Exploring Consumption Patterns &Growth Implications- A Descriptive Study ofLower Income Classfrom Mumbai.

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Abstract:*The lower income group of India continues to allure interest from policy makers and businesses both domestic and global. Although there have been recent concerns on GDP growth rate, declining exports and sluggish consumption, it still seems that an economic recovery is just around the corner. This research aims at understanding consumption patterns of the lower income group in Mumbai city. The study has been conducted in the latter half of the year 2017 after demonetization and GST effects seem to have been nullified. Data from a structured questionnaire were analysed. The study entails some of the major consumption heads like food, energy, electronic appliances, educational services, accommodation, transportation, healthcare etc. It was found that there is a huge demand for quality products in the lower income group. Also, they have a considerable purchasing power. As such there is an opportunity for marketers, financial institutions and policy makers. There is a rising need for product innovation, resource mobilization and house hold saving augmentation for this group. This is imperative to achieve economic growth which is robust, self-sustaining and inclusive.*

Key Words*: Consumption, Demonetization, GDP, GST,Lower Income Group, Purchasing Power*

I. Introduction

The NDA government led by honorable Prime Minister "Shri Narendra Modi" surely holds promises for the rural and lower economic groups of India with a slew of developmental schemes. While most of these schemes have shown participation and decent progress, the Indian growth story seems to pull back as revealed by the recent macroeconomic statistics.

*India's economic growth in financial year 2018 may be the slowest in four years at 6.75%, before it rebounds to between 7% and 7.5% in the next fiscal, according to the annual economic survey released by the government on Jan 29th 2018.*The June quarter of 2017 saw the slowest growth rate of 5.7 % under the Modi regime primarily because of the sluggish manufacturing sector although consumption expenditure remains buoyant. Much of the dip in the growth rates can be attributed to demonetization and GST implementation.

More than 70 percent of the manufacturing growth rate is calculated based on the growth data provided by the listed corporate entities. But, India's real story is in the informal and unorganized sector. These are the sectors which along with agriculture were most hit by the adverse impact of demonetization and the GST. India's exports fell 1.1% in October to $23.1 billion while imports expanded at the slowest pace in 10 months at 7.6% to $37.1 billion. India's trade deficit in the month was $14 billion, at its 35-month high. To aid to the gloom, unemployment continues to plague India. The impact of employment generation efforts has been dismal and minimal. So much so that More than 30% of India's youth not in employment (according to OECD economic survey 2017). According to recent publication of Times of India, the unemployment rate in India for February stood at around 6 percent with 31 million left jobless.

The single reason why the economy still holds tight to the growth estimates, is its domestic demand and consumption. Consumption trends show that though demonetization and GST took a toll on growth, the bounce back was not too late. India's domestic demand is the critical component of the nation's growth story. There cannot be any growth without rise in domestic consumption as India is not primarily an export driven economy.

The country's GDP grew at 6.3 percent in the second (Jul-Sep 2017) quarter. This is much higher than the three years low of 5.7 percent in the Apr-Jun 2017 quarter of this financial year. The World Bank projections are defended on the experience of the second quarter as compared to first quarter. As per the World Bank's projected estimate, India's GDP is expected to grow at 7.3 percent in 2018-19. The World Bank further estimated that the GDP will further grow at 7.5 percent for the next two years. This has fueled the policy makers with a sense of optimism. Domestic consumption seems to be the only savior to rescue amidst rural distress,

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agrarian stagflation and sluggish exports. Though intermittent dips have been observed in the past one year, the overall prospects of domestic demand continue to be bright. It is interesting to note that there was an astonishing rise in the 2016 December quarter, in spite of demonetization. Statistics suggest that consumption powered growth during the year 2017, with private consumption contributing two-thirds to GDP. Government consumption expenditure was a strong contributor. For the fourth quarter, gross fixed capital formation was lower than a year ago, indicating the lack of investment demand.

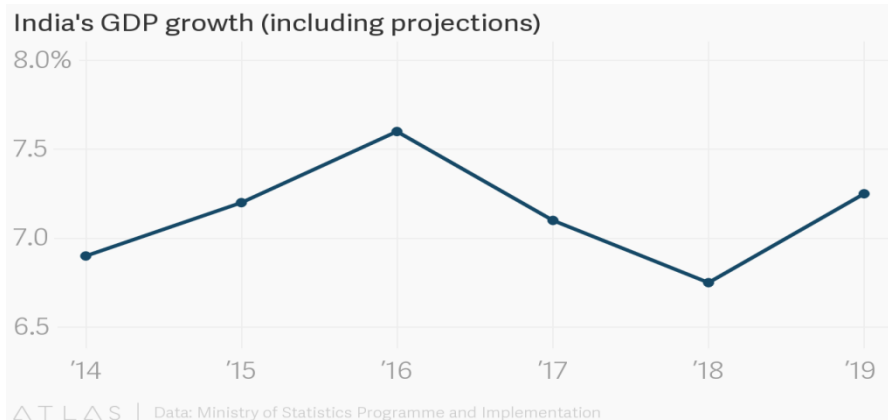The figures below (Fig 1 – Fig 7) present some macroeconomic indicators of the Indian economy.

