expenditure, ownership of selected consumer goods (car, Motor Cycle, Scooter and Moped) and ownership of financial products (bank account, debt and life-insurance) was collected. Using these indicators a composite score of well-being status was calculated for each listed household independently for each sample urban block. Major source of household income and composite score were used to stratify listed households into 10 strata as follows:

URBAN Stratification				
Major source of household income	Composite Score (Percentile value)			
	<25Th	25th – 50th	50th – 75th	>75th
Self-employed	Stratum 1	Stratum 2	Stratum 3	Stratum 4
Labour	Stratum 5			
Regular Salary+ Others	Stratum 6	Stratum 7	Stratum 8	Stratum 9
Rich	Stratum 10			

From each of the strata, 2 households were selected using simple random sampling technique with replacement for canvassing of the main questionnaire. Also, 2 additional households with highest score were selected irrespective of occupation to capture the rich, not in terms of income only but also in terms of asset ownership like car or two wheeler. Thus from each selected ward, 20 sample households were canvassed for detailed survey.

3.4 Selection of RURAL households: A total of 72 rural districts were selected using PPS sampling covering all three rural clusters in the 21 covered states. From each sample rural district, the pre-determined number of villages was selected independently from each sample district using the PPS Systematic Random Sampling technique, keeping in mind the larger geographical coverage.

For the selection of households, similar procedure was followed as in case of urban sample. Composition of score included ownership of cultivable land as an additional indicator.

RURAL Stratification				
Major Source of Household Income	Composite Score (Percentile value)			
	<25th	25th – 50th	50th – 75th	>75th
Agriculture	Stratum 1	Stratum 2	Stratum 3	Stratum 4
Self-employed	Stratum 5		Stratum 6	
Labour	Stratum 7			
Regular Salary+ Others	Stratum 8	Stratum 9		Stratum 10

From each of the above effective ten strata, two households were selected using simple random sampling technique with replacement for canvassing of the main questionnaire. In case, any of the strata was found to be missing (no household), then households from previous stratum within same occupation, where additional households were available, were selected so as to get 20 sample households in a selected village.

Sample Size and Allocation					
Clusters	Number of Districts	Sample Districts	Sample Blocks/ Villages	Listed Household	Detail Households
Metros	10	8	200	20,159	4,000
Boom Towns	18	13	128	12,917	2,559
Niche Cities	39	23	198	19,865	3,960
Rest of Urban	559	37	184	18,545	3,679
URBAN		81	710	71,486	14,198
Developed Rural	150	25	69	6,870	1,379
Emerging Rural	158	20	100	10,176	2,019
Under Developed Rural	315	27	131	13,002	2,599
RURAL		72	300	30,048	5,997
ALL INDIA		-	1,010	1,01,534	20,195

To increase accuracy and ensure adequate item response, the survey was conducted by adopting face-to face interviews of heads of households as well as their members using a questionnaire-based approach. Non-response and non-sampling errors were reduced by conducting focus group discussion, proper training of interviewers and supervision.

Detailed information was collected on the demographic profiles of households and their composition, components of household income, consumption expenditure and on relevant qualitative indicators related to economic activities of households. An exclusive module containing aspects such as the motivation to save, reasons for saving, preferred mode of saving, investment, borrowing, household economic shocks, insurance, perception about wellbeing, etc, were canvassed to all sample households to measure the level of mind set and financial viability.

4. Data Validation and Reliability of Estimates

Income and expenditure surveys often tend to bring to fore certain stark trends and statistics. And invariably doubts are raised over the reliability of such data. It should be admitted that there is no fool proof method by which one can establish the reliability of all the survey results. There are, however, certain procedures by which it is possible to make assessment of the degree of confidence that can be placed on the findings of the survey. The most widely used and fruitful procedure is to compare the survey estimates with the estimates generated by other reliable sources despite the difficulty to obtain estimates which are comparable from the point of view of concepts, coverage of population and period to which data refer. However, such comparison provides some basis for judging the degree of reliability and hence an attempt is made to compare the survey results with the available external data.

