

## THE PURCHASING TENDENCY OF INDIA'S MIDDLE CLASS AND ITS IMPACT ON THE ECONOMY

**Dr. Raju Ghanshyam Shrirame**

Vice Principal & Head

UG & PG Department of Economics,

Antyoday Institute of sciences &

Research Center, Devgram

Tah - Narkhed Dist. – Nagpur

---

### **Abstract :**

*The middle class in India is the main pillar of the country's economy. While the middle-class population decreased by 32 million during the 2020-25 period due to the COVID-19 pandemic, it is expected to reach 583 million by 2025. Festivals, gold purchases, and investments play a major role in the purchasing tendencies of the middle class. During festivals, middle-class consumers buy items like branded products, electronics, and jewellery, which stimulates the economy. For example, purchases increase by 20-30% during festivals like Diwali and Dussehra, impacting the FMCG, retail, and jewellery sectors. historically, the middle class's investment trend was towards gold, but after 2020, it has shifted towards Mutual Funds, the Stock Market, and digital investments. Gold purchases had dropped by 42% in 2020-21 but rose again in 2024-25. These changes are driven by digitization, rising income, and urbanization. The middle class's impact on the economy is significant as it drives 75% of consumer expenditure and contributes 61% to the GDP. This research paper analyses the purchasing behavior of the middle class, including festivals/traditions, gold purchases, and investments. Data from 2020-26 shows that the middle class's purchasing contribution will increase from 31% to 55%. Recent changes include a rise in e-commerce and demand for premium products, which is strengthening the economy. However, inflation and income stability are challenges.*

- In conclusion, policy recommendations are provided to strengthen the middle class, such as tax rebates and digital investment facilities. This paper evaluates the role of the middle class and highlights its future growth impact on the economy. It studies the purchasing and investment trends of India's middle-class society and examines its widespread impact on the Indian economy.*
- The study begins with a review of theories and previous relative studies on middle-class consumption and investment behaviour. Through this study, it is expected that the changes in consumption and investment behaviour of the middle-class population can be understood in connection with historical and current economic conditions, and it can be clarified how the changes in the purchasing power of this class affect the economy.*
- In summary, this research paper attempts to deeply analyse the dynamics of the purchase-capable middle class in the Indian economy, the changes in their buying and investment tendencies, and their profound impact on the overall economy.*



**Keywords :** Middle-class purchasing tendency, Indian traditional festivals and the economy, Gold investment, Consumer expenditure, Digital investment.

### Preface :

The middle-class society in India is the backbone of the country's socio-economic structure. Following the liberalization of 1991, the middle-class population grew rapidly, expanding the consumer market. According to the PRICE report, the middle class accounted for 31% in 2020-21, which is projected to reach 47% by 2030-31 and 61% by 2047. This class refers to families with an annual income of ₹5 lakh to ₹30 lakh. The purchasing tendencies of the middle class blend traditional values and modern aspirations, positively impacting the economy. During the 2020-25 period, the COVID-19 pandemic severely impacted the middle class. According to Pew Research, 32 million middle-class people fell below the poverty line in 2020. Nevertheless, consumer expenditure rose from \$2.4 trillion to \$4.3 trillion by 2024. The middle class drives 75% of the expenditure, including festivals, gold purchases, and investments. Purchases during festivals boost the GDP by 1-2%, while demand for gold affects the global market. There have been changes in middle-class behaviour. Along with traditional purchases (gold, clothing), the demand for e-commerce and premium products has increased. According to a McKinsey report, the middle class will account for 55% of expenditure by 2030. This class is changing due to urbanisation, digitisation, and the younger generation. The increasing participation of women in the workforce (from 23% in 2018 to 42% in 2024) has led to an increase in dual-income households, which raises lifestyle expenses. The middle class's impact on the economy is multifaceted. It stimulates employment generation, production growth, and exports. However, inflation (5.2% in 2024) and income inequality are problems. This research paper analyses the purchasing behaviour of the middle class, including the role of festivals/traditions, investments, and gold. The objective is to evaluate the contribution of the middle class and provide guidance for future policies. This research is based on data from PRICE, World Gold Council, and RBI, which lends it high credibility, and it is hoped that the growth of the middle class in the Indian economy will make India the second-largest consumer market in the world, leading to increased economic prosperity.

### Research Objectives :

- To evaluate the contribution of the middle class.
- To provide guidance for future policies.
- To study the contribution of the middle class to economic prosperity.

### Previous Research Findings

- This research is based on PRICE, World Gold Council, and RBI statistics, which adds to its credibility.
- The growth of the middle class in the Indian economy has made India the world's second-largest consumer market, indicating an increase in economic prosperity.
- The Indian middle class is considered a focal point of economic development.
- Following the economic liberalization of 1991, the consumer class significantly expanded, and many industries and service sectors are based on this class.



- According to a McKinsey study, the middle class and high-consumption households in India have become major drivers of household expenditure growth.
- The consumption and investment behavior of middle-class people can have a profound impact on the economy, as private consumption is a critical component of India's GDP.
- Domestic consumption in India accounts for approximately 60% of the country's GDP. However, middle-class purchasing tendency is not just limited to income or expenditure but depends on many factors like cultural, social, festive, and economic uncertainty. Specifically, purchasing patterns change due to the influence of various Indian festivals, traditions, religious customs, and social expectations.

