

# Breakpoint



# Breakpoint

The Crisis of the Middle Class and  
the Future of Work

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 juggernaut

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*For those who did everything right and  
still felt the ground shift beneath their feet*



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# Introduction

## A Million (Middle-Class) Mutinies Now

*Breakpoint is a scoring situation during a tennis match when the player receiving the serve is one point away from winning the game. The 'break' refers to the player breaking the server's hold on the game, an advantageous situation to be in and one that can significantly shift the momentum of the game.\**

### **India at the Breakpoint**

In a darkened control room in Navi Mumbai (previously Bombay), 100 agents monitor 30,000 ATMs across India. Their cameras, sensors and bots do the work that 60,000 security guards once did. As shareholders in India's best-run banks, we take comfort in the cost savings. As investors wanting to see the Indian economy thrive, we feel fear.

In a small town near Bhilwara, Rajasthan, a 27-year-old BTech graduate named V.S. lost ₹13 lakh – nearly all his

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\* 'What Does "Break Point" Mean in Tennis?', *Basha Tennis*, 10 January 2025, <https://tinyurl.com/bd6298kc>.

family's savings – trading Futures and Options (F&O) in the stock market. Seduced by influencers on YouTube promising easy money, he now earns ₹14,000 per month as a freelance salesperson. He is one of 9 million Indians who collectively lose over \$12 billion annually in F&O trading – nearly as much as the Government of India's (GoI's) entire education budget.

In Mumbai's suburbs, Sharad Chandra, a well-dressed CFO earning ₹60 lakh annually, took 30 personal loans in two years. Drowning in debt after losing money in F&O trading, he eventually embezzled over ₹1 crore from his employer and fled the city, leaving behind a padlocked apartment and unanswered questions.<sup>1</sup>

These are not isolated incidents. They are symptoms of a profound crisis gripping India's middle class – the 40 million income tax filers, earning between ₹5 lakh and ₹1 crore per annum, who form the backbone of India's economy.

## **The Middle Class at a Crossroads**

India's middle class today faces its most vulnerable position since economic liberalization in 1991. This book tells the story of how the Indian middle class reached this breakpoint – a moment when the old certainties of secure employment and steady consumption-driven growth are collapsing under the weight of technological disruption, demographic pressures and structural economic shifts.

The middle class is often defined by its attitude towards education and employment – the belief that a university

degree is the gateway to prosperity. Yet a disturbing paradox has emerged: While India produces over 8 million graduates annually, becoming a graduate now actively reduces both earnings and employment prospects. The unemployment rate for graduates stands at 29.1 per cent – nine times higher than for illiterates. At elite IIT Bombay, minimum salaries have been slashed from ₹6 lakh per annum to ₹4 lakh per annum, while 8,000 of 21,500 IIT graduates nationwide remain unemployed.<sup>2</sup>

## The Triple Squeeze

Three forces are simultaneously crushing middle-class prosperity:

- **Jobs are disappearing.** White-collar job creation has plummeted from 11 per cent annual growth before 2020 to just 1 per cent today. India's IT services sector – the country's largest graduate employer with 8 million workers – is in retrenchment mode as AI (artificial intelligence) replaces coders and call centre agents. The country's leading IT firms laid off over 1,00,000 professionals over 2024 and 2025. Meanwhile, banks have become reluctant to finance new business projects after the 2015 Asset Quality Review, choking off private sector job creation. Small and medium enterprises, which employ 90 per cent of India's workforce, are being crushed by regulatory overload and competition from larger, more capital-intensive firms.<sup>3</sup>
- **Wages are stagnating.** For employees of Nifty 50 companies, real wages (after adjusting for inflation) have

fallen over the past nine years (FY2016 to FY2025).<sup>4</sup> The average income of India's middle class – those earning ₹5 lakh to ₹1 crore – was ₹10.23 lakh a decade ago. Today it is ₹10.69 lakh. Meanwhile, the cost of a typical vegetarian thali is rising at 11 per cent annually, medical costs rise at 14 per cent and the true cost of middle-class living doubles every eight years. The government has compounded this by shifting tax burdens from corporations to individuals, with personal income tax as a percentage of GDP (gross domestic product) rising from 2.5 per cent to 3.6 per cent.<sup>5</sup>