4.1 Demographic characteristics: Information relating to key demographic characteristics of the Indian households is available from 68th Round of National Sample Survey³ (NSS 68th) and Census⁴, with which the present survey (ICE 360° Survey, 2014) results can be compared. According to the ICE 360° survey, there are 270.1 million households in the country, of which 33.5 per cent (90.6 million) live in urban areas and the rest (179.5 million) in rural areas. Estimate of average household size from ICE 360° Survey, 2014 (4.7 members) appears consistent with the estimates obtained from NSS 68th round (4.4 members) and Census 2011 (4.9 members).

All the three data sources are also fairly comparable on some other parameters, such as the distribution of households by socio-religious groups. It is to be noted that the distribution of population for different socio-religious groups in ICE 360° Survey, 2014 appears to be slightly different compared to the NSS and Census estimates. This is largely due to state (Jammu and Kashmir) and UTs left out in ICE 360° Survey, 2014.

³ NSS (2011-12) Consumption Expenditure Survey

⁴ Census (2011)

Table: Demographics profile of Indian households

Characteristics	Rural			Urban		
	ICE 360° Survey, 2014	Census (2011)	NSS (2011-12)	ICE 360° Survey, 2014	Census (2011)	NSS (2011-12)
Estimated households (Million)	179.5	168.6	172.1	90.6	80.9	78.2
Estimated population (Million)	845.0	833.7	792.1	419.9	377.1	316.9
Household size	4.71	4.94	4.60	4.63	4.66	4.05
Distribution of households by social groups (%)						
Schedule Castes	20.1	19.5	21.2	20.8	14.0	14.2
Schedule Tribes	12.0	11.9	11.4	5.8	3.9	3.6
Others	67.9	68.5	67.4	73.3	82.1	82.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
Distribution of households by religion (%)						
Hindu	85.8		84.4	84.9		80.4
Muslim	10.9		11.0	10.1		13.6
Christian	1.4		2.2	1.4		3.0
Sikh	1.3	NA	1.6	2.8	NA	1.3
Others	0.5		0.8	0.8		1.6
Total	100.0		100.0	100.0		100.0

4.2 Sources of Household Income: While labourers constitute the largest segment of the Indian households as source of earning (a little over 1/3rd of the country's households); it is interesting to note that salaried, self-employed agriculturists and the non-agricultural self-employed households account for little over 1/5th each segment of the country's households. The figures differ for rural and urban areas – while the salaried account for just 8.3 per cent of rural households, in urban areas they account for 32.1 per cent.

