

Middle India is still some way off from being middle class

Sixty-nine per cent of Middle India is rural while only 6% lives in the metros, according to the ICE 360° survey



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If you think you are middle class, or belong to the middle of India's income distribution, you are most likely to be wrong. But you are not alone. An overwhelming majority of the richest Indians consider themselves to be middle class, and at least a third of those actually in the middle of India's income distribution pyramid consider themselves to be poor.

These are the rather stark results from a large-scale nationally representative survey conducted this year. The 'Household Survey on India's Citizen Environment & Consumer Economy' (ICE 360° survey) conducted this year shows that only 3% of the top percentile, or the richest 1% Indian households, consider themselves to be rich. The rest consider themselves to be either middle class or poor.

There is, of course, no objective definition of the middle class but if it means anything, it is that it must exclude the wealthy and the poor from its ranks. Unfortunately, that's easier said than done in a country where those in the middle of the income distribution are vulnerable to income shocks that may throw them into poverty all of a sudden and where, by global definition—those with per-capita income between \$30 and \$20 a day—only the top 3% belong to the global middle class, as a 2015 New Research Centre report pointed out.

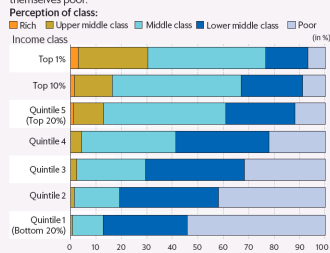
Even if one were to apply non-income yardsticks and consider ownership of assets and amenities, only a small fraction of Middle India, or the middle 60% of India's income pyramid will qualify as middle class, the ICE 360° survey shows. Middle India is largely rural, barely educated, and has considerably lower ownership of household assets and vehicles, the survey shows.

Sixty-nine per cent of Middle India is rural while only 6% of Middle India lives in the metros. Seventy-two per cent of breadwinners in Middle India are either unskilled or have received only primary schooling. Most of them are either self-employed or labourers, and very few (17%) have regular salaried jobs. The contrast with Rich India, or the richest 20%, is stark, as the accompanying charts show.

In the size, Rich India's share of Middle India but in terms of the share of the consumer economy, Rich India accounts for a disproportionately large share. In terms of spending on consumer durables and household appliances, Rich India outspends Middle India. Collectively, Middle India spends more on consumer essentials compared to Rich India. But Rich India has a greater share of the consumer essentials market than

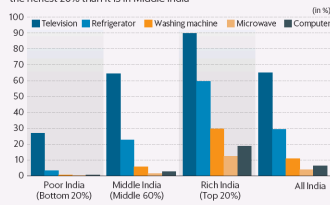
Feeling 'middle class'

A majority of the richest 1% think they belong to the middle class. Nearly a third of the middle-most quintile (third quintile) consider themselves poor.

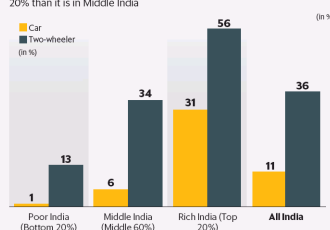


Ownership of household assets and vehicles

The penetration of consumer durables is significantly higher among the richest 20% than it is in Middle India



Ownership of vehicles is much more common among the richest



GRAPHIC: SARVESH SHARMA/MINT
mint ICE 360°
Part 15

is warranted by its share of the population, indicating that on a per-capita basis, those belonging to Rich India consume much more of essential consumer goods than those belonging to Middle India.

In ownership of cars and household assets such as refrigerators and washing machines, there is a wide gulf between Rich India and Middle India. The gap is lesser when it comes to ownership of TVs and two-wheelers.

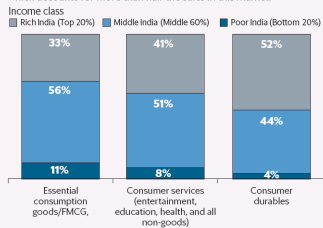
The differences in education, occupations, and ownership of assets

are also reflected in the distribution of income. While the reported average monthly household income of Rich India is Rs2,775, the reported income of Middle India is less than half that figure at Rs13,636.

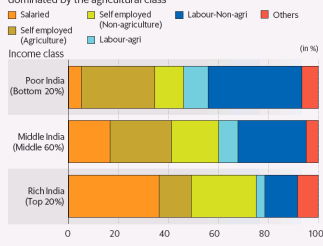
What these statistics suggest is that in our country, only a very small fraction of Middle India has middle-class characteristics such as regular earnings, ownership of vehicles, and ownership of household appliances. Most of Middle India is not middle class, the survey seems to suggest. However, it is Middle India that is likely to contribute most to the ranks of the Indian middle class over the next few decades, as income and education levels rise, and asset ownership grows

Middle India but not middle class

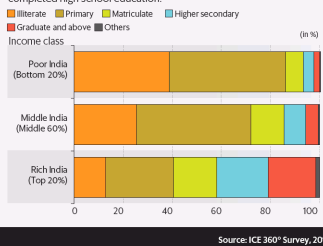
The richest 20% account for a disproportionately large share of the consumer durables market in India, accounting for more than half the sales. Even in the essential goods/FMCG market, their share is larger than their share in the population but it is Middle India (middle 60%) which accounts for more than half the sales in this market.