- **Debt is exploding.** India's non-housing household debt as a percentage of income now exceeds that of the United States (US) and China. Nearly half of Indian families have taken personal loans, with 67 per cent having availed of them before age 30. For borrowers, nearly 40 per cent of annual income goes to debt servicing. This borrowing finances not productive assets but consumption – holidays, smartphones and, increasingly, essential expenses like education and healthcare. Between 5 and 10 per cent of retail borrowers are caught in a debt trap, using multiple loans to finance day-to-day living.<sup>6</sup>

## The Social Media Catastrophe

In 2016, Jio launched almost-free mobile data. Within months, hundreds of millions of Indians – particularly young men in their twenties – had unlimited Internet access for the first time. What followed was a psychological and financial catastrophe.

Anxiety and depression medications now grow twice as fast as other pharmaceutical categories.<sup>7</sup> Young Indians spend

hours on social media, bombarded by curated images of wealth they cannot attain. The psychological toll has contributed to a doubling of suicide rates at IITs since 2015.<sup>8</sup>

But the damage isn't just psychological. As mentioned earlier, egged on by influencers promising easy money, 10 million Indians have plunged into F&O trading. Over three years (FY2022–FY2024), they've collectively lost ₹3 lakh crore (\$33 billion) to institutional investors and brokers – more than the government spends on social welfare.<sup>9</sup> The typical F&O trader is a 30–40-year-old small-town male who loses a lakh annually in a country where per capita income is just over ₹2 lakh.

## **The AI Disruption**

As middle-class Indians gamble away their savings, the same AI tools glamourizing trading on social media are eliminating their jobs. The NITI (National Institution for Transforming India) Aayog estimates that by 2031, AI could reduce IT services sector employment from 8 million to 6 million, and customer experience jobs from 2.5 million to 1.8 million – a loss of 2 million middle-class jobs.<sup>10</sup>

The CEOs of India's most profitable companies tell us they're aiming to use AI to reduce salary bills by up to a third. Everything from human resources to underwriting to call centres will be automated. For a country where 8 million new graduates enter the workforce annually, watching existing jobs disappear is devastating.

## **The Consumption Crisis**

The combined impact of scarce jobs, falling real wages and soaring debt has jammed India's consumption engine. FMCG (fast-moving consumer goods) volume growth has slowed from 11 per cent 14 years ago in FY2011 to 3 per cent in FY2025. Car sales are actually shrinking. Consumer durables growth has collapsed from 11 per cent to 1–2 per cent.

This matters profoundly because consumption accounts for 60 per cent of India's GDP. Unlike export-driven East Asian economies, India's post-1991 growth model was built on middle-class consumption creating demand, which created jobs, which further created more consumption – a virtuous cycle. However, that cycle has broken.

## **Structural Vulnerabilities**

The crisis didn't emerge overnight. For decades, India has churned out graduates through a system focused on rote learning rather than creative thinking. The shift from descriptive to multiple-choice questions in IIT entrance exams has eroded quality. Only 43 per cent of graduates in India are employable, with most lacking problem-solving skills and creativity.<sup>11</sup>

Meanwhile, automation has been hollowing out middle-skill jobs since 2000. Research shows that routine cognitive work – clerical jobs, bookkeeping, sales – has been disappearing for the past 20 years.<sup>12</sup> A generation before AI arrived, middle-skill jobs were already losing share in the labour market.

The middle class's political disenfranchisement has left

these problems unaddressed. With just 40 million income-tax payers among 970 million voters, the middle class is politically insignificant. Politicians prioritize the poor for votes and the elite for funding, using middle-class tax payments to finance subsidies for others.