Figure 1
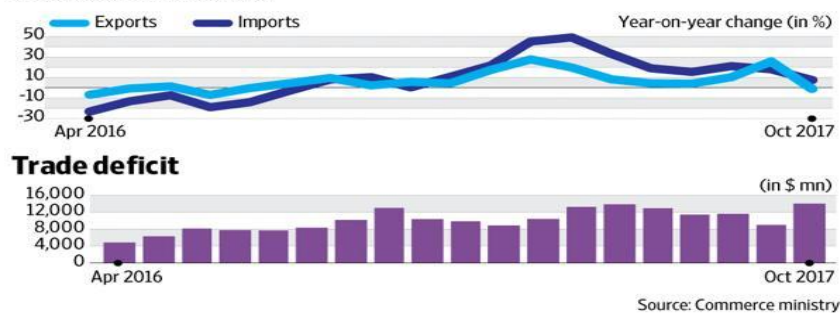
Figure 2

Figure 3

Routine household consumption expenditure

The bottom quintile spends significantly more on health compared to the top quintile as a share of routine consumption expenses.
The share of monthly expenses spent on clothing and footwear is roughly the same across income classes.

Cereal and cereal substitute | Protein food | Fruits and vegetables | Other food items | Education | Health expenses | Entertainment | Conveyance | Clothing and footwear | Other expenses (in %)

FOOD | NON-FOOD

Quintile 5 (Top 20%)
Quintile 4
Quintile 3
Quintile 2
Quintile 1 (Bottom 20%)
Total India
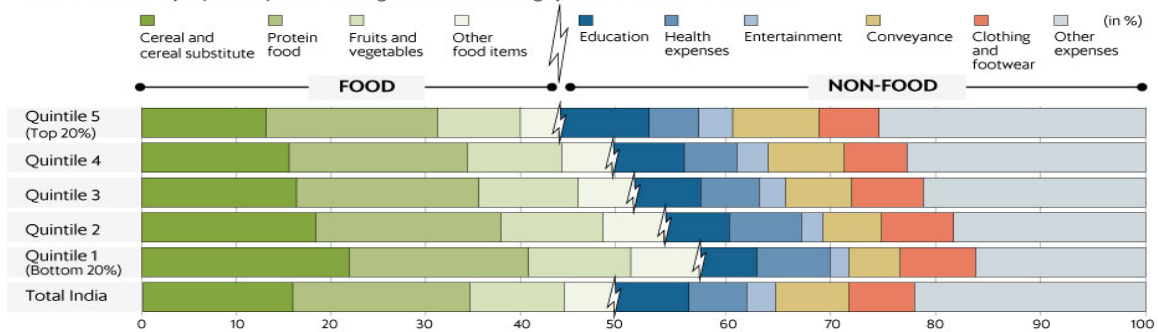
URBAN

Households in the top urban qunitile spend 41% of their routine monthly expenses on food while those at the bottom of the urban income pyramid spend 53% of their budget on food.

(in %)

Quintile 5 (Top 20%)
Quintile 4
Quintile 3
Quintile 2
Quintile 1 (Bottom 20%)
Urban India

Figure 4

Chart 1
LOPSIDED GROWTH

The government sector contributed the most to growth.
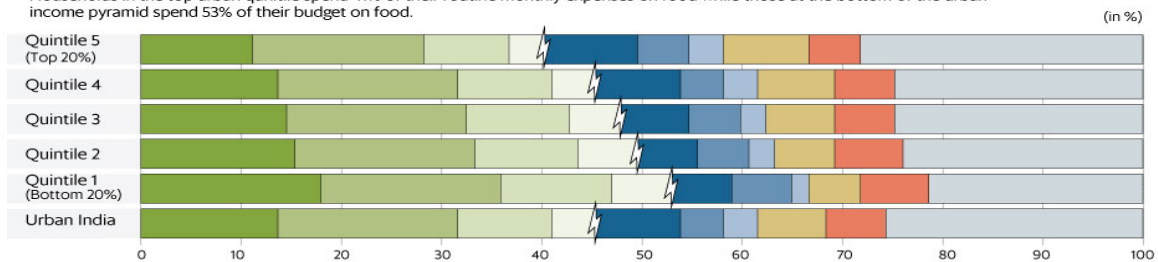
Contribution of various sectors to gross value-added growth in the fourth quarter of FY17

Agriculture, forestry and fishing	14.6
Mining and quarrying	3.9
Manufacturing	17.6
Electricity, gas, water supply and other utility services	2.2
Construction	-5.5
Trade, hotels, transport and communication and services related to boardcasting	24
Financial, real estate and professional services	7.6
Public administration, defence and other services	35.6
Total	**100**

Chart 2
CONSUMPTION DRIVES GROWTH

Investment demand is yet to pick up.