Figure: Distribution of households by source of income - Urban

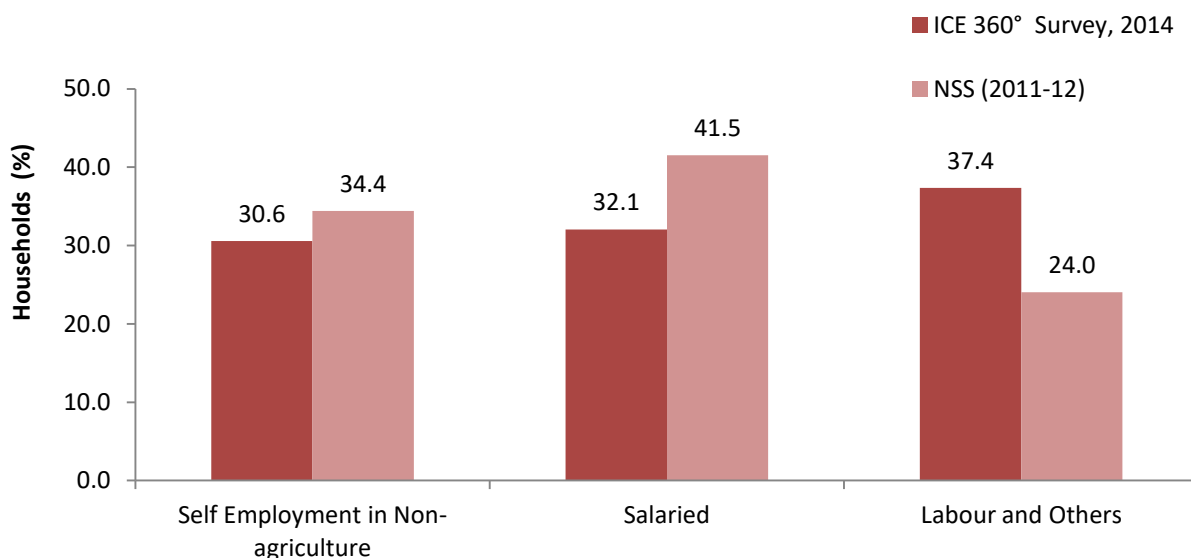
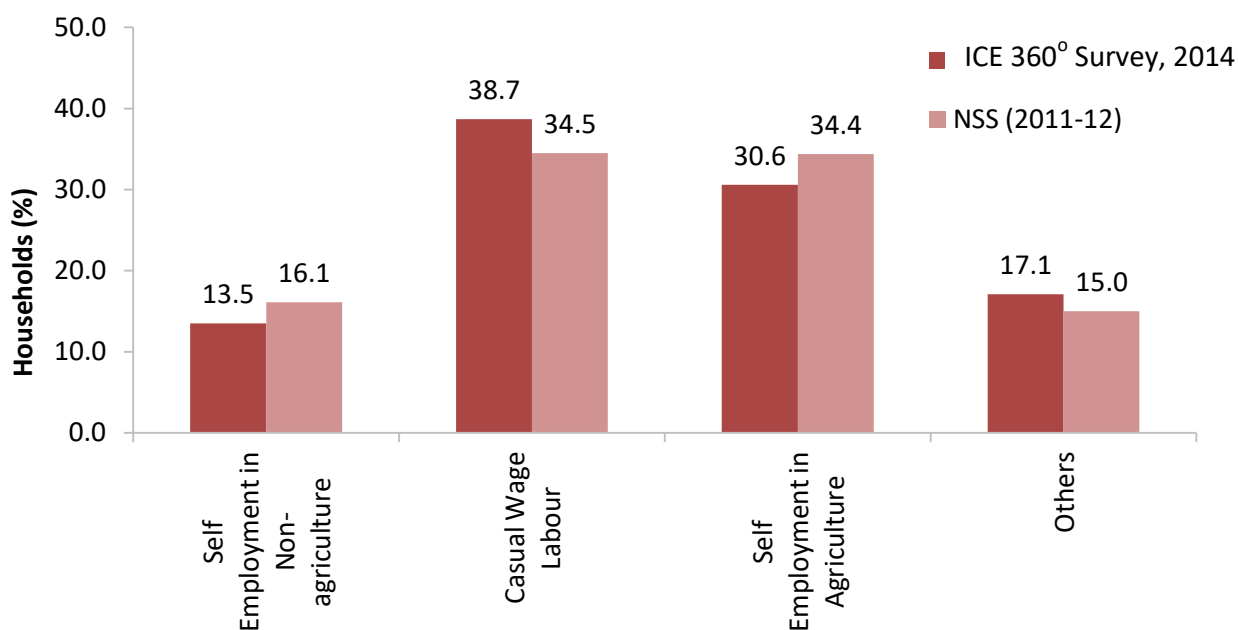


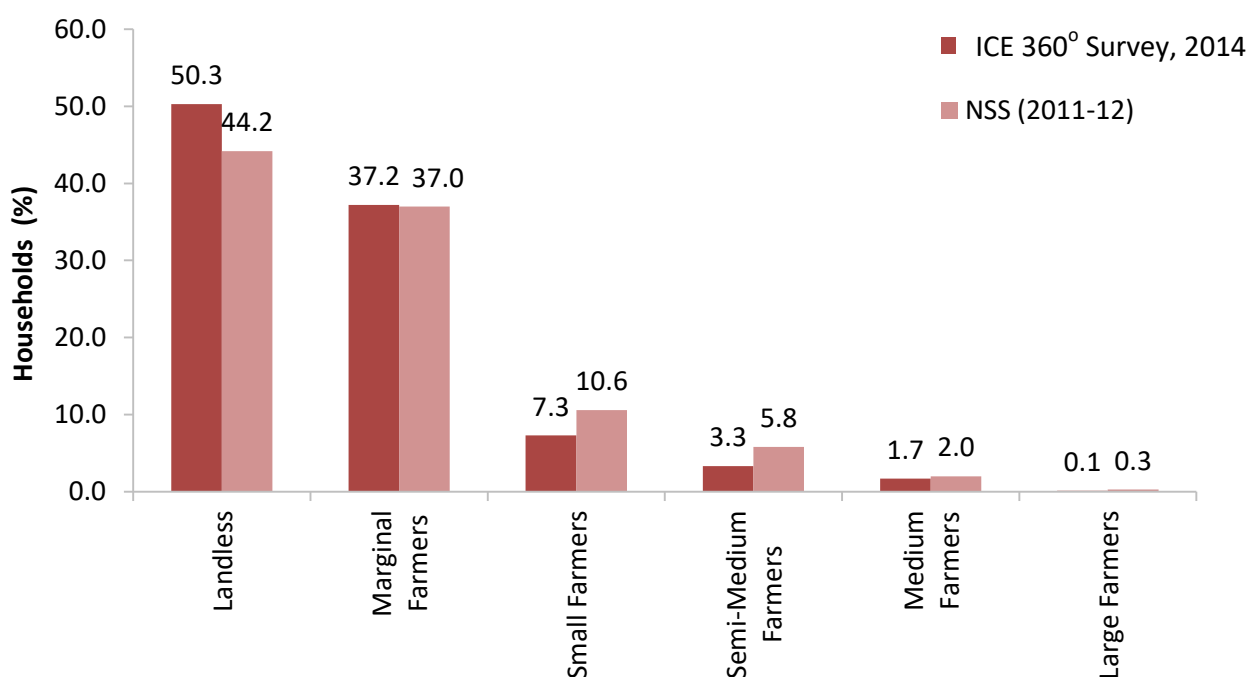
Figure: Distribution of households by source of income – Rural