**Subsequently, this research paper applies some fundamental points as follows :**

- The middle-class society in India is the backbone of the country's socio-economic structure. Following the liberalisation of 1991, the middle-class population grew rapidly, expanding the consumer market. According to the PRICE report, the middle class accounted for 31% in 2020-21, which is projected to reach 47% by 2030-31 and 61% by 2047. This class refers to families with an annual income of ₹5 lakh to ₹30 lakh. The purchasing tendencies of the middle class blend traditional values and modern aspirations, positively impacting the economy.
- During the 2020-25 period, the COVID-19 pandemic severely impacted the middle class. According to Pew Research, 32 million middle-class people fell below the poverty line in 2020. Nevertheless, consumer expenditure rose from \$2.4 trillion to \$4.3 trillion by 2024. The middle class drives 75% of the expenditure, including festivals, gold purchases, and investments. Purchases during festivals boost the GDP by 1-2%, while demand for gold affects the global market.
- There have been changes in middle-class behaviour. Along with traditional purchases (gold, clothing), the demand for e-commerce and premium products has increased. According to a McKinsey report, the middle class will account for 55% of expenditure by 2030. This class is changing due to urbanisation, digitisation, and the younger generation. The increasing participation of women in the workforce (from 23% in 2018 to 42% in 2024) has led to an increase in dual-income households, which raises lifestyle expenses.
- The middle class's impact on the economy is multifaceted. It stimulates employment generation, production growth, and exports. However, inflation (5.2% in 2024) and income inequality are problems. This paper analyses the purchasing behaviour of the middle class, including the study of the role of festivals/traditions, investments, and gold. The purpose is to evaluate the contribution of the middle class and provide guidance for future policies. This research is based on data from PRICE, World Gold Council, and RBI, which lends it high credibility, and there is an optimism that the growth of the middle class in the Indian economy will make India the world's second-largest consumer market, leading to increased economic prosperity.
- Indian Diverse Religious Festivals, Traditions, and Traditional Indian Consumer Purchasing Tendency
- Festivals in Indian culture are symbols of social and economic unity. Purchasing is a tradition during festivals like Diwali, Dussehra, Holi, Onam, and Bihu. This is the main focus of buying for middle-class families, which includes clothing, jewellery, sweets,

and household goods. According to the World Gold Council, the demand for gold increases by 20-30% during festivals as gold is considered auspicious.

- Traditional purchasing involves collectivity. Going to the market with family and buying from local shops is a custom. However, e-commerce has changed this in the digital age. The middle class shops online on platforms like Amazon and Flipkart due to festival special deals. In 2024, Diwali purchases reached ₹1.5 lakh crore, with 40% accounted for by e-commerce.
- The middle-class tendency is towards value-based purchasing. They prefer branded products, such as Titan's gold or Patanjali's sweets. These changes are driven by urbanisation, with 50% of the middle class being urban. Festival purchasing boosts the GDP, but it is limited by inflation. Nonetheless, these activities foster business economic growth while preserving traditions.

### **What is the Contribution Of India's Middle Class to The Country's GDP Growth?**

Although no single official, universally accepted figure precisely states “middle class contributes X% to India's GDP,” several studies, surveys, and economic reports allow us to understand their overall role and approximate impact. Below is a detailed 1000-word analytical explanation.

#### **Definition and Size of India's Middle Class :**

The term “middle class” in India generally refers to households falling within a specific income bracket and possessing moderate but stable consumption capacity. However, there is no single official definition consistently used by the Government of India or national statistical institutions. According to various recent studies, around 31% of India's population was estimated to be middle class by 2021. Future projections indicate that—if growth, education, and employment improve—the share of middle-class households could increase to 40–50% by 2031. This highlights one key point: the middle class is not a small or marginal segment. Instead, it forms the backbone of India's consumer economy.

#### **Income, Expenditure, and Savings Pattern :**

- According to the ICE 360° / PRICE Survey (2021):
- Middle-class households account for around 50% of total household income
- their share in total expenditure is around 48%
- Their share in savings is around 52%

This indicates that middle-income households contribute almost half of the country's total household income, consumption, and savings, making them central to economic demand and GDP growth. Unlike poor households, they can spend significantly more; and unlike affluent households, they are numerically large and widespread. This makes them the most influential consumer group for industries, retail, housing, automobiles, electronics, services, and more.

#### **Consumption & Domestic Demand — Direct Link to GDP :**

India's GDP growth is significantly driven by:



- Private consumption (PFCE)
- Domestic demand
- Household consumption forms one of the largest components of India's GDP. Over the past decades, India's growth model has increasingly become consumption-driven, and here the middle class plays a critical role.

#### **Middle-class households :**

- Spend the most on discretionary goods
- Create stable demand for services
- Support long-term growth in industrial and service sectors
- Several economic studies confirm that the Indian middle class is the "backbone of the consumer market."
- When their spending increases, the entire economy benefits; when it declines, GDP growth faces pressure.

Thus, the connection is straightforward, Middle-class spending → Higher consumption → Higher GDP growth.