Contribution to gross domestic product growth in FY17

Private final consumption expenditure	66.2
Government final consumption expenditure	23.8
Gross fixed capital formation	7.7
Change in stocks	1.8
Valuables	-2.2
Exports minus imports	6.3
Discrepancies	-3.6
Total	**100**

Source: Ministry of statistics and programme implementation

Figure 5

In this context, it becomes imperative that the consumption and income linkages need to be looked at more closely so as to derive meaningful insights. It should not be forgotten that India has a burgeoning middle class and rising number of households striving to inch above the poverty line. Based on the definitions given by World Bank, McKinsey Global, it is clear that the middle class ranges from 70 million to 300 million What we must note is that it is a rapidly growing section of the society whose median income/spending will move upwards as the country prospers. An interesting analysis of the growth of the Indian middle class is given below.
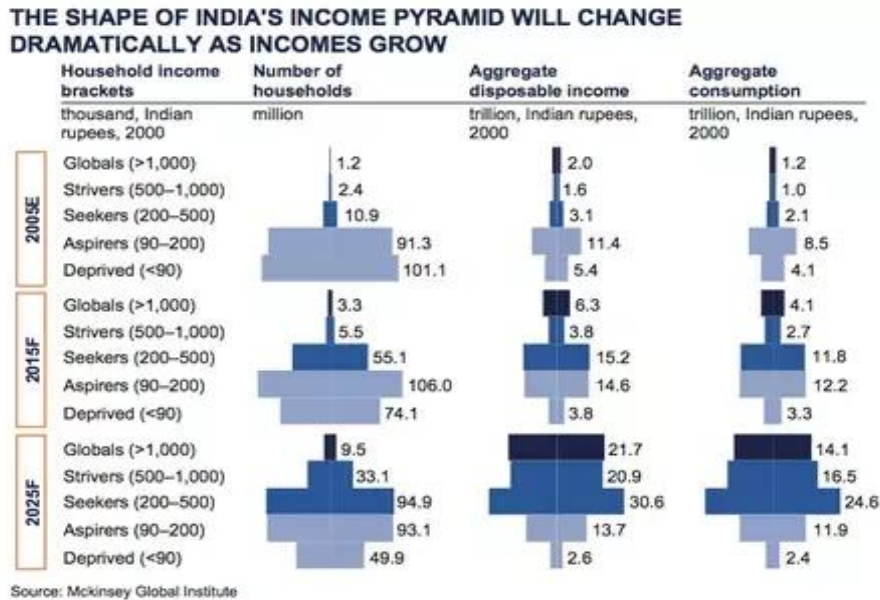
THE SHAPE OF INDIA'S INCOME PYRAMID WILL CHANGE DRAMATICALLY AS INCOMES GROW

	Household income brackets	Number of households	Aggregate disposable income	Aggregate consumption
	thousand, Indian rupees, 2000	million	trillion, Indian rupees, 2000	trillion, Indian rupees, 2000
2005E	Globals (>1,000)	1.2	2.0	1.2
	Strivers (500–1,000)	2.4	1.6	1.0
	Seekers (200–500)	10.9	3.1	2.1
	Aspirers (90–200)	91.3	11.4	8.5
	Deprived (<90)	101.1	5.4	4.1
2015F	Globals (>1,000)	3.3	6.3	4.1
	Strivers (500–1,000)	5.5	3.8	2.7
	Seekers (200–500)	55.1	15.2	11.8
	Aspirers (90–200)	106.0	14.6	12.2
	Deprived (<90)	74.1	3.8	3.3
2025F	Globals (>1,000)	9.5	21.7	14.1
	Strivers (500–1,000)	33.1	20.9	16.5
	Seekers (200–500)	94.9	30.6	24.6
	Aspirers (90–200)	93.1	13.7	11.9
	Deprived (<90)	49.9	2.6	2.4

Source: Mckinsey Global Institute

Figure 6

Keeping this in mind, we should also be clear about how many people lie below poverty line, which is a very well-defined number, and people lying safely above this could be defined to be in the middle class. People crossing this poverty line would be forming the future middle class, and these people have increased rapidly over the years.
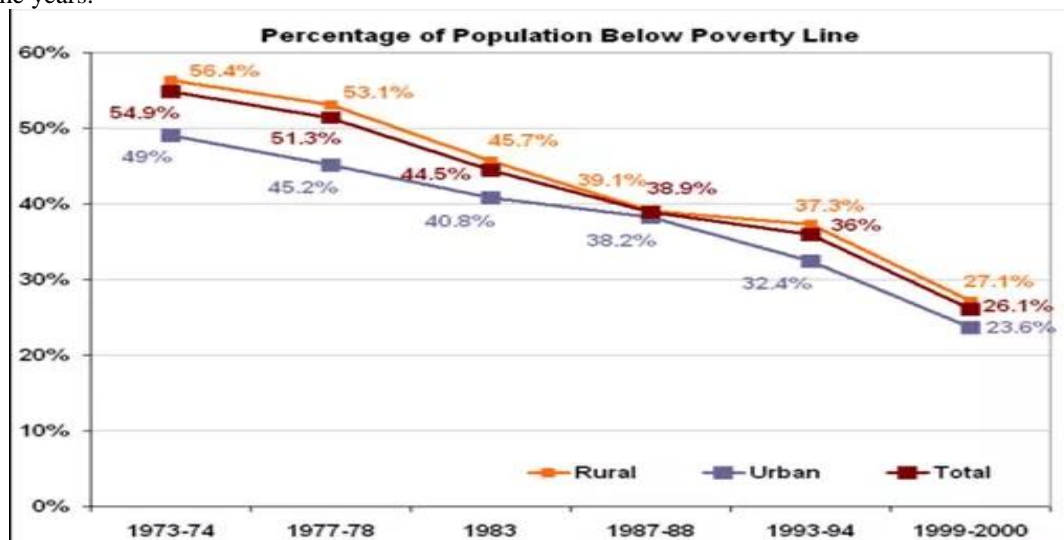

Figure 7

India, though, has a rapidly increasing Gini coefficient, which shows that income redistribution could have picked up even more people from below the poverty line, and added to an already burgeoning middle class.