Rich India is dominated by the salaried class while Middle India is dominated by the agricultural class



A majority of bread winners in Middle India are either unskilled or have primary schooling. A majority of bread winners in Rich India have completed high school education.



in this group.

The ICE 360° survey was conducted by the independent not-for-profit organization, People Research on India's Consumer Economy (PRICE), headed by two of India's best-known consumer economy experts, Rama Bijapurkar and Rajesh Shukla.

The survey is among the largest consumer economy surveys in the country. The urban sample of the survey is comparable to that of the National Sample Survey Office (NSSO) consumer expenditure survey conducted in 2011-12. While the NSSO surveyed 1,01,651 households, of which 41,968 (41.3%) were urban households, the ICE 360° survey cov-

ered 61,000 households, of which 36,000 (59%) are urban households. The rural sample of the ICE 360° survey is less than half of the NSSO sample. Nonetheless, all the estimates of the survey have been derived by adjusting for the respective population of those regions.

Tadit Kandia in Mumbai contributed to this story.

This is the fifteenth of a 16-part data journalism series on how India lives, thinks, earns and spends, based on the latest results from the ICE 360° survey (www.ice360.in) conducted by the People Research on India's Consumer Economy (PRICE) in 2016. The concluding part will look at perceptions of governance among Indians.

ROOT CAUSE SUDEEP CHAKRAVARTI

Read Sudeep Chakravarti's previous columns at livemint.com/rootcause

MANIPUR AND THE VISITATION OF VULTURES

The Bharatiya Janata Party's next big project in north-east India, the claiming of Manipur from the Congress, has probably flamed out.

With assembly elections due in early 2017, this state-touted as the gateway to southeast Asia is beset with curfews in its central districts, and arson and attacks fuelled by ethnic violence. President's rule is a possibility.

Manipur is in the middle of a battle of attrition over political futures. The Congress and its three-term chief minister Oram Ishi Singh have staked a claim for a fourth consumer term. He has primarily done so by taking on his old foes, the National Socialist Council of Nagalim (Isak-Muitab), the largest Naga rebel group and in ceasefire with the Government of India, and its de-facto adjunct, the United Naga Council (UNC), the apex body of Naga tribes in Manipur.

Manipur has curious geography and ethnic mix that drives politics. The majority non-tribal Meitei community, to which Ishi belongs, are about 60% of the population, and live mainly in Imphal valley—with its eponymous capital—about a tenth of the territory of Manipur. The valley is surrounded by hills, a mishmash of Manipur, where tribes, mainly Naga, and Jami, live. Nagas and Iinkis have history of territorial animosity, fuelled by NSCN (IM) in the early 1990s that led to a bloodbath. Zoms have mainly stayed neutral. UNC began to push hand about three years ago to delink from the administrative control of Imphal, accusing Ishi's government of pursuing policies of administration and development that favour Meiteis. Other tribes too were in agreement. Last year the Congress introduced in the assembly bill restricting the entry of outsiders into Manipur, and amendments restricting residency and commerce. It was seen as discriminatory by all tribes. Riots erupted in southern Churachandpur district, a Zomi stronghold. Several protesters were killed by police. The bills lapsed, unsigned by the President.

UNC demands have become more urgent since August 2015, when the Government of India announced a framework agreement for peace with NSCN (IM). It effectively had no content except strengthening positions from which to negotiate.

It is becoming increasingly clear that, in post-conflict Nagaland there's no real future for the NSCN (IM)—especially for its key leaders and numerous cadres who are Tangkhul Naga from the northern Ukhrul district of Manipur. This possibility has fuelled long-time Meitei fears that a Naga peace deal will involve ceding of Manipur's territory—a violently emotive issue.

In early November, UNC enforced a blockade of highways and roads that run through Naga homelands in the hills to Imphal valley—and choked its everything from food to consumer goods and supermarkets vegetables in Naga. Activists attacked some vehicles, destroyed produce. New Delhi did little except wait, and watch. BJP officials criticized Ishi.

Ishi struck on 25 November, when a police arrested the president and information secretary of UNC. On 26, Naga groups washed over Ishi. He sent security forces to escort some convoys of trucks into the valley. On 9 December, Ishi announced the formation of seven new districts adding to the existing nine. Of these, four were earlier part of the Naga-majority districts of Ukhrul, Senapati, Tamenglong and Chandel. This removed non-Naga areas, and leveraged discontent that even some Naga tribes and clans have towards dominating NSCN (IM), and by extension the northern Tangkhul. In effect, it administratively categorized non-Naga areas from a Naga push.