## **The Silver Linings**

Nevertheless, within this crisis lie opportunities. By late 2025, the government finally responded with ₹6.3 trillion (US \$70 billion) in stimulus – income-tax cuts, GST (goods and services tax) reductions, interest rate cuts and a ban on online gambling. The Diwali 2025 shopping surge showed that when taxes fall, the middle class spends.<sup>13</sup>

More fundamentally, India is witnessing an entrepreneurial renaissance. New company registrations have surged, with a quarter-million Indians annually setting up formal businesses and over a million creating micro-enterprises. The gig economy already employs 8 million people with meaningful income. Artificial intelligence, while destroying jobs, is also creating opportunities in data labelling, bot training and tech R&D (research and development), with estimates suggesting 100 million new jobs possible by 2030.

The transition from secure employment to entrepreneurial uncertainty will be painful. But firms like NJ in Surat – which grew from two college graduates selling mutual funds in 1994 to India's largest private mutual fund distributor with ₹2.7 trillion (US \$30 billion) in assets – show what's possible when entrepreneurial ambition meets India's vast market.

## **The Road Ahead**

This book is about change – a profoundly disruptive economic and social change rippling through 40 million middle-class Indians. The old model of university education leading to stable employment and leading to consumption-driven growth is breaking down. What replaces it will determine India's place in the twenty-first century.

The middle class must adapt, developing an entrepreneurial mindset focused on continuous learning rather than credentials and status. The government must cut the red tape strangling small businesses and rebalance taxation away from individuals and towards corporations. The labour market needs liberalization to match the sophistication of India's capital markets.

Most urgently, middle-class Indians must stop gambling their futures away and instead embrace disciplined financial planning – double engine compounding of both livelihoods and investments to weather longer, more uncertain careers and extended retirements.

India stands at a breakpoint. How it navigates this transition will echo through generations. The middle class's mutiny has begun – the question is whether it ends in rage or renaissance.

*Disclaimer: The authors, their families, Marcellus Investment Managers and the firm's clients may have a beneficial interest in the companies mentioned in this book. The material in this book is neither investment research nor investment advice.*

Section I

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The Crisis of the  
Middle Class



# 1

## Who Are the Middle Class Anyway?

*The middle class is a section of society between the upper and lower classes. It is a group characterized by a certain income level, education and lifestyle. This class is essential for a country's growth and development, demand and job creation.\**

### **Mr Jha and Mr Kumar**

Manoj Jha is a 50-year-old insurance professional in Patna who earns ₹6.5 lakh per year and struggles to make ends meet. He says, 'We have stopped travelling, going for movies or attending social functions.'<sup>1</sup>

According to Mr Jha, not only has the rise in prices of essential goods inflated his own household budget, but the rise in medical costs, and therefore insurance premiums, has also

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\* Shivani Giri and S. Subramanian, 'The Middle Class in India: Trends and Patterns', *Economic & Political Weekly*, Vol. 60, No. 23, 7 June 2025, <https://tinyurl.com/y6wd5ykr>.

## Breakpoint

affected his livelihood. His clients are reluctant to renew their policies because of how expensive these have become.<sup>2</sup>

Kandivali is a thriving Mumbai suburb, 1,800 km away from Patna. The Kumars (names changed for anonymity) from Kandivali are clients of Marcellus. Vivek Kumar is a middle management employee at a leading private-sector bank in Mumbai. His wife, Anjali, worked in the underwriting team of a private-sector insurance firm in the same city. Their total net (i.e., post-tax) household income is ₹50 lakh per annum. Their savings comfortably exceed the minimum of ₹50 lakh required to become a Marcellus client. Yet, when the Kumars first reached out to us two years ago, they gave us the following numbers for their annual earnings and expenditure (Figure. 1.1):

