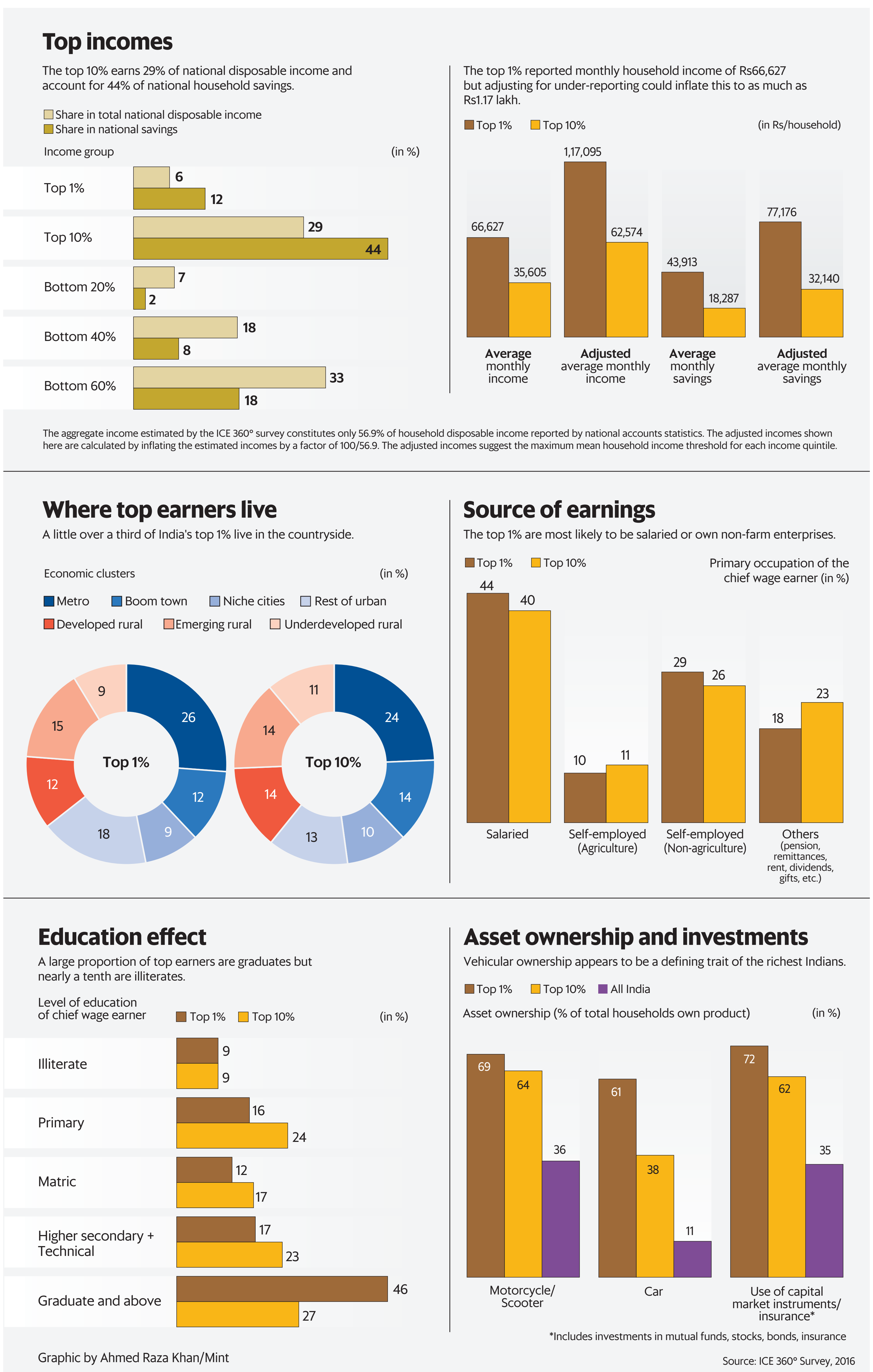
This is the second in a 16-part data journalism series that looks at how India lives, thinks, earns and spends, based on the latest results from a survey conducted by People Research on India's Consumer Economy in 2016 and shared exclusively with *Mint*. The *Household Survey on India's Citizen Environment & Consumer Economy* (ICE 360° survey), covering 61,000 households, is the largest consumer economy survey in the country since the National Sample Survey Office conducted the last consumer expenditure survey in 2011-12.

