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'India has more rich people than poor now'

Prabhakar Sinha, TNN, Aug 1, 2010, 01.07am IST

NEW DELHI: For the first time ever, the number of high-income households in India has exceeded the number of low-income, the National Council of Applied Economic Research (NCAER) has estimated.

In its report, "How India Earns, Spends and Saves", released on Saturday, the NCAER estimated that despite the economic slowdown of the last three years, the number of high-income households should have reached 46.7 million by March 2010, exceeding the 41 million households counted as low-incomes.

If true, this would be a remarkable turnaround within just a decade. It started with just 13.8 million households described as high-income, or earning more than Rs 1.8 lakh per annum at 2001-02 prices. Meanwhile, 65.2 million households were classified as low-income or earning less than Rs 45,000 per year. The NCAER estimated that middle-income households, or those earning between Rs 45,000 and Rs 1.8 lakh per annum, rose sharply from 109.2 million to 140.7 million in the decade.

A new report says that the slowdown in the growth in the last three years of the decade had the maximum impact on middle income households. Though in absolute terms the number of middleclass households grew from 135.9 million in 2007-08 to 140.7 million by 2009-10, in percentage terms it fell marginally from 62% of all households to 61.6% in the same period.

Interestingly, the slowdown did not impact the expansion in the number of high-income households, which grew from 16.8% to 20.5% of all households in the last two years. The fall in the number of low-income households was also sharp, from 21.1% to 17.9% during the period.

NCAER, in the report also estimated the number of families having income between Rs 2 lakh and Rs 10 lakh per annum, which is close to the World Bank definition of middle class, at 28.4 million by 2009-10. The number of such middle-class households was 4.5 million in 1995-96 and 10.7 million in 2001-02. The report said that two-thirds of the Indian middle class is to be found in urban India and that trend has continued in the last 15 years also. India has one of the highest savings rates in the world, with savings constituting an estimated 36% of the GDP.

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