Income and Savings		Investments	
<b>Income</b>		<b>Real Estate</b>	<b>₹ 2.05 cr</b>
Annual takehome of Mr. Kumar	₹ 35 lakhs	Residential House	₹ 1.30 cr
Annual takehome of Ms. Kumar	₹ 15 lakhs	Plot	₹ 75 lakhs
<b>Total net Household Income</b>	<b>₹ 50 lakhs</b>		
<b>Expenses</b>		<b>Debt allocation</b>	<b>₹ 80 lakhs</b>
Home expenses	₹ 12 lakhs	FD	₹ 25 lakhs
School fees & tuition etc	₹ 8 lakhs	PPF EPS	₹ 35 lakhs
Home loan EMI	₹ 12 lakhs	Debt mutual funds	₹ 20 lakhs
Pune flat investment EMI	₹ 6 lakhs		
Car loan EMI	₹ 4 lakhs	<b>Indian equities</b>	<b>₹ 65 lakhs</b>
Travel & vacations	₹ 3 lakhs	Small cap stocks	₹ 30 lakhs
<b>Total net Household Expense</b>	<b>₹ 45 lakhs</b>	Flexi cap mutual funds	₹ 20 lakhs
		ESOP	₹ 15 lakhs
<b>Total Annual Net SAVINGS</b>	<b>₹ 5 lakhs</b>	<b>Total Assets</b>	<b>₹ 3.50 cr</b>

**Figure 1.1:** The Kumars could barely save anything after accounting for all expenses

**Source:** Marcellus Investment Managers

Superficially, the Kumars' seemingly comfortable metropolitan lifestyle seems a world apart from the life that Manoj Jha lives in Patna. However, as we will discover in this book, the underlying drivers of the challenges both families face are very similar.

## **The Butterfly Effect**

Chaos theory became very popular when Saurabh Mukherjea was in high school in the 1980s. In particular, one facet of this theory – the Butterfly Effect – was a staple of school quizzes in that era.

The founder of chaos theory was a meteorologist and mathematician called Edward Lorenz (1917–2008). During the 1950s, Lorenz searched for a new means of predicting the weather, realizing that linear models were useless when it came to prediction.

In a now famous experiment to model the weather, he entered the initial condition as 0.506 instead of 0.506127. The result was surprising: a radically different prediction. From this, he deduced that a tiny change in the initial conditions had enormous long-term implications.

In 1963, he crystallized this idea in an award-winning paper titled 'Deterministic Nonperiodic Flow'. In it, Lorenz theorized that weather prediction models are inaccurate because a tiny change in the initial conditions can throw off the results. He then began to use the butterfly analogy to make the concept understandable to non-scientific audiences. He said that each wing flap of a butterfly represents tiny atmospheric

changes. By itself, these wing flaps don't create typhoons. But as these small changes compound within complex systems, they can have massive implications. One such complex system is India's job market.

According to the GoI's income tax data for the financial year (FY) 2022–23, about 40 million Indians earn more than ₹5 lakh per annum. These Indians account for ~70 per cent of income tax paid in India. As we explain ahead, these 40 million Indians are the primary driver of non-agricultural employment and consumption in India. Electorally, these 40 million Indians are relatively insignificant given that India has nearly 970 million adults registered for voting. However, economically, this class of Indians are like butterflies. When these Indians start flapping their wings, they can generate a typhoon. How so?

To understand the full dynamic of how middle-class butterflies flapping their wings in India can cause a typhoon, consider the following waterfall of numbers:

- India has nearly **970 million** adults registered to vote.<sup>3</sup>
- Around half of India's working age population works in agriculture.<sup>4</sup> This implies that around **500 million** Indians are part of the non-agricultural workforce.
- Of these 500 million Indians, nearly 80 million are registered as members of the Employees' Provident Fund Organisation (EPFO).<sup>5</sup> Since EPFO membership is mandatory for Indian employees who work in firms with more than 20 employees, this number gives us visibility on part of the workforce that is in regular salaried employment. Around 50 million Indians work in firms with less than