How much the richest 1% earn and spend

98% of the top percentile own either a car or a two-wheeler



PLAIN FACTS

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The average monthly household income of the richest 1% of Indians is Rs66,627 and that of the richest 10% is Rs35,605, according to the latest data from a nationally representative survey, the *Household Survey on India's Citizen Environment & Consumer Economy* (ICE 360° survey) conducted in 2016.

Given that these income estimates are based on self-reported data, it is likely that they understate true incomes, especially in the case of top earners. One way to adjust for the under-reporting is to look at the extent of discrepancy between the aggregate household disposable income estimated by the survey and the one reported in the national accounts, and adjusting for that discrepancy by blowing up the income estimates from the survey. Such an exercise suggests that the average monthly household income of the top 1% could be as high as Rs1.17 lakh while that of the top decile could be Rs62,574.

The survey shows that the share of the top 1% in aggregate household disposable income is 6%. The share of the top 10% in the aggregate income pie is 29%, only a little less than what households belonging to the bottom 60% of India's income pyramid earn collectively.

The top percentile accounts for 12% of aggregate household savings, higher than the share of the bottom 40%. The top decile accounts for 44% of aggregate household savings, more than double the share of the bottom 60% of Indians, shows the survey. These savings figures refer to the surplus income of households, part of which tends to be used for non-financial investments. The aggregate household savings of Indians estimated by the survey is 34%.

The distribution of savings is more skewed than that of income in India, shows the ICE 360° survey. The distribution of wealth in the country may be even more skewed than that of savings. As a recent *Mint* report based on a Credit Suisse study pointed out (bit.ly/2gInNwL), the richest 1% own 58.4% of the country's wealth.

Unsurprisingly, the proportion of top earners investing in equities and bonds, and purchasing insurance, is much higher than the all-India average. Seventy-two per cent of the top percentile and 62% of the top decile use capital market instruments (including insurance) against an all-India average of 35%, shows the ICE 360° survey.

A singular trait of top earners in India is vehicle ownership, suggests the survey data. Ninety-eight per cent of households belonging to the top 1% own either a two-wheeler or a car. Similarly, 82% of households belonging to the top 10% own either a two-wheeler or a car. Sixty-one per cent of the top 1% and 38% of the top 10% own a car, according to the survey.

The ICE 360° survey was conducted by the independent not-for-profit organization, People Research on India's Consumer Economy, headed by two of India's best-known consumer economy experts, Rama Bijapurkar and Rajesh Shukla. The survey is the largest consumer economy survey in the country since the National Sample Survey Office (NSSO) conducted the consumer expenditure survey in 2011-12.

The urban sample of the survey is comparable to that of the NSSO survey. While NSSO surveyed 101,651 households of which 41,968 (41.3%) were urban households, the ICE 360° survey covered 61,000 households of which 36,000 (59%) were urban households. The rural sample of the ICE 360° survey is less than half of the NSSO sample. Nonetheless, all the estimates of each region have been derived by adjusting for the respective population of those regions.

A notable feature of this survey is that it is representative at the level of economic clusters. Urban India has been divided into four clusters: metros (population more than 5 million), boom towns (2.5- 5 million), niche cities (1-2.5 million) and other urban towns (less than 1 million). Based on a district development index, rural India has been sub-divided into three different clusters: "developed rural", "emerging rural" and "underdeveloped rural". The first category includes districts such as Bhatinda and Kangra. The second category includes districts such as Latur and Kamrup, while the last category includes districts such as Kalahandi and Bastar.

mint ICE 360°
Part 2

Roughly a quarter of both the top decile and the top percentile live in metros, shows the survey. But the top percentile is not entirely concentrated in the cities. Thirty-six per cent of the households belonging to the top percentile live in rural India.

Top earners are likely to be better-educated compared to others. Forty-six per cent of breadwinners in the top percentile have at least a graduate degree. Across all Indian households, the proportion of households with graduate breadwinners is only 8.3%, shows the survey. The comparative figure for the top decile is 27%.

Top earners are most likely to be salaried, or owners of non-farm enterprises, suggest the survey—44% of the top percentile and 40% of the top decile are salaried employees, while 29% of the top percentile and 26% of the top decile own non-farm businesses.

Tadit Kundu in Mumbai contributed to this story.

The next part will look at how Indians live, and how much they pay for their homes.

Budget to pave way for MFs and FPIs in commodities market

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The finance ministry may allow entities such as mutual funds and foreign investors in commodities derivatives trading, two people with direct knowledge of the matter said.

The moves, part of a second round of reforms being considered for the commodities market, could be announced in the budget, the people said on condition of anonymity.