Ergo, Ishi emerged as the protector of majoritarian interests. It appears to matter little that his tenure has seen an irreparable slide in ethnic relations and Manipur's urban and rural infrastructure. Corruption is limited only by the funds at hand, and human rights violations haven't been as rampant since the 1980s.

Ishi has played this game before. In 2010 he barred Thuingalaya Muihah's entry to Manipur. NSCN (IM)'s general secretary had wished to visit his ancestral village in Ukhrul. It led to rioting, and Naga deaths, but bought Ishi the halo of protector. Congress won the 2012 assembly elections in a landslide. The valley accounts for 10 seats, the hills 20—Naga-dominated and not.

Over the past month Meitei neighbourhoods in the Valley have imposed curfews. Blockades have led to the destruction of goods, in grim payback.

Manipur is on edge. That may matter little to Ishi, who has the edge as long as the tension persists, and President's rule doesn't alter his.

Sudeep Chakravarti's books include *Hard Build: Hard Lessons of Business and Human Rights in India*, *Red Sun: Travels in Nagaland, China and the Himalayas*, *Journeys through a Fractured Land*. This column, which focuses on conflict situations and the convergence of business and human rights, runs on Thursdays. Respond to this column at rootcause@livemint.com

Nomura growth indices plunge to lowest level since 1996

Mumbai: Confirming fears of demonetization hitting growth, Japanese brokerage Nomura on Wednesday said its proprietary indices have dipped to the lowest levels since 1996, with rural consumption showing the maximum impact. "Our proprietary indicators suggest sharper near-term slowdown after the demonetization," it said, adding that while the slowdown is only partially visible in the November data prints, the full growth impact is likely to be seen only in the December data.

Govt limits fees on electronic fund transfer to boost digital payments

New Delhi: To encourage digital payments, public sector banks (PSBs) have been directed to reduce their fees for transactions above Rs1,000 settled through various digital modes till 31 March 2017, the finance ministry said on Wednesday. PSBs have been told not to charge fees for transactions settled on IMPS and UPI in excess of charges for NEFT for transactions above Rs1,000, with service tax being charged at actual.

EC to ask I-T authorities to check finances of over 200 political parties

New Delhi: The Election Commission (EC) is set to write to the Income Tax (I-T) authorities asking them to look into the finances of over 200 political parties it has 'delisted' for not contesting elections, suspecting these could have been involved in money laundering. The poll panel believes that most of the parties exist on papers to help people convert their black money into white by accepting donations.

In the next few days, the EC will send a list of the delisted parties to the I-T authorities seeking action against relevant laws if they are found to be involved in money laundering.

Demonetization chaos will help us retain power in UP: Akhilesh Yadav

Lucknow: Uttar Pradesh chief minister Akhilesh Yadav feels the days of caste-based politics in the state are over and now the two Ds—development and demonetization issues—will work in favour of the Samajwadi Party in the upcoming assembly polls. "Our work in last five years and the problems people are facing due to demonetization will lead us to victory in upcoming elections," he said.

CBDT rules out relief for large FPIs, offshore funds from tax liability under indirect transfer provision

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The Central Board of Direct Taxes (CBDT) on Wednesday ruled out relieving large foreign portfolio investors (FPIs) and offshore funds from tax liability arising out of sale of assets of a foreign company which has substantial assets based in India.

Large FPIs and offshore funds have approached the finance ministry for a special carve-out since they don't have a managerial role in such

companies. Under the indirect transfer provisions contained in Section 9(1)(i) of the Income Tax Act, all income arising from any asset or source of income in India or through the transfer of a capital asset situated in India, shall be deemed to accrue or arise in India.

In similar cases, the government had raised tax claims on Vodafone Group Inc. for its purchase of assets of Hutchison Essar Telecom services by in India in 2007.

On 26 March 2015, CBDT clarified that if at least 50% of the value of assets owned by such a company is based in India, the company will be lia-

ble to pay taxes in India. However, the tax department provided a carve-out to small investors holding no right of management or control of such company and holding less than 5% of the total voting power or share capital in the entity. However, the board constituted a working group on 15 June, after it received queries about indirect transfer provisions raised by offshore funds registered as FPIs. After considering the comments of the working group, CBDT issued clarification through a set of 19 questions and answers depicting various scenarios under which offshore funds

may have invested in companies in India.

For example, in case a fund invests in an offshore jurisdiction poolsmoney from retail/institutional investors and invests in shares of Indian listed companies, if the fund on request of its unit holders/sharholders, redeems their units/shares, then CBDT clarified that it will be liable to pay taxes in India.

Akhilesh Goenka, partner, direct tax at PwC, said the comments raised by funds and FPIs were legitimate since in most cases, investors do not have any rights of management or control in the fund vehicles.