



Middle Class Consumerism in India: An Introspective Study

KEYWORDS

Indian Society, Consumer, Middle Class, Income, Indian Economy, Buying

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ABSTRACT Indian society can be divided into different classes mainly based on income. The upper class consumers are the main buyers of exclusive stuff and frequently shop at exclusive retailers. The lower class, on the other hand, is usually concerned with basic necessities. The middle class can be found in between who want both necessities as well as luxuries but at affordable price. Past few years have seen the national income and per capita income grow considerably which has led to increased shopping by middle class consumers. Indian middle class consumer nowadays gives preference to features of a product rather than its brand name. Earlier most of the decisions used to be taken by the family heads and their spendings were limited as they had to take care of survival of a large number of family members. Today this system has almost ended and nuclear families spend on luxury more than on savings. Companies are offering various kinds of promotional plays like seasonal discount, festival discount, anniversary discount etc. to lure the middle class consumers. Credit cards facilities and hire purchase system act as supplementary facilitators. But unchecked consumerism can propel consumers into a vicious cycle of debt which is very perilous for both consumer and the country. Middle class has not emerged only as consumer class but there is a rising number of successful businessmen, startups and entrepreneurs who belong to this class. Hence middle class is both the cause and effect of economic growth.

Introduction

Traditionally, the Indian middle class has been depicted as a powerful social and political phenomenon, particularly since the time of economic liberalization took off in India in early 1990s. However, till date little is known about how the middle classes perceive themselves and their experience as middle class consumers. Understandably, not much literature can be found on this subject reemphasizing the lack of understandings of India's middle classes. Accounts of middle class people reveal a position that simultaneously exudes a sense of both the joy and the angst of being a middle-class person. Indian society can be segregated into different classes on the basis of income. Broadly they can be classified in the following manner: Upper, Middle and Lower. Upper class consists of those who have higher income and who want to lead a life of luxury and comfort. Conversely, the lower class has negligible income and is usually concerned with basic necessities. Middle class include those who are between upper and lower class.

Objective of the Study

Consumerism in India has undergone a metamorphosis during the last few years and it is due to a perceptible change in the middle class consumers' buying habits. This study is aimed at understanding the effect of emergence of middle class on the Indian society and markets.

Research Methodology

Secondary data have been used for the current research for which appropriateness and currency of data have been ensured. The overall relevancy of the topic has been kept in mind while using the data.

Literature Review

Easterly (2001) found that countries that have a larger middle class tend to grow faster. Birdsall, Graham and Pettinato (2000) lament the dwindling of the middle class in the face of escalating globalization. David Landes (1998) elu-

cidate England's early ascendancy in terms of "the great English middle class" of the eighteenth and nineteenth centuries. New entrepreneurs come out of the middle class and create employment and productivity growth for the rest of the society (Acemoglu and Zilibotti, 1997). The middle class is fundamentally important to the process of capitalist accumulation (Doepke and Zilibotti, 2005, 2007). The middle class demand for quality consumer goods motivates investment in production and marketing which raises income levels for the entire nation (Murphy, Shleifer and Vishny, 1989). Banerjee and Duflo (2008) analyze household data on spending collected from middle class consumers of a number of developing nations. But notwithstanding numerous studies on the rise of the middle class in developing countries over the past several years (Banerjee and Duflo, 2008; Easterly, 2001), there is no comprehensive analysis of middle-class consumption behavior till now.

Over the past few years the Indian middle class seems to have become the subject of considerable academic discussion (Desai, 2007). Many studies have been undertaken dwelling on the effects of liberalization in India, although very few of them have taken recourse to empirical confirmation. As a consequence in spite of the fact that a plethora of studies try to gauge the outcome of liberalization on the Indian middle class and other groups or categories, only a few of them rely on adequate primary data (Kothari, 1995; Drèze and Sen, 2003; Chakrabarti and Cullenberg, 2003; Harriss-White and Sinha, 2007). Most of these studies also stop short of scrutinizing the collective response of middle-class consumers to economic liberalization (Fernandes, 2000; Scrase, 2002; Ganguly-Scrase, 2003; Wesel, 2004).