Similarly, the value of cultivable land by a rural household is perhaps an important indicator of the economic status of the household which is certainly more relevant in the context of rural versus urban India. Nearly 50 per cent of rural households in India do not possess cultivable land while 37 per cent are marginal farmers (0-1 hectare of land).

Distribution of households by major source of household income and land category from ICE 360° survey appears consistent and fairly comparable with the estimates obtained from NSS 68th round.

Figure: Distribution of RURAL households by size of cultivable land category⁵



4.3 Estimates of Income, Expenditure and Saving: An average household in India had an annual income of ₹197,687 in 2013-14, and an expenditure of ₹162,585, leaving it with a surplus of ₹ 35,101 to save and invest. Urban income levels are around ₹262,944 per annum versus ₹165,370 per annum for rural. Since expenses in urban areas are substantially higher (₹213,048 per annum in urban areas versus ₹137,116 per annum in rural ones), the differences in the surplus income (of urban and rural areas) that can be saved or invested is not all that huge. As a result, the average urban household saves nearly 1.8 times that of a rural household (₹49,896 per annum in urban areas versus ₹27,633 for rural areas).

A common problem faced by such surveys is the under-statement of economic data (income, expenditure and savings) by the respondents. The adopted concept of income in ICE 360° survey includes wages, salaries, bonus, business, profession, farm income and other forms of labour income, pensions, rent, interest, and dividend, the aggregate income of Indian households is estimated to be ₹53,390 Billion for the twelve-month period, April 2013- March 2014 which is about around 59 per cent of the total personal disposable income provided by the National Accounts Statistics (NAS) for entire country. An estimate of surplus income (as an indicator of savings) is arrived at by subtracting the total household expenditure from the total household income. Through this method, this survey found estimates of savings as a proportion of disposable income to be 29.3 per cent, as against the official estimate of 27.1 per cent for the year 2013-14. It is important to note that the degree of under coverage of income, expenditure and saving in the ICE 360° survey in comparison to official estimates gives a fair degree of confidence for studying the distributional properties for all practical purposes.

⁵ Landless: 0 hectares; Marginal farmers: 0-1 hectares; Small farmers: 1-2 hectares; Semi-medium farmers: 2-4 hectares; Medium farmers: 4-10 hectares; Large farmers: more than 10 hectares

These differences in estimates can be attributed to the following factors. **One**, this survey did not cover some of the smaller states and union territories which account for about 2-3 per cent of the population. **Two**, according to the Central Statistical Organisation (CSO), the household sector by definition comprises of individuals, non-government non-corporate enterprises of farm business and non-farm business like sole proprietorships and partnerships, and non-profit institutions. ICE 360° survey, on the other hand, covers only households. **Three**, certain components of income are not perceived as income by the respondents and hence they get excluded from incomes reported in income surveys. Items like reimbursements for travel, medical and other such expenses are not reported correctly in this survey.