Undoubtedly India is a consumer economy and the consumption led growth story continues to be the cornerstone of economic growth. Increased consumption trends are quite visible in all spheres right from food and dairy, healthcare and education, consumer durables and transportation, access to banking and financial products, phones and internet to energy and accommodation.

Most of these consumption heads have shown decent if not great improvement over the course of past 5 years and the fruits are yet to be received. For example, just to name a few fast-growing number of smart phone users and FMCG sales growth signal the strength of a consumer lead economy.

Figure 8 & 9 are just few examples of consumption led growth patterns in FMCG and mobile phones.

FIGURE 1: POPULATION ESTIMATES FOR DIFFERENT ECONOMIC CLASSIFICATIONS IN INDIA

Category	Income threshold	Population (in millions)	
		2004-05	2011-12
Poor	< $2	777.3	574.8
Lower-middle	$2-4	237.8	446.3
Middle-middle	$4-6	45.4	108.5
Upper-middle	$6-10	21	49.5
Affluent	> $10	7.5	22.9

Source: Krishnan & Hatekar (2017)

Figure 2: Hindustan Unilever sales growth
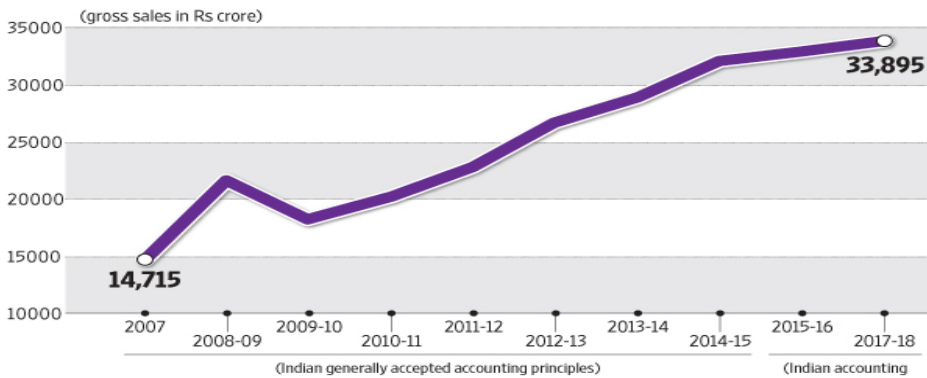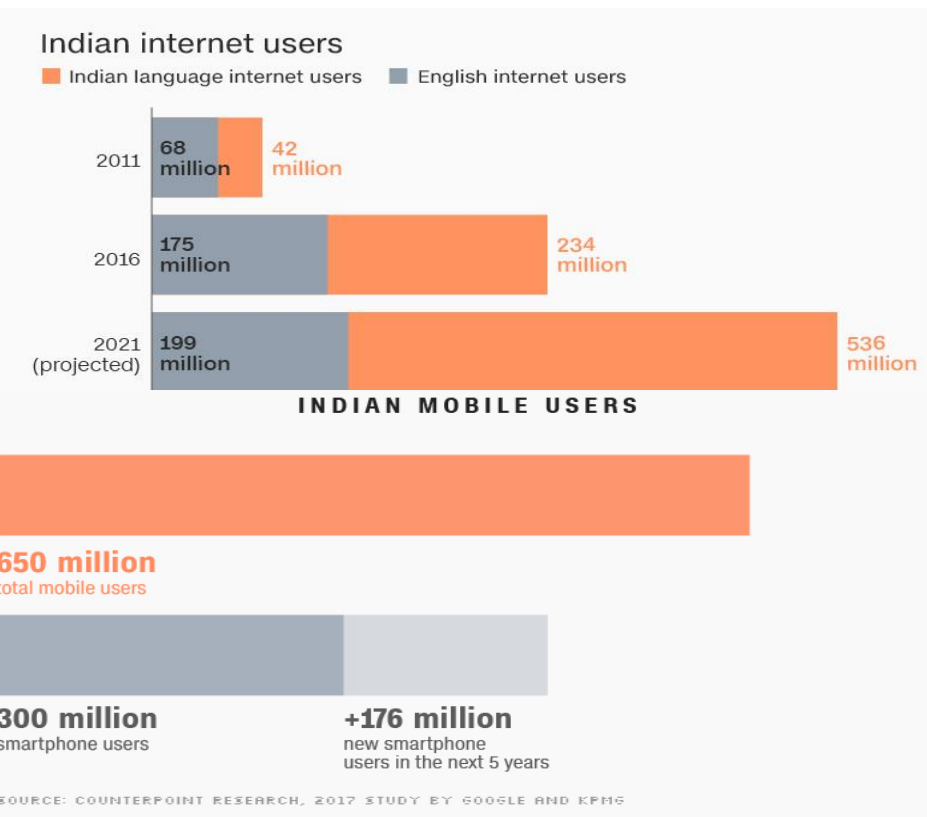
Figure 8

Figure 9

Financial institutions, insurance companies and manufacturers of FMCG products and consumer durables have always focused on the middle and upper income segments while framing their policies and strategies. However, they have neglected a large portion of the population which comprises of people belonging to lower income segments considering their income and savings to be insignificant.