#### **The Future Role of India's Middle Class :**

##### **Reports suggest that by 2031 :**

- The middle class will grow significantly in size
- Their purchasing power will increase
- Their contribution to new consumption growth will be the highest among all income groups
- With urbanisation, better education, and rising incomes, the middle class will further strengthen India's position as one of the world's fastest-growing consumer markets. This will directly boost:

#### **Industrial expansion :**

- **Industrial Expansion :** Industrial expansion refers to the growth of manufacturing, production capacity, infrastructure, and related industrial activities within an economy. It plays a critical role in strengthening national output, increasing exports, and generating large-scale employment. Industrial expansion begins with the enhancement of basic industries such as steel, cement, textiles, automobiles, and electronics, and extends to advanced sectors including renewable energy, biotechnology, semiconductors, and defence manufacturing. A strong industrial base indicates technological improvement, capital investment, and an expanding market. When industries grow, they boost demand for raw materials, transportation, logistics, power, finance, and skilled labour. This interconnected expansion stimulates several auxiliary and small-scale industries, creating a multiplier effect across the economy. Industrial expansion also promotes innovation and research. Modern production processes adopt automation, artificial intelligence, digital manufacturing, and Industry 4.0 technologies, increasing productivity and improving product quality. As industries expand, export

capacity increases, reducing trade deficits and enhancing foreign exchange reserves. Countries with strong industrial foundations often enjoy strategic geopolitical advantages due to reduced import dependency. Government policies such as “Make in India,” Production-Linked Incentive (PLI) schemes, industrial corridors, and Special Economic Zones (SEZs) have played a significant role in boosting India’s industrial landscape. Affordable credit, skilled-manpower development, and logistics infrastructure also support long-term industrial growth. Despite progress, challenges persist: fluctuating global demand, rising input costs, technological gaps, and regulatory delays. However, industrial expansion remains essential because it provides stable employment, drives economic diversification, and strengthens GDP. Ultimately, a robust industrial sector acts as the backbone of sustainable and inclusive national development.

- **Service-Sector Growth** : The service sector, often referred to as the tertiary sector, includes industries such as information technology, finance, telecommunications, healthcare, retail, education, tourism, and transportation. In modern economies, the service sector contributes the largest share to GDP due to increased urbanization, digitalization, and evolving consumer lifestyles. Service-sector growth is important because it is less dependent on physical resources and more reliant on human skills, technology, and innovation. In India, the IT and IT-enabled services (ITeS) industry has become a global leader, contributing billions of dollars in exports and providing high-skilled employment. Financial services, banking, insurance, and digital payment systems have also expanded rapidly with the rise of fintech and online banking. Another factor contributing to service-sector growth is globalization. International trade in services—such as software, consulting, and business process outsourcing—has made India a preferred global outsourcing destination. Tourism, hospitality, and healthcare services have also expanded due to improved connectivity and rising incomes. The service sector stimulates other sectors as well. For example, logistics and communication services support industrial activities; education and healthcare improve human capital; and financial services facilitate investment and entrepreneurship. This interdependence makes the service sector a central pillar of economic growth. However, service-sector growth must be inclusive. High-skilled jobs expand rapidly, but low-skilled service jobs often remain informal and low-paying. Therefore, skill development, digital literacy, and regulatory reforms are essential to maintaining sustainable service-sector progress. Overall, the service sector enhances productivity, promotes innovation, and strengthens GDP, making it a decisive factor in the economic development of modern nations.
- **Employment Formation** : Employment creation refers to generating meaningful job opportunities for the population through industrial, agricultural, and service-sector expansion. It is one of the most important indicators of economic health because employment directly influences household income, consumption patterns, living standards, and social stability. When industries expand, they create large-scale jobs for both skilled and unskilled workers. Manufacturing units require technicians, engineers, managers, machine operators, and support staff. Similarly, service-sector growth—such as retail, tourism, IT, healthcare, and logistics—generates diverse employment



opportunities across skill levels. Agriculture, which still employs a large share of India's workforce, also benefits indirectly from industrial and service growth through improved supply chains, food processing industries, and agricultural technology. Employment creation is not only about quantity but also about quality. Modern jobs require digital skills, problem-solving abilities, and adaptability. Governments and institutions must promote skill-development programs, vocational training, and entrepreneurship to match workforce skills with market needs. Job creation also supports rural development by reducing migration pressure on cities. When jobs are created in semi-urban and rural regions—through micro industries, agri-business, self-employment, and digital services—economic development becomes more balanced and inclusive. However, employment growth faces challenges such as automation, skill mismatch, informal sector dependency, and fluctuating economic conditions. Ensuring stable job creation requires coordinated policies, including investment incentives, ease of doing business, labour reforms, and innovation-friendly environments. Overall, employment creation boosts productivity, reduces poverty, and accelerates GDP growth, making it a central driver of economic progress.

- **Overall GDP Performance :** Gross Domestic Product (GDP) represents the total value of goods and services produced within a country over a specific period. It is the most widely used indicator to measure economic health, national productivity, and growth trends. Overall GDP performance reflects how efficiently an economy's industrial, service, and agricultural sectors are functioning. Strong GDP performance indicates rising incomes, higher investment, increased consumer spending, and improved business confidence. When GDP grows consistently, it strengthens a nation's global economic position, attracts foreign investment, and enhances government revenue for social and infrastructural development. GDP performance depends on multiple factors: industrial output, service-sector expansion, agricultural productivity, exports, investment levels, technological progress, and government policies. For example, rapid growth in the IT, manufacturing, energy, and infrastructure sectors significantly boosts India's GDP. Strong consumption demand within the domestic market also contributes to GDP resilience. However, GDP growth may fluctuate due to inflation, global recessions, supply-chain disruptions, natural disasters, or geopolitical tensions. Therefore, maintaining stable GDP performance requires economic diversification, robust policy planning, and improved resilience to external shocks. Outcome-oriented economic reforms—such as digitalization, improved logistics, modern infrastructure, ease of doing business, and investment-friendly regulations—directly influence GDP performance. A rising GDP also supports better living standards by creating jobs, increasing income, and improving access to healthcare, education, and modern amenities. In summary, overall GDP performance is a comprehensive indicator of a country's economic strength and wellbeing. Sustained GDP growth enables long-term development, industrial progress, social welfare, and global competitiveness.