"We are keen to develop commodities derivatives trading in India. Allowing (a) new category of investors to participate in commodity derivatives (trading) would help bring in depth in the market," said one of the two people, a finance ministry official. "An announcement in this regard may be made in the budget."

In October, the finance ministry wrote to the Securities and Exchange Board of India (Sebi), seeking its views on allowing mutual funds and foreign investors to participate in the commodities market, the second person said.

"Sebi has submitted its views and it does not forsee any risks in allowing these categories of investors," he said.

In the last budget, the finance minister announced the launch of new commodity derivatives products in a bid to deepen trading. The capital and commodities markets regulator in September allowed exchanges to launch one options contract based on non-agricultural commodities and one based on agricultural commodities, respectively.

Mint reported on 10 October that Multi-Commodity Exchange of India Ltd, India's largest commodities bourse by turnover, plans to introduce options trading by January.

"A similar intent statement would be made with regards to new investors. The final decision on which investors will be allowed will be left to Sebi," said the second person.

The move could be key for the development of the commodities market. No legal hurdles prevent foreign portfolio investors (FPIs) and domestic investors from participating in the commodities market as the amended Sebi Act includes commodity derivatives among permissible securities.

Sebi had, however, been reluctant to allow new categories of investors because of concerns over risk management and potential surveillance lapses in trading.

Since the merger of the erstwhile commodities regulator, the Forward Markets Commission (FMC) with Sebi in September 2015, the regulator has focused on strengthening the risk management framework in the commodities market.

Sebi has introduced warehousing norms to ensure delivery of underlying commodities, and steps to strengthen risk management.

Overall, the regulator has maintained that development of the commodities market would run parallel to improving risk management systems.

Domestic institutions such as mutual funds may enter the market earlier because they are under Sebi's jurisdiction. Other categories of investors such as insurance companies, pension funds and FPIs would need clearances from their respective regulators.

"The ministry would ensure that the respective regulators make the necessary amendments and allowances to ensure that the commodity market opens up," said the finance ministry official.

Market participants say that the entry of new categories of investors in the space will mitigate risks of volatility and defaults by deepening the market for hedgers.

"This seems like the only step that will help revive the commodities derivatives market in India, especially considering that agricultural volumes are in a slump," said Rajini Panicker, head of research, commodities, at PhillipCapital. "Non-commercial, deep-pocketed participants can bring in much-needed liquidity as they have the capacity to take risks."

90% of ATMs tweaked to dispense new notes

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At least 90% of India's 2.2 lakh automated teller machines (ATMs) have now been calibrated to dispense the new Rs500 and Rs2,000 notes, said two people aware of the matter.

The Reserve Bank of India's (RBI) task force on recalibration of ATMs has been looking at hourly updates on the progress made in making new currency notes available to customers over the past fortnight, according to the people.

The task force, announced on 13 November, is led by RBI deputy governor S.S. Mundra and consists of representatives from the government, large banks such as State Bank of India, Axis Bank, ICICI Bank and HDFC Bank, besides the National Payments Corporation of India and select chief general managers from RBI.

The task force also invited ATM manufacturers, cash-in-transit companies and managed service providers to be part of their discussions.

The task force chose Mumbai as its central location from where it controlled the activities of cash vans and ATM engineers under the central bank's supervision.

The group had set 30 November as the deadline to recalibrate ATMs, said Navroze Dastur, managing director of NCR Corporation India Pvt. Ltd, the country's largest ATM manufacturer.

"Despite some difficult conditions, we have been able to conduct this major recalibration activity within record time," Dastur said.

The hurdles during the recalibration of ATMs came in the form of lack of adequate equipment and not enough technicians.

Rituraj Sinha, president, Cash Logistics Association of India, said the main reason the recalibration took time was that a piece of equipment called a "spacer" had to be inserted in each individual machine to enable it to dispense the new notes, which are of a different size.

These spacers had to be imported from various plants of each ATM manufacturer, said Dastur, adding that the process could have been faster had the industry had more time to plan and put together resources.

Not all machines have been fixed with spacers yet as it is a time-consuming process. Instead, a temporary dispensation technique has been used in some machines to ensure that they can dispense the new notes for the time being.

According to a spokesperson from Securitrans India Pvt. Ltd (SIPL), a payment and cash management solutions company, spacers will be put into machines as a permanent piece of hardware over the next 90 days. The industry, however, is also still suffering from a shortage of currency notes to put into the machines.