

Crisis of confidence in urban India

Most people saved money as cash or in liquid instruments instead of in long-term deposits, the latest YouGov-Mint-CPR Millennial Survey shows



A nearly empty car showroom in Noida, Uttar Pradesh, on Dhanteras this year. The YouGov-Mint-CPR Millennial Survey data suggests limited appetite among urban Indians for big-ticket items during the pandemic.

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NEW DELHI/MUMBAI

The ongoing economic crisis has taken a heavy toll on personal finances of Indian citizens. Many have dipped into their past savings to meet monthly expenses, and many haven't been able to repair household balance sheets, or plan for the long term. The preference for cash and cash-like instruments, such as savings accounts, went up sharply in urban India, while the appetite for long-term investments and big-ticket purchases, such as cars and houses, declined.



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These are some of the key findings of the latest round of the YouGov-Mint-CPR Millennial Survey, which asked a range of questions relating to the financial status and well-being of nearly 10,000 respondents spread across 203 cities and towns of the country during October and November.

More than three-fourths of respondents said they have faced financial stress since the lockdown was imposed in March to curb covid-19. Nearly half of them had difficulty in maintaining their monthly savings and investment targets. Nearly a third faced difficulty in paying their utility bills and loan repayments (see chart 1).

The YouGov-Mint-CPR Millennial Survey was conducted jointly by the Indian arm of global market research firm YouGov, Mint, and Delhi-based think tank Centre for Policy Research (CPR). Roughly half of the respondents were millennials (aged 24-39). The rest were post-millennials (aged 18-23) and pre-millennials (above 39). The survey is the fifth of a series of biannual online surveys aimed at examining the aspirations, anxieties, and attitudes of India's digital natives.

On most counts, the pandemic's impact has been unequal across income classes, with poorer respondents hit harder. However, even richer

respondents faced financial stress, the survey shows. Among those earning more than ₹1 lakh a month, 71% said they experienced financial difficulties during the lockdown. Among those earning less than ₹20,000, this figure was 86%.

As many as 45% of the respondents dipped into their savings pool to meet their expenses. A third borrowed money. Respondents from families with six or more members relied more on their extended family for help in covering living expenses (see chart 2). High inflation meant a double whammy for consumers this year, who were already reeling under the weight of income and job losses. The overall monthly expenditure went up for nearly 60% of respondents. Most respondents reported an increase in their grocery bills, suggesting that the rise in food prices had eaten up a large share of household budgets this year. Utility payments also went up as work-from-home became the norm. Medical expenses, too, went up for a large proportion of respondents (see chart 3).

While there have been anecdotal reports of higher spending on over-the-top platforms and similar entertainment services, there is a big class divide here. Only those at the top of the income pyramid saw such spending increase. For others, such spending remained low as they were forced to spend largely on essentials.

As some economists had anticipated, precautionary savings went up in the post-lockdown period. However, people preferred to save money as cash or in cash-like liquid instruments rather than plan for long-term investments, which offer higher returns (see chart 4).

The ability to save varied across income classes. Among respondents earning less than ₹20,000 a month, the share of those who were not able to save anything at all went up this

year. Among those earning more than ₹50,000 a month, the share of those who were able to save more than 20% of their incomes went up sharply compared to the same period a year ago.

Across income classes, the pandemic shock seems to have raised the preference for ready cash. The decline in incomes and the uncertainties surrounding the uneven recovery so far seems to have dented consumer confidence and made many people wary of medium-term or long-term investments.

The survey data suggests limited appetite among urban Indians to spend on big-ticket items. Compared to the same period last year, fewer respondents said they intend to purchase a car or a house in the coming year. The proportion of respondents who said they will purchase a two-wheeler remains unchanged across the two surveys. Plans for purchases of other consumer durables also seem muted (see chart 5).

Will most people start spending if they get a windfall gain, in the form of tax cuts or a direct cash transfer to their accounts? The answer depends on whom you ask.

Among respondents earning less than ₹20,000, the responses were split along the middle. Half of the respondents said they will use such windfall either on immediate expenses or to pay off old debts. The other half would save or invest (see chart 6).

Among richer respondents, a majority would prefer to save or invest rather than spend immediately, the survey data suggests.

The latest survey suggests that India's economic recovery is likely to remain uneven unless our policymakers find innovative ways to raise purchasing power at the bottom of the income pyramid and help boost overall demand in the economy.