This research seeks to study the income and consumption patterns of people belonging to lower income categories and drawing conclusions and recommendations which could be helpful to financial institutions, insurance companies and manufacturers of FMCG products and consumer durables in making appropriate policies and strategies which could benefit the people belonging to the lower income groups. The financial institutions, insurance companies and manufacturers of FMCG products and consumer durables will benefit by tapping into a hitherto lower income segment of consumers and thereby bring about social, economic and financial inclusion to make them a part of mainstream growth story.

II. Literature Review

(2017) Hae Kim in his paper entitled "The Effect of Consumption on Economic Growth in Asia" has studied the role of consumption in stimulating growth. The causality was analyzed by statistically controlling other macro-economic variables like savings, public expenditure, employment etc. the study used data from 52 countries and it was concluded that Asian countries exhibited similar growth patterns to their counterparts in the rest of the world.

(2017) Christiana Osei Bonsu1 and Paul-Francois Muzindutsi y used a multivariate cointegration approach to analyze the macroeconomic determinants of household consumption expenditure in Ghana. The paper revealed a significant long-run relationship between real household consumption and selected macroeconomic variables. It further showed that, in the short run, household consumption is only affected by changes in price levels, while it has a significant effect on the real exchange rate and real economic growth. Findings reported in this study are helpful in understanding the macroeconomic role of household consumption expenditure an economy

(2016) Ibragimova N discusses the multiplicative effects of economic shocks on incomes and consumption of household quintiles using data from the SNA accounts on distribution and use of income. Particularly, it analyses the path of quality of life of society and possibility to achieve a significant goal to improve the competitiveness and efficiency of the national economy applying SAM model in order to measure population differentiation in terms of spending on food and non-food consumer goods and services. Consumption is one of the main indicators to revealing population differentiation through changes of expenditure multipliers (e.g., when high average propensities to consume testify the food is still considered luxury for the poor).

(2015) Srihari T, Vinay CV discussed that employment generation is critical to economic growth and this further kick in consumption driven growth. Application of technologies, implementation of effective policies and proper analysis and forecasting of the global economic conditions will definitely help us to sustain a respectful economic growth and build a better economy.

(2014) Kumar NA, Joseph J argued that rural consumers are known to earn low income, have low level of literacy, low level of brand awareness, asymmetric information, inadequate communication and transportation facilities. The Rural markets and sub-urban markets are ever expanding and have ever greater penetration index, as the growth seems stunted in the urban markets. The study emphasized that even sub urban and rural consumers gave more importance to the 'quality' of the FMCG-personal care brands they bought rather than the normative influences or social appeal vide celebrity endorsements in the mass media.

(2011) Mishra explored the relation between real consumption expenditure and economic growth in India. According to his study the very act of consumption would encourage private sector to produce more. Thus, consumption-led growth would turn into production/investment-led growth and eventually the economy would move to a high growth trajectory.

(2011) Ziyodullo PARPIEV investigates empirically the relationship between household economies of scale in consumption in Uzbekistan. Presence (or lack) of household economies of scale in seven different consumption categories (food, meals out, clothing, education, health, transportation and shelter) was tested. Evidence suggested strong and positive household economies of scale in consumption of meals out, clothing, education, health, transportation and shelter, while consumption of food fails to indicate this pattern.

Heinz Herbert Noll (2007) has done a comparative research on household consumption and household income. He concluded that the expenditures and consumption levels and patterns are being determined by household income as compared to other variables like household composition and family type, place of residence, or employment status of household members as factors explaining levels and structures of expenditures

(2004) Sydney C. Ludvigson in his paper "Consumer Confidensce and Consumer Spending" states that the outcome of monthly consumer confidence surveys provides steady fodder for the business and financial

press and is treated as an important piece of economic information. In the New York Times alone, more than 15 articles about consumer confidence and its potential impact on the economy appeared between July 2002 and June 2003. Consumer confidence is often cited by Federal Reserve Chairman Alan Greenspan as a key determinant of near-term economic growth. His survey suggests that the index signals aggregate consumer expenditure growth

ShubhashisGangopadhyay and Wilima Wadhwa (2004) identified some important estimates of how households behave. House-hold behaviour is essential for social welfare policies. They concluded that general growth in expenditure is sufficient to rid us of poverty and the proportion of poor people has been declining in India as a result of various government policies

Timothy M Smeeding (2004) studied the effects of policy changes on the consumption pattern of lower income families. He concentrated more on the effects of children. The policies made were beneficial to only a certain class of people. He suggests changes to policies based on emerging consumption patterns.