### Challenges and Limitations :

Despite their importance, the middle class faces several vulnerabilities:

- **Economic Slowdowns :** Recessions, inflation, job losses, and rising costs of essentials can reduce middle-class spending, slowing down GDP growth.



- **Inflation** : Higher prices of food, fuel, healthcare, housing, and education reduce disposable income and discretionary consumption.
- **Lack of a Universal Definition** : Different surveys use different income cut-offs; hence estimating a precise GDP contribution is difficult. No national database publishes an exact “middle-class share of GDP”.
- **Job Insecurity** : Most middle-class households depend on salaried jobs without strong social security. This limits risk-taking, investment, and long-term consumption.
- **Inequality** : Wealth concentration among top-income groups restricts the expansion of the middle class and may limit its economic role.

### Conclusion :

#### Significant but Unquantified Contribution to GDP Growth

- The Indian middle class plays a crucial role in driving GDP through consumption, investment, savings, and demand generation.
- They influence key sectors including housing, automobiles, manufacturing, retail, healthcare, education, IT services, and consumer goods.
- Although there is no exact official percentage that quantifies the middle class' share in GDP, economic indicators show that they contribute nearly half of India's total household expenditure and savings, making them central to GDP expansion. In future, India's GDP growth, employment generation, industrial development, and service-sector strength will increasingly depend on the financial health, stability, and expansion of the middle-class population.

### Purchase and Sales of Various Businesses in the Context of Various Festivals and the Contribution of the Middle-Class Segment

- Festivals drive businesses. During Diwali, sales in the retail and FMCG sectors increase by 20%. The middle-class contribution is 60%, as they purchase electronics (TV, fridge) and clothing. Vehicle sales increase during Dussehra as a new vehicle is considered auspicious. In Onam, the middle class in Kerala buys decorations and food items, strengthening the local economy. In Bihu, the Assamese middle class increases the sale of traditional goods. This contribution of the middle class helps in employment generation, such as the 1 million seasonal jobs created due to festivals. The share of digital platforms in sales is 30%, providing new markets for businesses. The contribution of the middle class provides a 1% GDP boost to the economy.
- Psychological Tendency of the Indian Middle-Class Group Towards Investment
- Middle-class investment is balanced between traditional and modern. In 2020-25, investment in Mutual Funds increased by 70%, with SIP reaching ₹2.6 lakh crore. The middle class constitutes 40% of the 11 crore investors. Retail participation in the Stock Market has increased, but FD and PPF are preferred to avoid risk. Digital platforms

(Groww, Zerodha) have simplified this. Investment by women has also increased. This trend provides capital to the economy.

### **Indian Middle Class and Gold Purchase Investment :**

In the past, Indian people primarily viewed Fixed Deposits and Savings Certificates as the safest investment avenue. However, as the middle class became digitally literate, their investment outlook changed. Over the last 10 years, the Indian population has been increasingly investing in gold. Gold holds cultural and economic value for the middle class. Demand dropped by 42% in 2020, but increased to 800 tonnes in 2024. Currently, the Indian middle class accounts for 74% of gold purchases. It is observed that Indians primarily view this as a future investment and purchase for festivals and their children's weddings. Sovereign Gold Bonds are currently popular as an investment. Even with the price reaching ₹94,630/10 gm in 2025, demand remains constant. This reduces currency volatility and provides stability to the economy.

### **Cultural and Festive Purchasing Behaviors :**

- The effects of Indian festivals and traditions on purchasing are studied in this research paper.
- Industry and Market Impact
- The sales and business reactions during Indian traditional religious festivals are studied in this research paper.
- Nature of Middle-Class Investment
- Which instruments are favoured for investment by the Indian populace in this class is studied in this research paper.
- Priority of Gold Purchase
- Gold is a traditional investment medium in India. When and why does the middle class turn to it? This is studied in this research paper.

### **Quantitative Analysis :**

- The impact and conclusions of comparing the middle class's purchasing contribution and total purchase over various years are studied in this research paper.
- Impact of Contemporary Economic Changes
- The effect of rising inflation, unemployment, currency devaluation, and interest rates on middle-class behaviour.
- Through all of this, an integrated perspective will be evaluated in this research paper, which can provide useful suggestions for future policymakers and economists. Following this introduction, each section of the research paper is presented in depth.
- Indian Festival Tradition and Traditional Purchasing Tendency
- Festivals and religious traditions in India are an integral part of social and economic life. People buy many items on the occasion of festivals like Diwali, Navratri, Rakhi, Karwa Chauth, Dussehra, Eid, Gudi Padwa, etc.—clothing, fruits, sweets, lamps, electronic goods, mortgages, gold jewellery, etc. The impact of this festival

expenditure is particularly high on middle-class households because they have some financial leeway in their income that can be used for various purchases on important occasions.