Findings

In the last few years the national income and per capita income in India have improved significantly which has led to higher level of shopping of various kinds of goods. Ow-

ing to rise in education level more people got employed which helped increase their knowledge concerning markets and benefits of good quality products. This also heightened the demand for consumer goods. Women have also started to contribute towards family income. Earlier in India mostly joint families existed having one head and others as family members. The head of the family took most of the decisions and their spendings were restricted as they had to care for the survival of a lot of family members. But at present this system has nearly come to an end with the emergence of nuclear families who spend more on luxuries than on savings. Then again because of widespread urbanization consumer tastes and preferences have changed e.g. TV is not a luxury anymore but a necessity, young generation prefer only trendy and modern clothes, fast foods like pizzas and burgers gaining ground on traditional Indian snacks. The Indian rural population is going through a transformation increasingly preferring urban lifestyle which will create more demands for consumer goods. Finance facility is also easily available now for consumer goods also e.g. HDFC Bank offers consumer credit against gold almost instantly which encourages the consumer to purchase more than his present income can sustain and pay back in installments..

Indian middle class consumers are getting progressively more value conscious rather than price sensitive. They do not hesitate to buy high priced products if they believe they are offering them higher value. The Indian consumers typically follow their culture, tradition and values, consequently most MNCs had to indianize their products with the aim of succeeding in India e.g. McDonalds, Nestle, KFC etc. Indian middle class consumer now looks for features of a product rather than its brand name. Numerous Indian companies and brands are doing exceedingly even after more than two decades of liberalization e.g. Amul is still India's largest dairy product company and Haldiram is doing well despite the presence of brands like Dominos and KFC. The Indian middle class consumers nowadays prefer to go to shopping malls where shopping, entertainment and many other facilities are all presented within close proximity of each other. There is cutthroat competition in the Indian market today and it has turned into a buyer's market from seller's market and the consumers have benefited from this competition. Competition has brought down prices to a large extent and has forced the manufacturer to maintain product quality to sustain in the highly competitive market.

Keeping this fierce competition in mind, companies are adopting various strategies to survive in the market. Companies offer hire purchase system, 0% finance etc schemes to tempt the consumers to buy more by extensive advertising. They also offer cash discounts to draw the middle class consumer like price-offs, festival discount, anniversary discount etc. which make luxury and costly goods affordable. Companies also offer coupons and free gifts to lure the customers. Companies offering luxury or dearer products suitably modify their products e.g. small sachets of expensive shampoos, cheaper smart phones etc. Many companies promote their products through exchange offers at good prices e.g. exchange old washing machine with new one and get up to 50% discount etc. Middle class consumers have become more demanding nowadays. So companies now pay more attention towards offering better after sales services by which they attempt to win the loyalty of their customers. Since purchasing power of middle class consumers has grown manifold, companies have started focusing towards these Indian consumers to

take advantage of this untapped market. This has reaped huge benefits for both consumer durable as well as FMCG companies. Due to cut throat competition in the market coupled with consumer's willingness to purchase hi-tech products, the rates of products like LED, plasma TVs and smart phones have been slashed by even 50% e.g. Xiaomi of China offering good quality smart phones at throwaway prices. By now Xiaomi has already sold more one million smart phones. Thus by cutting price companies receive very good response from the market and are able to notch up considerable market share for their products. The environmental awareness in India has started influencing marketing of products based upon their level of eco-friendliness. Generally, Indian consumers are expected to prefer environmentally responsible products and packaging. The future key for marketing could be to opt for more ethical and ecologically acceptable products and packaging balancing environmental concerns with commercial compulsions. Consumers in India are increasingly leading the way in prompting manufacturers to espouse technologies which produce eco-friendly products.

Conclusion

Not so long ago Indians were on the whole averse to purchasing anything on credit unless necessary. But now the mindset of middle class consumers has undergone a drastic change which is reflected on their buying habits. The growing purchasing power of middle class consumers coupled with their soaring aspiration has had a strong impact on their buying behavior. Majority of the middle class consumers have secure source of income which encourages high spending. But this trend is also fuelling unmitigated consumerism. Credit cards facilities and hire purchase system have worsened it further as because consumers may get trapped in a vicious cycle of debt which is very perilous for both consumer and the country. But on the brighter side, middle class has not emerged only as consumer class but there is a rising number of successful businessmen, startups and entrepreneurs who belong to this class. Hence middle class is both the cause and effect of economic growth.

Limitation

The current study is based on secondary data. A more comprehensive research based on primary data would be appropriate to help draw generalizations about the 'Great Indian Middle Class'.

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