## Who Are the Middle Class Anyway?

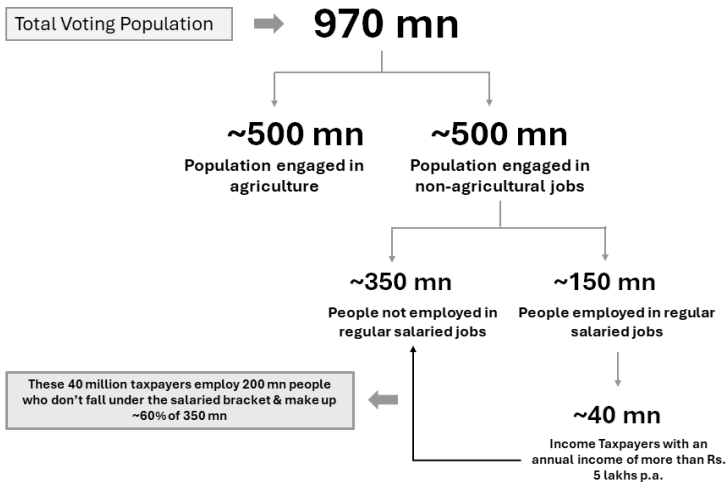
20 employees. We also have to add to this around 15 million Indians who are either state government or central government employees.<sup>6</sup> Therefore, around **150 million** Indians appear to be in regular salaried employment.<sup>7</sup>

- Of these 150 million Indians in regular salaried employment, we can see from the income tax data that India has **40 million** income-tax payers earning more than ₹5 lakh to ₹1 crore per annum. As mentioned, these tax payers constitute 70 per cent of the government's income tax collection and account for a third of India's GST collections.<sup>8</sup> As you can infer from the preceding bullets, these income-tax payers are clearly very affluent people in the context of India's job market. However, in the context of the super-affluent class described in the next bullet point, this constituency falls bang in the middle of the income-tax-paying class. Hence, this is our definition of the 'middle class', and it is this constituency's wings whose flapping can create typhoons.
- Approximately **2,30,000** income-tax filers in India earn in excess of ₹1 crore per annum.<sup>9</sup> This is India's 'elite' and, as described in the Indian media on a daily basis, they are flourishing. They have large investments in real estate and in the stock market. They also own the most profitable of the 1.5 million companies registered to pay corporate tax in India. In many cases, they are also related to the political and bureaucratic establishment which runs India. Entrepreneurial and hardworking, these tiny class of around 2,30,000 families (assuming one income tax filer per family) are the kings and queens of modern India.

## Breakpoint

Leaving aside income tax payments, why are the 40 million Indian families who make up the middle class so influential? Note that the above waterfall of numbers implies that there are around 350 million Indians who are part of the non-agricultural workforce but not in regular salaried employment (Figure 1.2). Let's call them 'working-class' Indians. So how do they earn a living? Answer: by working – directly or indirectly – for the middle class.

Firstly, most middle-class families in India tend to employ a cook, a cleaner and a driver. Let's call this 'direct employment' and let's apply a multiplier of 2.5 on this, i.e., thanks to each middle-class family, another 2.5 working class Indians gets to earn a living.<sup>10</sup> However, the story doesn't end there.



**Figure 1.2:** India's 40 million tax payers offer employment to another 200 million

**Source:** Marcellus Investment Managers

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Each middle-class family spends money on shopping, driving, entertainment, travel, education, etc. Their spending pays the wages of millions of waiters, security guards, shop assistants, delivery agents, truck drivers and owners of unorganized businesses. Let's apply a multiplier of 2.5 to this as well and label this 'indirect employment'.

Therefore, the earnings of the 40 million middle-class families in India also pays for the livelihood of another 200 million people in India. In other words, the majority of working-class India (200 million out of 350 million) are dependent – directly or indirectly - on the middle class. Leaving aside the centrality of the middle class to the government's tax collections, the middle class is also the largest employment engine for the non-agricultural sector in India.