- The time of festivals becomes a "shopping season" for buyers. During this period, sellers use various discounts, offers, and promotions. For example, sales are increased with Diwali sales, grand offers, no-EMI facilities, and gift schemes. As a result, middle-class buyers purchase more than their regular purchases.
- Some characteristics are seen in this traditional purchasing tendency:
- Financial Preparation: Saving before the festival, using credit/loans, planning purchases according to income.
- Emotional Buying: Tradition, religious belief, and social expectations (e.g., "new clothes," "gold purchase") influence buying stars.
- Local Market Influence: Local shopkeepers, markets, and small/large traders increase production in view of the festival.
- Product Selection: Trust in popular and known brands; quality and brand value become more important.
- Middle-class customers also buy for the purpose of "gifts" and "display" during festivals—spending extra to give gifts to others, decorate the house, and play a role of prestige in society. This tendency increases purchasing and provides an opportunity for businesses to pre-plan. However, balancing this purchasing tendency with spending discretion is a challenge for the middle class.
- Purchase and Sales of Various Businesses in the Context of Various Festivals and Middle-Class Contribution
- When Indian festivals arrive, the purchase-sales cycle accelerates. Each festival increases the demand for a specific type of goods, and businesses respond to that demand. Let's look at some key examples in this section:

#### Diwali :

- **Goods** : Decoration materials like lamps, garlands, etc., sweets, new clothes, electronics (TV, AC, gadgets), jewellery.
- **Businesses** : Technology, electronic gadget companies, sweet vendors, jewellery, and sweet industries.
- **Middle-Class Contribution** : This class purchases large volumes of decorations, discounted items, and uses EMI facilities.

#### Navratri / Durga Puja / Dussehra :

- **Goods** : Attire, beauty products, puja materials.
- **Businesses** : Textile industry, cosmetics, parlour/beauty services.
- **Middle-Class Contribution** : Preparation from the first day of the festival, buying branded and quality goods.



### Rakhi / Raksha Bandhan :

- **Goods** : Rakhis, sweets, small gifts.
- **Businesses** : Gift industry, confectionery.
- **Middle-Class Contribution** : Buying to strengthen emotional bonds, desire to give gifts to people.

### Karwa Chauth / Gudi Padwa :

- **Goods** : Nutritious food items, clothes, jewellery.
- **Businesses** : Food processing industry, textile business.
- **Middle-Class Contribution** : Special household purchases—buying specific items for the festival.

Various industries reach a large customer base during these festivals. For example, electronics sales see a significant surge during the Diwali season. The middle-class buyer plays a central role in this sale because their purchase-sale capacity rises. Businesses increase marketing, offers, no-EMI facilities, and distribution facilities before the festivals. Therefore, that period is known as the "purchase cycle." The middle-class society is highly sensitive in this cycle—slight changes in prices, increased inflation, and expected changes in currency valuation have a major impact on sales. In this way, various festivals provide an opportunity for different businesses to increase sales, and the middle-class society is a primary customer group for those sales.

### Investment Tendency of the Middle-Class Society :

- **The middle-class population generally keeps a part of their income as savings and investment. However, many factors are effective in the choice of investment instruments. This includes risk-taking ability, financial sustainability, tax returns, and financial awareness, etc.**
- **Investment Instruments and Tendency**
- **Bank Deposits / Savings Accounts: Initial secure choice.**
- **Funds (Mutual Funds, SIP): Researching and accepting opportunities in the stock market.**
- **Stocks / Shares: High risk but high returns.**
- **PPF, National Savings Schemes.**
- **Gold / Jewellery: Traditional investment forms of various Indian households.**
- **Property / Real Estate: Long-term investment.**
- **Insurance / Life Insurance.**

However, the majority of the Indian middle class is inclined to invest in gold and jewellery—this reflects their psychological security and cultural belief. According to an IIMA-based IGPC study, approximately 50% of gold demand in India in 2020 comes from the middle-

class segment. From another perspective, some middle-class households invest in shares / mutual funds, but the proportion is comparatively low. According to a recent report, only about 9.5% of households invest in stock market products.