4.4 Estimates of Sampling Error: To check the data reliability, a variety of methods are used. The most common amongst them are evaluation of sampling and non-sampling errors. Sampling errors are measurable within the framework of the sample design and are also controllable by varying the size of the sample. For instance, the average income per household is ₹197,686 and its standard error is ₹11. The standard error and coefficient of variation of the estimated average household income for various income quintiles is consistent and within permissible limits. This generates a fair degree of confidence in the ICE 360° survey estimates.

Table: Estimates of standard errors

Per capita income quintile	% share in households	% share in total income	Per capita income (₹ Per annum)	Standard error of mean income	Coefficient of variation (%)
Q1-Bottom quintile (0-20%)	16.3	6.6	13,990	6.6	54.4
Q2-Second quintile (21-40%)	17.7	11.0	23,360	7.7	43.2
Q3-Middle quintile (41-60%)	20.3	15.0	31,630	8.9	45.4
Q4-Fourth quintile (61-80%)	22.5	21.2	44,931	12.5	52.6
Q5-Top quintile (81-100%)	23.1	46.1	96,794	31.3	62.8
Total	100	100	42,211	10.7	88.7

Another important source of error, which can vitiate the estimates, is the **non-response rate**. In the case of this survey, it was around 3 per cent and largely due to unanticipated reasons such as the psychology of the respondent. Non-sampling errors arise mainly from three sources. **One**, respondents refuse to cooperate and deny information; they supply partial information that may not be usable; or they deliberately provide false information. **Two**, the interviewers are also prone to have some preconceived notions whereby some biases creep into the schedules. **Three**, respondents may not remember all the relevant numbers sought by the interviewers. And this tends to considerably increase the margin of error in the data collected. There is no satisfactory procedure for a precise measurement of non-sampling errors. A team of trained interviews (180), supervisors (30) and PRICE professionals (10) from different language groups were engaged for about three months to undertake the task of primary data collection. The field team was thoroughly trained through all the phases of the surveys. Every care was taken to implement maximum possible quality control in recording of the answers of the respondents.

5. Concepts and Definitions

- A household is the basic unit of analysis in the study. Most of the quantitative classificatory factors such as income, expenditure, investment, surplus income, amount of life insurance payments, etc., refer to the household as a whole. Certain other characteristics used for the analysis such as occupation, age, education and source of income refer, however, pertain only to the chief earner of the household.
- **Household:** A group of persons normally living together and taking food from a common kitchen constitutes a household. The members of a household may or may not be related by blood or marriage. Servants, permanent labourers and unrelated members are treated as members of the household in case they take their meals regularly from the same kitchen. If a person was out for more than six months during the reference period, he/she was not treated as a member of the household. Those entering the household on account of marriage or other alliances and new-born babies are counted as members of the household, even if they lived with the household for less than six months.

In the current survey, household has been considered as the basic unit of primary data collection as well statistical analysis.

- **Household size:** The number of resident members of a household is its size. It includes temporary stay-away members, but excludes temporary visitors and guests.
- **Head/Chief Wage Earner of the household:** The head is the main decision-maker in the family and the person best informed about the family's finances. Usually, he/she is the chief earner or the oldest member in the household. The household members were expected to inform the interviewer who they regard as their 'head/chief earner'.
- **Rural and urban areas:** The definition of urban and rural areas adopted for this study is the same as that used in the 2011 Census. As per Census 2011, constituents of urban areas are **Statutory Towns, Census Towns and Outgrowths**.
 - **Statutory Towns (ST):** All places with a municipality/corporation, cantonment board or a notified town area committee, etc.
 - **Census Towns (CT):** Places that satisfy the following criteria termed as CTs.
 - A minimum population of 5,000
 - At least 75% of the male main working population engaged in non-agricultural pursuits
 - A density of population density of at least 400 per sq. km.
 - **Out Growth (OG):** Out Growth should be a viable unit such as a village or part of a village contiguous to a statutory town and possess the urban features in terms of infrastructure and amenities such as pucca roads, electricity, taps, drainage system, education institutions, post offices, medical facilities, banks, etc. Examples of OGs are Railway colonies, university

campuses, port areas, that may come near a city or statutory towns outside its statutory limits but within the revenue limit of a village or villages contiguous to the town or city.