III. Research Objectives
The study was conducted with the following research objectives
1. To study the monthly consumption expense of respondents from lowersocio-economic class with respect to income.
2. To study the consumption patterns of selected group with respect to food, clothing, education, accommodation, energy, consumer durables and electronic products.
3. To make recommendations to financial institutions, insurance companies and manufacturers of FMCG products and consumers durables to develop policies and strategies for lower income segments

IV. Research Methodology
A structured approach was undertaken to conduct the study. The research methodology commenced with problem identification. Then, it went through the phases of questionnaire formation, data collection, followed by data analysis and interpretation, conclusion and forming recommendations for marketers and financial institutions.

It is said that Mumbai is a city for all. It is a city for the rich and the poor. It is a city that gives everyone a livelihood. Over the decades, Mumbai has not only seen expansion of economic and financial activities but also expansion of geographical boundaries. These boundaries have penetrated deep enough into sub urbans and even beyond into the rural areas. Although most of these areas are self-sufficient economically, there lie pockets of slums and low-income group dwellers who make a living by the day. Most of these people do not have a continual defined income. What they only earn are wages. After a preliminary survey and investigation into their daily lives it was found that these daily wage earners managed to earn somewhere between 250-400 rupees per day. This approximates to a disposable income of around Rs 12000 per month.

Data collection - Data was collected from a randomly selected sample, representative of the daily wage earners.
➢ Sample Size: 485
➢ Occupation: Labourers, cleaners and sweepers (car, housekeeping, railways), household help, small fruit, vegetable and flower sellers, carpenters, welders etc.
➢ Income Criteria: Monthly income of Rs 5000 to 20000
➢ Instrument used: Responses were recorded systematically by using a structured schedule designed for the purpose
➢ Study Period: The study was conducted during the period June 2017- November 2017
➢ Areas Covered: Slums in Goregaon, Jogeshwari, Malad and Andheri

Data Analysis - The quantitative data so collected was analyzed with the use of statistical analysis on SPSS. The methods used were Descriptive Statistics, Chi square tests, Friedman's Rank analysis, t test of significance. Suitable charts and graphs were used wherever necessary.

Hypothesis - To study the consumption patterns of the selected respondents 5 Research Hypothesis were formed. The hypothesis so formed were used to test the relationship between income and other consumption heads like food, education, mode of travel, electronic appliances, clothing etc.

H01: There is no significant relationship between the income category and the method of sourcing groceries

H02: There is no significant relationship between income category and frequency of making grocery purchases.

H03: There is no significant relationship between the income category and the type of school their children study in

H04: There is no significant relationship between the income category and the type of shops they buy clothes from

H05: There is no significant relationship between the income category and the mode of transport they take to go to work.

H06: There is no significant relationship between the income category and the mode of payment for purchases made.

V. Chi Square Tests andFriedman's Ranks Tests

Table 1 (a)

Income Group	Source of Food purchase			
	Public Distribution System/govt outlets	Local Grocery Stores	Others	Total
Below 5000	30	7	1	38
5000 - 10000	39	64	9	112
10000 - 15000	47	137	14	198
15000 - 20000	35	77	25	137

Table 1 (b)

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.121[a]	9	0.042
Likelihood Ratio	11.813	9	0.039
Linear-by-Linear Association	2.9	1	0.102

From the above analysis, it has been found that the Chi value stands at 11.121 and its p-value is 0.042 which is less than 0.05 at 95% confidentiality levels. Thus, we reject the null hypothesis and accept the alternate hypothesis. The role of Public distribution system in India cannot be undermined. However, a rising number of households have made a shift towards local grocery stores which offer more variety and better-quality products. Therefore, we accept the alternate hypothesis that there is a significant relationship between the income category which people belong to and the source of food purchase.

Table 2(a)

Income Group	Frequency of grocery purchase			
	Weekly	Fortnightly	Monthly	Total
Below 5000	30	6	2	38
5000 - 10000	35	22	55	112
10000 - 15000	14	30	154	198
15000 - 20000	7	28	102	137

Table 2(b)

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.545	9	0.038
Likelihood Ratio	13.722	9	0.059
Linear-by-Linear Association	2.2	1	0.104

From the above analysis, it has been found that the Chi value stands at 13.545 and its p-value is 0.038 which is less than 0.05 at 95% confidentiality levels. Thus, we reject the null hypothesis and accept the alternate hypothesis. It is quite explicit that a major percentage of households purchase their grocery on a monthly basis. These clearly shows that most of the consumption expenditure on grocery is well planned. Therefore, we accept the alternate hypothesis that there is a significant relationship between the income category which people belong to and the type of school their child study in.

Table 3(a)

Income Group	Type of School				
	No Child (NA)	Government	Municipality	Private	Total
Below 5000	9	13	16	0	38
5000 - 10000	14	55	37	6	112
10000 - 15000	17	88	73	20	198
15000 - 20000	13	55	32	37	137

Table 3(b)

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.451[a]	9	0.042
Likelihood Ratio	17.664	9	0.039
Linear-by-Linear Association	2.668	1	0.102

From the above analysis, it has been found that the Chi value stands at 17.451 and its p-value is 0.042 which is less than 0.05 at 95% confidentiality levels. Thus, we reject the null hypothesis and accept the alternate hypothesis. Municipality institutions and government institutions take care of all the requirements of a student like books, stationery, tuition fees, etc. These facilities are either provided free of charge or at subsidized rates. Therefore, we accept the alternate hypothesis that there is a significant relationship between the income category which people belong to and the type of school their child study in.