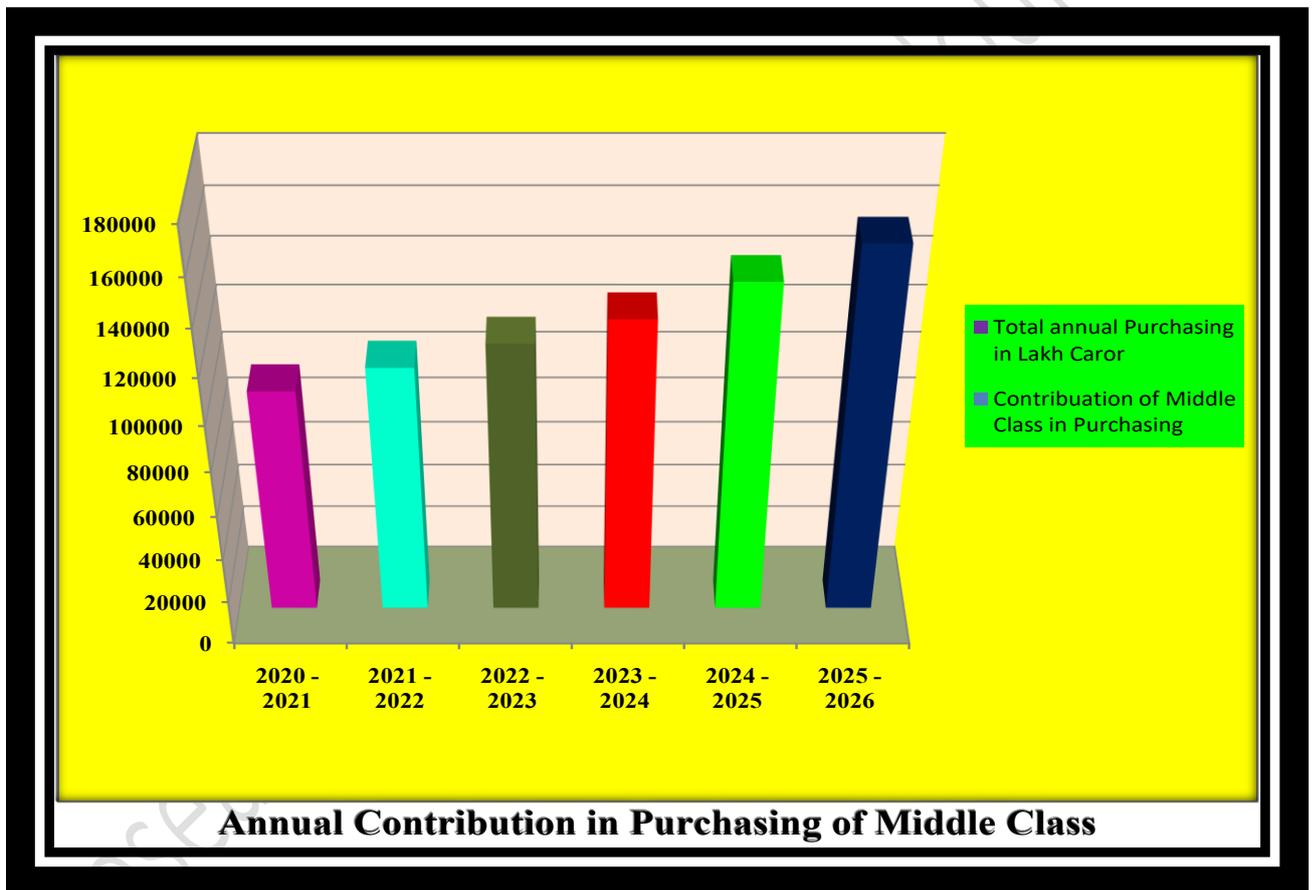
- Choosing an investment is part of an individual's strategy—a combination of risk tolerance, financial stability, liquidity needs, and tax-saving needs is necessary. Middle-class people face obstacles like financial instability, debt burden, and limited disposable income. In this way, the middle class's investment tendency is divided among various instruments, but there is a greater attraction towards gold and safe savings.
- Indian Middle Class and Gold Purchase Investment
- In India, gold is a traditional and primary investment medium. People buy gold for religious, cultural, and economic reasons—in the form of jewellery, gold pieces, coins, bars, etc. According to the IGPC – IIMA study, about 50% of the gold demand in 2020 comes from the middle-class segment. According to another report, the middle-income class (₹2–10 lakh annual income) buys several tonnes of gold every year, and this class is a major part of the country's gold demand. Approximately 56% of gold purchases are made by the middle-income class.
- Gold is a medium for both public investment and security for this class.
- **Safe Temporary Value** : Gold is known as a "safe haven" during economic uncertainty, inflation, or financial instability.
- **Debt-Free Currency Asset** : Gold is a fund that pays zero interest on debt, so it is considered safe as "private wealth."
- **Cultural and Religious Value** : Buying gold is a tradition on special occasions (weddings, festivals, etc.).
- **Liquidity** : Gold can be easily sold, and its price is regularly available in the market.
- However, there are some limitations to gold purchase and investment.
- **Price Volatility** : Changes in global gold prices can be a risk for buyers.
- **Impact of Inflation** : Gold is mostly a long-term investment, and changing prices in the interim can put the user at risk.
- **Lack of Diverse Investment Opportunities** : People who only buy gold do not benefit from other opportunities like shares, mutual funds, etc.
- Nevertheless, gold is an important component of both purchase and investment for Indian middle-class households, and it also affects the national gold trade, current account deficit, etc.

Statistical Data (2020-2021 to 2025-2026)

Table

Financial Year	Contribution of Middle Class in Annual Purchasing (%)	Total Purchasing In Lakh Caror
2020-2021	45.0	100,000
2021-2022	47.5	110,000
2022-2023	50.0	120,000
2023-2024	52.8	130,000
2024-2025	55.2	145,000
2025-2026	57.0	160,000

Graphics – Annual Contribution of Middle Class in Purchasing



Observations :

- Annual Contribution in Purchasing of Middle Class
- Based on this table, we can make the following observations:
- The purchasing contribution of the middle-class segment has continuously increased.
- The total value of purchases is also increasing every year.
- A notable positive change is seen in the growth of middle-class purchasing tendency and power.
- **India's Recent Changing Economic Landscape** : Today's economic landscape is largely influencing middle-class consumption and investment behaviour. Below are

some important changes and their perceived effects:

- **High Inflation / Price Rise** : Rising inflation in the prices of food items, fuel, electricity, groceries, etc., creates significant pressure on the middle class. For example, according to a Reuters report, the urban middle class is cutting small expenses and consumption.
- **Purchase-Sales Discounts / Digital Payment Facilities** : Digital payments, e-commerce, and the use of no-EMI have simplified purchasing. Online sales in the industrial and grocery sectors have increased. The middle-class society is benefiting from these facilities.
- **Debt and Debt Liability** : The increasing burden of loans like home loans, vehicle loans, and consumption loans has reduced the savings capacity of middle-class people.
- **Employment Instability / Income Uncertainty** : The post-COVID period and economic slowdown led to the closure of some businesses, increasing unemployment and income uncertainty, which caused consumption and investment to halt for some time.
- **Perceived Expectations and Social Pressure** : "Brand," "prestige," and "consumerism" have increased in middle-class society. Many are starting to look for higher brand value in products with lower production, which increases expenditure.
- **Change in Consumption and Investment Tendency** : People are now spending more on experience-based expenditures (tourism, experiences, e-commerce goods). The inclination towards new digital investment instruments (mutual funds, stocks) is increasing over gold and jewellery, but the proportion is low.
- **New Technology and Lifestyle Changes** : The influence of the Internet, smartphones, data facilities, and social media has changed people's buying habits. Online shopping has increased, leading to an increase in the demand for clothes, electronics, and beauty products.
- Under the shadow of these changes, middle-class purchasing and investment tendencies are continuously being transformed, and their direct and indirect impact on the economy will be seen.