- **Urban Agglomeration (UA):** It is a continuous urban spread constituting a town and its adjoining urban outgrowths (OGs) or two or more physically contiguous towns together and any adjoining urban out-growths of such towns.
- **RURAL:** All area other than urban are rural. The basic unit for rural areas is the revenue villages.
- **Household income:** Income represents a partial view of economic well-being and comprises the regular or recurring receipts of household economic accounts. It provides a measure of resources available to the household for consumption and savings. A hierarchy of components of income is built up which provides definitions of total disposable household income. The recommended practical definition of income⁶ has been adopted for use in making international comparisons of income.

The total income of all household members earned during the reference period from all the sources as listed below is considered as the household income. The major components of income covered in the survey are income from regular salary/wages, income from self-employment in non-agriculture, income from wages (agricultural labour and casual labour), income from self-employment in agriculture (crop production, forestry, livestock, fisheries, etc), income from other sources such as rent (from leased out land and from providing accommodation and capital formation), interest dividends received, employer-based pensions.

- **Agriculture and Allied Activities:** Self-employed persons who operate their own farm with or without hiring labour.
 - **Cultivator:** Persons engaged in their own or leased in farm activities are defined as cultivator.
 - **Allied agricultural activities:** Persons engaged in the activities like dairy farming, poultry farming, bee-keeping, fisheries, sericulture, pisciculture etc. are defined as allied agriculture workers.
- **Self-Employed (Employer) in Non-Farm Activities:** Persons running their own business enterprise with or without hiring people
 - **Petty traders:** Persons engaged in providing retail services without permanent establishments (structure), e.g. hawkers, street vendors etc. are called petty traders.
 - **Shop owners:** Persons engaged in providing retail services with small but permanent establishments (structure) are called shop owners.

⁶ For instance, Expert Group on Household Income Statistics (Canberra City Group of UN Statistical Commission): Over 70 experts from 26 national organisations and 7 international organisations were involved in the work of the Canberra Group with objective to enhance national household income statistics by developing standards on conceptual and practical issues related to the production of income distribution statistics. It carried out a metasurvey (survey about surveys) of 106 income components that are actually collected in 30 household income surveys in 25 countries from all continents.

- **Businessman with no employee:** Self-employed persons engaged in their own business and not hiring any employee and not classified as petty traders, shop owners or professionals are called Businessman with no employees e.g. wholesaler, contractor, builder etc.
 - **Self-employed- Professional:** Self-employed persons who have acquired professional degree/diploma and are independently engaged in their own professional work e.g. doctors, lawyers, chartered accountants, engineers, architects, scientists, cinematographers, actors, authors, consultants etc.
 - **Self-employed -Non-Professional:** Self-employed persons who are engaged in providing services e.g. plumber, electrician, tailor, artisan, washer man, barber etc. and are not classified as petty traders & shop owners.
- **Regular Salary/Wage:** Regular salaried/wage are those who are getting salary/wage on a regular basis.
- **Grade 4:** Unskilled/Skilled employee: 4th Grade unskilled employee like peon, gardener, messenger, porter, unarmed security guard, loader, cook, waiter, ward boys. 4th grade skilled employee like mid wives, driver, mechanic, electrician, carpenters, fitter, fireman, armed security guard, jawan, constable etc.
 - **Clerical:** Includes white collar workers working as clerk and are not senior enough to be called as 'supervisor/officer/executive'. (Interviewers should keep in mind that a salesman/field worker can work in the company as clerk or supervisor or junior or senior executive. Hence, it needs to be probed and accordingly classified)
 - **Supervisory level:** Includes white collar workers working as supervisor/instructor who are not senior enough to be called as 'officers / executives' e.g., head constables, head clerks, station masters, civil overseers. School teacher teaching up to middle level i.e. 8th standard level or below will fall in this category.
 - **Officers/Executive - Junior:** Includes white collar workers reporting themselves as Junior Officers/ Executive. Non-gazetted officers in the government and non-management cadre in the private sector company will fall in this category. School teacher teaching at 9-12th standard level will fall in this category.
 - **Officers/Executive - Middle/Senior:** Includes white collar workers reporting them as Middle/Senior Officers/Executive. Gazetted officers in the government and management cadre in the private sector company will fall in this category. University/College teacher will fall in this category. Secondary and higher secondary school headmasters will also fall in this category.
- **Casual Wage Labour:** Casual (i.e. non-permanent) wage labourers are those who are paid on a daily basis or by piece rate.
- **Agriculture & allied wage labour:** A person is treated as agriculture and allied wage labour if he/she works in agriculture and allied sector units (Dairy farming, bee keeping, poultry farming or fisheries) and earns daily wages in cash or kind or both cash and kind.