Table 4(a)

Income Group	Clothing Purchases			
	Roadside Vendors	Retail Outlets	Malls	Total
Below 5000	23	15	0	38
5000 - 10000	18	82	12	112
10000 - 15000	12	126	60	198
15000 - 20000	7	78	52	137

Table 4(b)

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30.557[a]	6	0
Likelihood Ratio	29.71	6	0
Linear-by-Linear Association	14.876	1	0

From the above analysis, it has been found that the Chi value stands at 30.557 and its p-value is 0.00 which is less than 0.05 at 95% confidentiality levels. Thus, we reject the null hypothesis and accept the alternate hypothesis. Roadside vendors provide a greater variety with quality for the lower income category. Also, these vendors are more flexible in prices than the retail outlets and malls. It is clear that with rising income, people change their shoppinghabits and get inclined towards better quality products. It's quite notable that in 10000 – 15000 categories and 15000 – 20000 income categoriesaround 30 percent of respondents show a preference towards malls or organized super markets like D mart, Big Bazar etc. Therefore, we accept the alternate hypothesis that there is a significant relationship between the income category which people belong to and the type of shops they buy clothes from.

Table 5(a)

Income Group	Mode of Transport			
	Walking/Cycle	Public Transport	Two-wheeler	Total
Below 5000	26	12	0	38
5000 - 10000	22	70	20	112
10000 - 15000	40	103	55	198
15000 - 20000	14	93	30	137

Table 5 (b)

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.049	6	0.087
Likelihood Ratio	9.532	6	0.146
Linear-by-Linear Association	2.712	1	0.1

From the above analysis, it has been found that the Chi value stands at 11.049 and its p-value is 0.087 which is less than 0.1 at 90% confidentiality levels. Thus, we reject the null hypothesis and accept the alternate hypothesis. Public transport is affordable and more convenient which the lower income group effectively utilize. Therefore, we accept the alternate hypothesis that there is a significant relationship between the income category which people belong to and the mode of transport they take to go to work.

Table 6 (a)

Income Group	Mode of payment			
	Cash	Credit	Both	Total
Below 5000	17	18	3	38
5000 - 10000	54	50	22	112
10000 - 15000	97	50	51	198
15000 - 20000	84	33	20	137

Table 6(b)

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.780[a]	6	.032
Likelihood Ratio	17.831	6	.007
Linear-by-Linear Association	1.618	1	.203
N of Valid Cases	105		

From the above analysis, it has been found that the Chi value stands at 13.780 and its p-value is 0.032 which is less than 0.05 at 95% confidentiality levels. Thus, we reject the null hypothesis and accept the alternate hypothesis. 52% of the people buy electronic items by cash. About 30% of the people surveyed used a combination of cash and credit payment to buy such items. It is interesting to note that even in this digital era, cash purchases are quite significant. The lower income group people save money over a long period of time and plan for such big-ticket items. Therefore, we accept the alternate hypothesis that there is a significant relationship between the income category which people belong to and the way they purchase electronic appliances.

Table 7: Ranks of Electronic Appliances people have

Items	Mean Rank
Television Sets	2.41
Mobile Phones	2.09
Refrigerator	3.49
Washing Machine	4.38
PC/Laptop	4.18
Air Conditioners	4.46

Table 8: Test Statistics[a]

N	105
Chi-Square	236.468
Df	5
Asymp. Sig.	.000

From the above analysis, it has been found that the Chi value stands at 236.468 and its p-value is 0.000 which is very much less than 0.05 at 95% confidentiality levels. Thus, we reject the null hypothesis and accept the alternate hypothesis. Friedman Ranking test has been used to derive mean ranks of the various electronic items a person, belonging to the lower income group, owns. Table 11 indicates the ranks of the different electronic appliances based on their mean scores. Mobile phones are the most common appliance found amongst the people surveyed as indicated by the lowest rank. This is followed by Television Sets, which is the second common appliance that is found at their homes. It is noticed that people bought either a PC or Laptop before buying washing machines as the mean rank of PC/Laptop is less than the mean rank of washing machine. Air conditioners are last on their priority list indicated by the highest mean rank. Therefore, we accept the alternate hypothesis that there is a significant difference in the type of electronic items that the lower income group people purchase.

VI. Statistical Analysis

In order to study the income and consumption patterns of lower income groups, a survey was conducted of people belonging to the income categories of up to 20,000 per month. A sample size of 785 was adopted. The data generated through the survey was analyzed using statistical tools and following interpretations were derived.

Table 9Analysis of Consumption of commodities per month

Commodity	Mean	Median	Mode	Min	Max
Kerosene (litres)	10.6	10	10	2.5	20
Grains (litres)	22.73	16	16	8	55
Vegetables (kgs)	10.57	6	5	1	50
Milk(litres)	15.71	15	15	9	45
Dairy Products(kgs)	1.12	1	2	0.2	13
Meat, Fish, Eggs (kgs)	2.76	2	2	1	8
Cooking Oil(litres)	4.98	4	4	2	20
Spices(kgs)	0.96	0.8	0.6	0.1	4
Sugar(kgs)	4.19	3	3	1	20
Pulses (kgs)	3.27	2	2	0.5	15

| Biscuits(packets) | 9.62 | 6 | 6 | 2 | 50 |
| Tea/Coffee(kgs) | 0.94 | 1 | 6 | 0.1 | 5 |

The above table indicates the monthly consumption of respondents belonging to lower income groups. The consumption pattern is directly related to the number of family members and income category of the respondent. More the family members and higher the income, more the consumption and vice versa. In the above table, there are certain commodities with vast differences in minimum and maximum consumption. For example, the minimum vegetable consumption is 1 kg per month and maximum up to 50 kg. This difference is due to the difference in the number of family members and the monthly household income of the respondents.