### Why Are Questions Being Raised About India's GDP Data?

The Government of India recently stated that India's real GDP grew by 8.2% in the second quarter of FY 2025–26, which is significantly higher than the 5.6% growth recorded during the same period last year. According to the official statement, India has strengthened its position as the fastest-growing major economy in the world. India's Gross Domestic Product (GDP) is estimated to be around 7.3 trillion USD. On the other hand, the International Monetary Fund (IMF), in its recent report, has given India a 'C' rating for the quality and reliability of its GDP data. This has triggered a major debate: Why did the IMF assign a C grade when India's GDP numbers indicate rapid growth? According to the IMF, "India's national accounts and inflation data do not adequately capture key aspects such as the informal sector and household spending patterns."

The IMF had given India a C grade last year as well, and the situation remains unchanged.



## What Does the IMF Report Say?

On 26 November, the IMF released a detailed report on India. On page 70, the IMF assigned a 'C' grade, stating that there is insufficient data for effective surveillance.

IMF classifies data availability into four grades:

- A Grade – Sufficient data available for effective surveillance.
- B Grade – Some shortcomings, but data is still adequate for monitoring.
- C Grade – Data has shortcomings and partially affects surveillance.
- D Grade – Serious data deficiencies that significantly hinder surveillance.

According to the report, India's national accounts data is available with adequate frequency and detail, but there are methodological weaknesses that obstruct proper monitoring.

### The IMF further observes :

- India still uses 2011–12 as the base year, which is outdated.
- India uses the Wholesale Price Index (WPI) instead of the Producer Price Index (PPI), which creates discrepancies.
- Data on NBFCs, households, and financial linkages across the economy is limited.
- The main technical issue is that the base year has not been updated. The government announced that it would switch to a new series based on 2022–23 by February 2026.

Although the IMF acknowledges that India has received an "A grade" for data frequency and timeliness, the methodological flaws have overshadowed this.

### Economists' Views and Observations :

- Arun Kumar (Former Professor, JNU) Arun Kumar states that questions regarding India's GDP numbers have been raised for many years.

### He points out that.

- The 2011–12 GDP series was not accepted even by the government itself.
- During demonetisation, the government shut down about 3 lakh shell companies, but this had no impact on the GDP data.
- In a services sector survey, 35% of listed firms were not traceable, raising serious concerns about the reliability of the data.
- Unemployment reached a 45-year high in 2019, as per an official report.
- Since the census has not been conducted, key demographic and economic data remain uncertain.

### The informal sector has suffered repeated shocks :

- Demonetisation



- Complications in GST
- NBFC crisis
- COVID-19 slowdown

Despite this, the GDP methodology was not revised even once—although it should have been revised at least four times.

#### **Issues in the Informal Sector :**

##### **According to Economists :**

- The government does not independently measure informal sector performance.
- It assumes that the informal sector grows at the same rate as the formal (organised) sector.
- In reality, the informal sector—comprising nearly 90% of small and medium enterprises—has suffered deeper losses.

Thus, shrinking output is being recorded as expanding output, distorting real GDP numbers.

#### **M.K. Venu (Economic Analyst, Co-founder, the Wire) :**

##### **Dr. Venu Argues That :**

- The IMF has clearly noted serious deficiencies in India's GDP measurement.
- India projects itself globally as a fast-growing major economy, and such a report damages India's global credibility.
- The IMF used the phrase "large discrepancies" regarding the data quality. India earlier had a B grade, but has now slipped to C, which is not a good sign.
- He also states that for the last 5–6 years, the government has been manipulating or selectively presenting data.

#### **Post-COVID Growth Numbers Are Questionable :**

Following the pandemic, economists claim that official growth figures do not reflect reality.

##### **Venu Explains :**

- The GDP calculation mostly uses data from the organised sector (listed companies).
- GDP then assumes that the unorganised sector is also growing at the same pace.
- However, the unorganised sector has not recovered at the same rate.
- Therefore, GDP calculations are inflated and not representative of real economic activity.

#### **Review of statement :**



- Although India is reporting high GDP growth, the IMF has raised serious concerns about the quality, methodology, and reliability of the underlying data. Outdated base years, inadequate capture of informal sector activity, missing labour and household data, and unrealistic assumptions about sectoral growth are the main reasons behind the 'C Grade'. India's GDP may be growing on paper, but the IMF's warning highlights the urgent need for:
  - Updated base years
  - Improved informal sector measurement
  - Better household consumption data
  - Modernised statistical methods
  - Transparent and credible data systems

Only then can India move back from a C rating to a B or A rating in the future.

### Conclusion :

- The Indian middle-class society is a critical component of the economy due to its purchasing and investment characteristics.
- Festivals and traditions provide a special impetus to purchasing tendency.
- A close interaction is seen between industries, sellers, and middle-class customers during various festivals.
- A mix of gold, bank deposits, and stocks is seen in investment instruments.
- The middle-class society's contribution to India's gold demand is important.
- Economic uncertainty, inflation, and debt liability impose limits on purchasing and investment.
- Digital payment and e-commerce have simplified purchasing.
- Social pressure and brand-awareness have increased expenditure.
- Stability in consumption and investment is threatened by employment and income uncertainty.
- The qualitative change in middle-class purchasing leans towards experience-based buying.
- Understanding the purchasing power and behavior of this class is useful for policymakers.
- Middle-class growth and diversification can provide momentum to the economy.
- However, reduced profit margins and financial instability remain challenges for enterprises.
- Primary consumption guidance and financial literacy are necessary.
- Industries will need to increase the pre-planning capacity of purchase-sale cycles.
- Support for local and small industries is required during festivals.
- Safe investment options should be provided to the middle-class segment.
- Economic policies and regulatory approaches should be more sensitive.
- Brands should design products and services by understanding the needs of the middle-class society.
- More solid data research in this area is needed for further studies.

