ABSTRACT

In this thesis, we attempt to identify and characterize middle class, and look into several aspects of the middle class related to economic growth, consumption, and urban infrastructure. This thesis delves into the task of giving a shape and form to the idea of middle class, and analyses the issues pertaining to it. At the time of independence, majority of the Indians were poor, and the middle class comprised of a miniscule section of the society mostly consisting of government employees. Since liberalization, however, the Indian middle class has been growing both in terms of number as well as its share in the population. There have been various studies which estimate the Indian middle class as anywhere between five and ten percent of the population. In absolute numbers, the middle class is numerous enough to create a substantial impact on consumer demand, governance, and many other matters of political and economic significance, both at the national and global level.

Firstly, the problem of defining, and measuring the middle class is studied in the Indian context. All the existing approaches used in previous studies are analyzed to identify middle class across countries. We scrutinize each approach for its suitability in defining an Indian middle class. Given the income and wealth distribution that is constantly changing and evolving over time, the approach to measure middle class in India may be different from that used for developed nations. The social and cultural heterogeneity across regions in India further complicates the issue of using a single measure of middle class in India. It is almost impossible to characterize the middle class as one homogenous group of people, given the fluid and upwardly mobile nature of this class. Therefore, the agenda here is not to have one rigid and unchanging measure of middle class, but to analyze how the suitable approach to measure middle class may depend on the framework within which it is to be studied. A method of dividing households into different economic classes on the basis of consumption expenditure, durables possession, and land owned, is developed using the maximum likelihood algorithm, and it is compared with other existing methods.

Secondly, it is studied how middle is the middle class in India in terms of its various socioeconomic characteristics, and choices. The purpose here is to look at whether the economic middle class that is identified possesses traits that are in between that of the poor, and the rich. The traits which are studied here include religion, caste, occupation, education, and household size, among others. This is important because the middle class cannot be isolated as an economic category but has to be seen as a class that is shaped by the social and political nature of its being. It is supposedly the class that interrupts the

traditional Marxian dichotomy of the oppressor and the oppressed, and creates a channel for upward mobility based on individual merit. Hence, it is crucial to find out if the middle class that we define also stands in the middle in terms of its position, and behaviour in the society.

Thirdly, the consumption patterns of various goods and services for the Indian middle class is studied, and it is analyzed how this is different from the poor. In the global scenario, India is now projected as an important market for the consumption of food items, consumer durables, and different services. The emerging middle class will be the most important target for selling branded, and good quality products since it is growing in number, and can afford to look beyond fulfillment of basic needs, unlike the poor. We scrutinize the factors that drive the consumption of specific goods while shifting away from the consumption of others, as more and more people enter into middle class. This will enable us to suggest policy that will encourage consumer demand among the Indian middle class, and attract foreign investment in India. The focus in this chapter will be on the consumption on food items, and how the nature, and quality of food items preferred by the middle class differs from others.

Fourthly, the role of middle class in better economic performance of the country, and the creation of effective socio economic institutions, is analyzed. The middle class helps in economic development by acting as an active agent on both the demand, and the supply side of the economy. The emergence of a middle class has been found to create a more equitable society, and the establishment of a democratic polity. This helps in the creation of well functioning institutions in terms of superior administration, and efficiency. It also leads to the establishment of better quality, and more accessible provision of education, infrastructure, and health care. In a feudal society, comprising of the rich and the poor, these resources are appropriated by the top echelons of the society. On the other hand, a large, and upwardly mobile middle class supports equal opportunities and access to resources for all. These phenomena have already been studied, and validated by previous research. However, this study will look at whether the emerging Indian middle class actually facilitates them or it is merely guided by vested interests, without bringing any development.

Fifthly, it is studied how the households have transitioned out of poverty, and into the middle class. This gives us better insight on how the economic status of households are changing over time, and also how such changes vary across different regions in India. Further, we study the factors driving such movement of households into middle class. We particularly look at the effect of the urban infrastructure program JNNURM on such economic transitions. This is based on the premise that better infrastructure is instrumental in enabling upward economic mobility for households. This study will suggest the factors that help households in coming out of poverty, and entering the middle class, which is crucial for developing government policies for facilitating social welfare.

Sixthly, it is studied how infrastructure investment affects female labour force participation for the poor, lower class, and middle class. Here, female labour force participation is used as an indicator of the effectiveness of the infrastructure development program. We propose that increase in infrastructure investment has both demand and supply side effects on female labour force participation. This will enable us to study the interactions between economic class, and infrastructure investment on improving female labour force participation.