Table 10 Analysis of Monthly Expenses

Item	Mean	Median	Mode	Min	Max
Cylinders (number)	8.47	9	10	4	10
Pipe Gas	268.18	250	250	250	300
Rent	2785.71	2000	2000	1000	8000
Trips (number)	1.75	2	1	1	4
Groceries	2884.00	2500	2000	1000	8000
Electricity	453.10	400	500	200	2000
Water	139.10	60	60	50	900
Mobile	309.90	275	200	50	1500
TV	236.27	200	200	150	400
Clothes	322.80	300	400	100	900
Medical	318.04	200	200	100	2000
Education	997.44	500	500	200	5000
Travel	836.99	300	300	200	5000

The above table indicates the data pertaining to the monthly expenses of the respondents belonging to the lower income categories. The expenditure and consumption pattern indicate the standard of living of the respondents. It is directly related to the monthly household income and number of members in the respondent's family. For example, the minimum gas cylinder consumption is 4 cylinders per year and maximum being 10. This difference arises due to the difference in the number of family members. More members in the family, more will be the requirement for gas cylinders every year. The same holds true for groceries. The expenses on electricity, water and rent have differences in minimum and maximum amounts due to differences in locations of the respondents and the rates applicable in their respective localities. Respondents living in hutments or small dwellings with less appliances have less expenditure on electricity in comparison to those living in housing societies and having appliances at home. The expenditure pattern is a clear indicator of the standard of living of the respondents and is in direct relation to their income and number of members in their family.

Table 11 Analysis of Monthly Savings (Rupees)

Mean	Median	Mode	Min	Max
781.5789474	400	200	200	7000

The average savings of the respondents is Rs 782 per month. The maximum number of respondents saves about Rs 200 per month. The lowest amount of savings is Rs 200 and maximum Rs 7000. The monthly savings is directly dependent on the monthly household income, number of members in the respondent's family and monthly expenses and consumption. Respondents with less income, more family members and higher expenditures are able to save less in comparison to those with relatively more income, less family members and less expenses.

VII.   Conclusion

From the above analysis, certain conclusions and inferences can be drawn. There is a huge market for mobile phones and television sets either new ones or second-hand ones in the lower income households. They mostly buy such products by cash. However, 48% of the people surveyed also use credit facilities (payment in installment). This is an opportunity for financial institutions. Though 90% of the sample shops from the retail outlets and roadside vendors, 10% of the people go to malls such as Big Bazaar, D-Mart, Vishal Mega mart, for this exercise. People ensure that their child is well educated. The quality of education in private schools is better.

People manage with the requirements. Consumption of commodities depends on the number of family members and the income per month. The expenditure pattern for FMCG products and gas cylinders also follows the same pattern. Electricity charges, Water charges, Rent and mobile phone charges vary as per rates applicable in their locality. Savings, though not much on an average of about Rs. 782/month, is directly dependent on the number of members in the family, monthly income and monthly consumption.

There is a huge potential in the lower income segment. Though the savings is considerably low, they have a good purchasing power and a huge demand for quality products. They form a large part of the Indian population and provide a huge potential. This should be captured by marketers and financial institutions.

VIII. Recommendations

Based on the above analysis and conclusions, certain recommendations and suggestions have been listed below.

1. Financial institutions like commercial banks and co-operative banks should develop savings and investment schemes for lower income groups, which have been neglected so far, from the plans and policies of financial institutions.

2. Saving schemes by financial institutions must be developed with minimum balance requirements like Rs. 100 to Rs. 500 and favorable rates of returns to attract and benefit customers from lower income groups.

3. FMCG manufacturers must develop products keeping the consumption patterns of lower income groups in mind.The products must be priced accordingly. For example, detergent manufacturers could come up with smaller packets of detergents at lower prices, offer washing soaps free along with a large packet of detergent powder or offer toothbrush free with a tooth paste. The lower income segment of consumers is very price sensitive and the above strategy could help boost sales and revenues.

4. Insurance companies can develop schemes for the benefit of customers from lower income categories. Such schemes must involve lower rates of premium and generate favorable returns post maturity. For example, a life insurance scheme with a monthly premium of Rs 100 and maturity period of 25-30 years could be developed which generates returns post maturity which benefit the customers from lower income groups.

5. Government should improve their commodity distribution networks and encourage the lower income group to buy products from there. This will reduce the costs of buying groceries for the lower income group and increase their savings.

6. Private educational institutions should provide education to children from lower income group at subsidized fees. Government institutions, on the other hand, should improve the quality of education provided. This will increase the literacy rate and boost the overall economy.

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