## **Tightly Defining the Indian Middle Class**

Consider that you had just five citizens in an economy. Their incomes (ranked from richest to poorest) in rupees were 78, 30, 25, 20 and 2 lakh per annum. In this fictional economy, who would you deem to be the middle class? Would it be the individual earning ₹25 lakh? Strictly speaking, the ₹25 lakh earner does sit in the middle of the income distribution, but he represents just one-fifth of the citizenry of this fictional economy, and just 16 per cent of the income generated in the economy.

We believe that a more apt definition of the middle class in this fictional economy would be the three individuals earning ₹30 lakh, ₹25 lakh and ₹20 lakh. Why so? Because not only do

**Table 1.1: Income and Filer Distribution Using the Income Tax Department's Data (2023–24)**

Income Categories in ₹	Midpoint of Income Categories (in ₹)	Number of Filers (in million)	Gross Total Income (₹ billion)	Average Income (in ₹)	Cumulative Number of Filers (in million)	Cumulative Total Income (in ₹ billion)
>150,000 and <= 2,00,000	1,75,000	1.4	241	1,76,192	1.4	241
>2,00,000 and <=2,50,000	2,25,000	2.7	617	2,32,090	4.0	858
>2,50,000 and <= 3,50,000	3,00,000	5.6	1,712	3,03,347	9.7	2,570
>3,50,000 and <= 4,00,000	3,75,000	4.0	1,485	3,75,498	13.6	4,055
>4,00,000 and <= 4,50,000	4,25,000	5.9	2,526	4,25,867	19.6	6,581
>4,50,000 and <= 5,00,000	4,75,000	12.5	6,017	4,80,910	32.1	12,598
>5,00,000 and <= 5,50,000	5,25,000	6.1	3,176	5,21,805	38.2	15,774
>5,50,000 and <= 9,50,000	7,25,000	20.4	14,255	6,98,673	58.6	30,029
>9,50,000 and <= 10,00,000	9,75,000	1.1	1,034	9,74,659	59.6	31,062
>10,00,000 and <=15,00,000	12,50,000	6.2	7,507	12,05,338	65.8	38,569
>15,00,000 and <= 20,00,000	17,50,000	2.4	4,166	17,16,378	68.3	42,735
>20,00,000 and <= 25,00,000	22,50,000	1.2	2,654	22,24,606	69.5	45,389
>25,00,000 and <= 50,00,000	37,50,000	1.8	6,243	33,86,971	71.3	51,632
>50,00,000 and <= 1,00,00,000	75,00,000	0.5	3,475	67,50,528	71.8	55,107
>1,00,00,000 and <=5,00,00,000	3,00,00,000	0.2	3,744	1,77,68,273	72.0	58,851

Income Categories in ₹	Midpoint of Income Categories (in ₹)	Number of Filers (in million)	Gross Total Income (₹ billion)	Average Income (in ₹)	Cumulative Number of Filers (in million)	Cumulative Total Income (in ₹ billion)
>5,00,00,000 and <=10,00,00,000	7,50,00,000	0.0	706	6,79,57,587	72.0	59,557
>10,00,00,000 and <=25,00,00,000	17,50,00,000	0.0	660	14,86,75,056	72.0	60,217
>25,00,00,000 and <=50,00,00,000	37,50,00,000	0.0	369	34,25,89,044	72.1	60,586
>50,00,00,000 and <=100,00,00,000	75,00,00,000	0.0	303	69,40,27,523	72.1	60,888
>100,00,00,000 and <=500,00,00,000	3,00,00,00,000	0.0	481	1,83,44,57,252	72.1	61,369
>500,00,00,000	-	0.0	183	7,96,50,91,304	72.1	61,552

**Note:** Emboldened figures indicate our definition of the middle class. Average income for each category calculated as gross total income divided by the number of filers for that category; \*CAGR: Compound annual growth rate

**Source:** Income Tax Department, Ministry of Finance

they sit in the middle of the income distribution (like the ₹25 lakh earner), they also fulfil a more desirable criteria – they account for roughly half the income generated in this fictional economy ( $75/155 = 48$  per cent).