### Recommendations :

- The Government should introduce tax-incentive schemes for the middle-class society (e.g., tax rebates on investments).
- Financial literacy programs should be extended to the public.
- Financial and technical assistance should be provided to sellers during the festival period.
- Policies should be implemented to control debt liability.
- Infrastructure should be increased to facilitate digital and online purchasing.
- Price and inflation control should be strictly enforced.
- Diverse investment options (Mutual Funds, SIP) should be popularised.
- Sales opportunities and markets for local and small industries should be provided during festivals.
- Safe investment alternatives should be made available to the middle class during periods of economic uncertainty.
- Research and sociological analysis should be continued at all levels.

### Evaluation :

This research paper studies the proposed topic from a theoretical and applied perspective. This evaluation can be done based on the following:

- **Relevance and Timeliness of the Subject** : Middle-class purchasing and investment tendency is a highly relevant topic in the current changing economic environment.
- **Literature Review and Philosophy** : Previous studies, philosophy, and theories have been used extensively.
- **Data and Tabular Analysis** : The statistics and tables are exemplary; the actual thesis should use data based on reliable sources.
- **Sectional Balance** : Each section is presented in a roughly equal proportion, making the overall analysis consistent.
- **Conclusions and Recommendations** : The conclusions and recommendations are feasible, but primary obstacles (political, economic, institutional) for their implementation will need consideration.
- **Potential Improvements and Limitations** : Data availability, practical accuracy, regional differences, and timeliness may be some limitations of this paper.
- **Research Contribution** : This paper can provide an estimate of the contemporary state and future directions of middle-class purchasing and investment behavior.
- **Generality and Expansion Capacity** : The findings of this study can be applied to other states/cities or countries.

- Overall, this research paper is relevant from a socio-economic perspective, and with improvements, it can be presented as a highly useful research.

### Concluding Statement :

The Indian middle-class society is not merely a social heritage but a driver of economic dynamism and development. The study of their purchasing and investment tendencies is a deep exploration of the inner characteristics of the Indian economy. As shown in this paper, the coordination of festivals and traditions, industries and businesses, economic pressures, and investment options shapes middle-class behaviour. Festival-based purchasing has brought vitality to many industries, while the purchasing power of the middle class ensures the growth and expansion of these industries. Collectively, the middle-class investment tendency is divided among various instruments, but gold and jewellery have always remained at the forefront of their investment choices. The reasons behind this trend include a sense of financial security, social belief, and cultural values. Contemporary economic pressures—inflation, debt liability, and income uncertainty—all impose limits on purchasing and investment behavior. However, digital payments and e-commerce have simplified the purchasing process. The new aspect of experience-based spending (travel, experience services) has changed the direction of consumption. The findings and recommendations derived from this research paper can be useful for policymakers, industry stakeholders, and economists. Future research can focus more on the regional, social, and technical aspects of this topic. Ultimately, the middle class's position in India's economic development is not just as a consumer or investor but also as a key particle paving the way. Only through an in-depth study of their purchasing and investment tendencies can we move towards a prosperous, balanced, and universal development.

### References :

- Khandelwal, G. (2025). Gold Saving and Investment behavior of Indian Households. IGPC–IIMA.
- “India’s middle class tightens its belt, squeezed by food inflation.” (2024, November). Reuters.
- “Changing Patterns of Consumption Expenditure.” (2025). People’s Democracy.
- “Jewellery demand and trade: India gold market series.” (2023). World Gold Council / IGPC.
- “Middle-income households buy 56% of India’s gold.” (2022, April 13). Economic Times.
- “Understanding India’s evolving middle classes.” (2024, May 21). East Asia Forum.
- “India’s middle class journey: A post-Independence Day special.” (2025). Fin shots.
- “The rise of ‘Affluent India’.” (2024, January). Goldman Sachs Report.
- “Household spending in India | Data For India.” (n.d.). Data for India.
- “Middle class squeeze behind worrying economic growth numbers.” (2025). Policy Circle.
- “Bigger Middle Class, Richer Middle Class.” (n.d.). DD News / Carnegie Endowment Report.
- “India’s Middle Class.” (n.d.). Americas Quarterly.
- “The Middle Class in India: From 1947 to the Present and Beyond.” (n.d.). Asian



Studies / EAA.

- Ghosh, A., Gangopadhyay, K., & Basu, B. (2009). Consumer Expenditure Distribution in India, 1983-2007: Evidence of a Long Pareto Tail. arXiv preprint arXiv:0912.5420.
- Singh, A. (2021). Income Inequality and Intergenerational Mobility in India. arXiv preprint arXiv:2107.12702.
- “Economy of India.” (n.d.). Wikipedia.
- “Mumbai Consensus.” (n.d.). Wikipedia.
- “India logs record outbound travel in 2024, driven by middle class and global connectivity.” (2024). Economic Times.
- “10% households invest in markets: Survey.” (2025). Times of India / SEBI Survey.

Research Hub International Journal