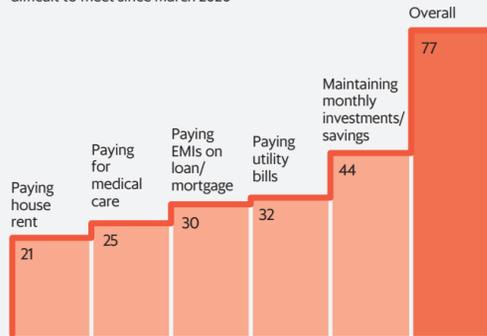
This is the second of a five-part data journalism series on how the pandemic has impacted India's digital natives.

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Chart 1 Most people faced some kind of financial difficulty

Expenses that respondents (in %) found difficult to meet since March 2020



Survey covered 9,839 respondents. Charts 1 and 2 consider only those responses that said 'Yes' to the question: 'Since March 2020, did you face any financial difficulty in meeting each of the following?' Select all that apply.

Chart 2 Nearly half the respondents who faced financial difficulty had to dip into their savings to supplement expenses

How respondents (in %) who faced financial difficulty met their expenses

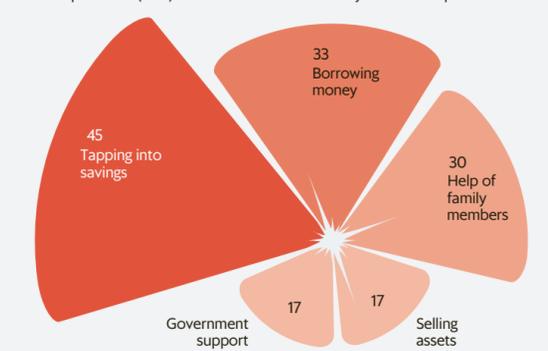
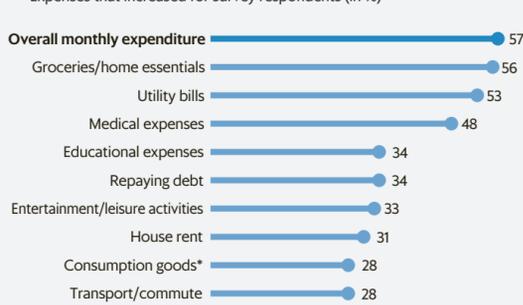


Chart 3 Most respondents reported an increase in their monthly expenditure

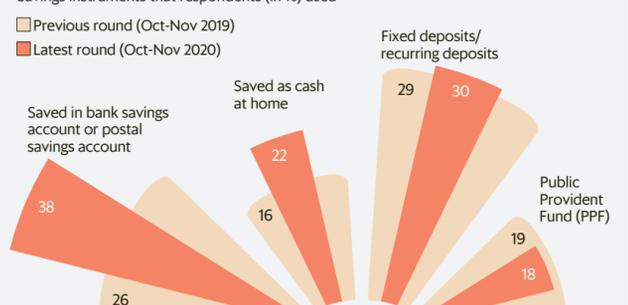
Expenses that increased for survey respondents (in %)



*Comprises clothes, footwear, luxury goods. Survey covered 9,839 respondents. Responses that said 'not applicable' excluded.

Chart 4 More people are now saving money in liquid instruments

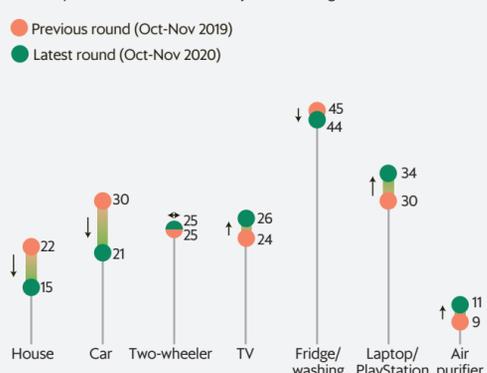
Savings instruments that respondents (in %) used



Latest round covered 9,839 respondents, and the previous round covered 9,325 respondents. Percentages may add up to over 100 as respondents could pick multiple choices.

Chart 5 Fewer people are planning to buy a car or a house in the coming year

% of respondents who intend to buy the following household assets



*and other durables. Latest round covered 9,839 respondents, and the previous round covered 9,325 respondents. Some item categories were clubbed together for calculations.

Chart 6 A majority will save or invest rather than spend windfall gains

How respondents (in %) would use any sudden additional funds (such as government assistance, tax relief, winning a lottery, or inheritance)



Survey covered 9,839 respondents.

Sources: YouGov-Mint-CPR Millennial Survey (Oct-Nov 2020), YouGov-Mint Millennial Survey (Oct-Nov 2019)

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