For the analysis of the middle class to be relevant for the broader economy, we believe two criteria have to be fulfilled:

- The middle class has to sit in the middle of the income distribution, and
- They should account for at least half the income earned in the country (which allows them to be a critical driver of the economy).

Linking this to our definition of the Indian middle class, **53 per cent of the Indian population that files non-negative tax returns (as of 2023–24) and earns between ₹5 lakh and ₹1 crore per annum** (see Table 1.1). But how does our definition of the middle class compare with that of others?

Hundreds of academics and marketing professionals have tried to arrive at who *exactly* is the middle class in India. In fact, a flourishing cottage industry specializes in this very subject. For example, the National Council of Applied Economic Research (NCAER) defines middle-class households as those earning between ₹5 lakh and ₹ 30 lakh per year.<sup>11</sup>

In recent years, the most authoritative analysis on this subject has come from Rama Bijapurkar. Her book, *Lilliput Land: How Small Is Driving India's Mega Consumption Story* (2024), includes a long and data-rich discussion on this issue. Bijapurkar looks at GDP divided into four equal categories, or quartiles. According to the World Bank's methodology:

## Who Are the Middle Class Anyway?

- 10 per cent of Indian households fall into the global rich category,
- 20 per cent of households fall into the global upper middle income,
- 20–30 per cent of households fall into the global middle income, and
- 40–50 per cent of households fall into the global low income.

The top 10 per cent of all households (31 million in number) account for 36 per cent of India’s income, just a bit more than a quarter of Indian households’ routine expenditure and two-thirds of the total surplus income (see Table 1.2). If we take the Indian middle class to be those whom the World Bank’s methodology has defined as ‘Upper Middle’ and ‘Middle’, then the annual per capita income of the middle class would span from ₹3 lakh to around ₹20 lakh (see Table 1.3).

**Table 1.2:** Income, Expenditure and Surplus Income Share of Each Group (2021–22)

% Share of All Indian Households				
World Bank–Defined Global Income Class	Income Share	Expenditure Share	Surplus Income Share	Million Households
Rich	36	27	68	31
Upper Middle	31	30	32	62
Middle	17	19	8	62
Lower	17	23	-8	154

**Note:** All India nominal GDP taken as \$3.38 trillion; component of all India GDP resident in each income group

**Source:** Rama Bijapurkar, *Lilliput Land: How Small Is Driving India’s Mega Consumption Story*, Penguin, 2024.

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**Table 1.3:** Household Income Levels Based on GDP for Each Global Income Class (2021–22, Nominal)

Size and Average Income of Each Income Class Based on GDP			
World Bank–Defined Global Income Class	% of Households	Million Households	Average Household Income (₹ lakh/year)
Rich	10	31	27
Upper Middle	20	62	12
Middle	30	92	6
Lower	40	123	2

**Source:** Rama Bijapurkar, *Lilliput Land: How Small Is Driving India's Mega Consumption Story*, Penguin, 2024.

While we agree with Ms Bijapurkar’s analysis of where middle-class India lies on the spectrum, and how to identify them, we believe that this methodology also needs to be applied to data which is available on an annual basis, so that we can track the evolution of the middle class over time. With this in mind, we decided to use the income-tax filers’ data reported by the Income Tax Department, Ministry of Finance, each year. Even though this data is not all-encompassing – as the number of people earning an income is unfortunately far higher than the number of people who file returns – this is the closest proxy for incomes that we could find for this exercise.

We then segmented India’s income tax payers into quintiles (five equal segments) using three different methods: (1) quintiles using the number of income-tax filers in the database, (2) quintiles using gross total income as reported by the income tax filers and (3) quintiles using percentile ranks on gross total income (see Table 1.4).