- **Non-agriculture (skilled & unskilled) wage labour:** Includes all skilled (technical training/knowledge) casual (e.g. non-permanent) wage workers e.g. mechanics, tailors, artisans, masons, plumbers, blacksmiths, carpenters, electricians, drivers, barbers, mid wives etc. all unskilled casual (non-permanent) wage workers e.g. construction workers, helpers, sweepers etc.
- **Others sources of earning:**
 - **Earning from Other sources:** Persons reporting their earnings from pension/Rent/Interest /Dividend/Royalty/Remittance
 - **Rental (land/house):** Amounts charged to the tenant by property owners for the use of the owner's property.
 - **Interest/remittance/dividend/royalty:** Interest is the amount earned on savings accounts, deposits, or amounts received by the lenders from borrowers for loans taken. Remittances are both domestic and international. Domestic Remittances is the amount sent by the family members who are living in India to the household, where the person providing the amount is not residing in the household of the recipient. International Remittances is the amount received by the household from family members or others living overseas. Dividend is the profit of companies that is distributed to the owners (Share holders) of the company. Royalty is a fee that a business franchise owner must pay to be part of a franchise system or the fee received by authors from publishing houses on sale of their books
 - **Pension/Bonus:** Pension is a monthly payment made to someone who is retired from work and by virtue of his employment in an organised sector which he/she gets periodically. On the other hand Bonus is a one-time payment made by an employer to an employee in addition to salary as a reward for good service or performance.
 - **Social insurance/assistance:** Social insurance is any government-sponsored program for securing the lives of Old, Helpless, Permanently disabled, widow etc. For e.g. **Old Age Pension from Government, Widows Pension, Permanent Disability, disability grants, for Workmen's Compensation Unemployment Insurance, Pneumoconiosis and Silicosis Funds** and similar funds to promote the welfare of the people by securing and protecting, as effectively as it may, a social order in which justice, social, economic and political, shall inform all the institutions of the national life.
- **Routine consumption expenditure:** Household consumption that includes the value of all goods and services provided in kind by the employer or as a result of home production (excluding the value of imputed rent for owner-occupied dwellings). It includes food, non-food and consumer services.
 - **Food items:** While recording consumption, care should be taken to include consumption on ceremonies, parties, etc. If the household makes any transfer payment in terms of commodities (like cereals, beverages, fruits, vegetables pulses, etc), the quantity of such commodities should not be shown under domestic consumption of the payer household. For

this survey, the portion out of that receipt consumed by the recipient household during the reference period was shown against the consumption of the recipient household.

- **Non-Food items:** includes house rent, LPG, other cooking fuel, conveyance-public transport, clothing & footwear, etc.
- **Consumer Services:** includes expenditure on education (school uniforms, fees, stationery, etc), health related issues such as the doctors fees, medicines, tests etc, on usage of mobile phone, landlines and internet, entertainment and other services like repair, maintenance etc.
- **Unusual household expenditure:** It includes occasional but large annual expenditures on social ceremonies (marriage, birth and other social events), health/medical, higher education, leisure and holiday travel, jewellery etc.
- **Surplus income:** Surplus income refers to the current household income less current routine consumption expenditure and unusual expenditure.
- **Investment:** The annual investment made by all the members of household in stock markets (shares/debentures/bonds), small savings, insurance, others.
 - The imputed rent of owner-occupied houses is excluded from consumption expenditure. Any expenditure incurred towards the productive enterprises of the households is also excluded from the household consumer expenditure.
- **Reference period (The accounting period):** As per recommendation of Expert Group on Household Income Statistics (Canberra City Group of UN Statistical Commission) accounting period used for income distribution is one year, hence we considered financial year 2013-14 for our survey, however, reference period for other household information such as demographic indicators (occupation, education, life style, etc.) was collected as on the date of survey.
- **Period of survey:** Primary data was collected during August 1, 2014 to October 31, 2014.