

The wheels of household well-being

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Material well-being is often an important signifier of a person's or a family unit's financial status. From a research point of view, however, collecting reliable income data is a challenge. To mitigate the difficulties in accessing income related household information, researchers are increasingly relying on asset ownership data to understand facets of household well-being, income inequality and poverty. The World Bank's Living Standards Measurement Survey, for instance, tries to evaluate poverty levels through asset ownership data in the absence of reliable household income figures. Even so, it is not always easy to gain insights into household well-being based on comparisons of ownership of assets. For instance, how do you compare a household that has a radio and a tin-roof house with one that has a bicycle and a cow? Perhaps, common sense might lead us to infer that the second household is likely to earn more income by selling milk and therefore might be financially in a better position.

At the other end of the spectrum, vehicle ownership does provide a clearer image of a household's income and lifestyle status and enables analysts to correlate it with other well-being indicators such as number of graduates in the household, ownership of life insurance policies, etc. In this context, it is interesting to find that ownership of two wheelers has been growing by leaps and bounds in India. Consider this: recent trends indicate that sales of cars have been rising marginally (at the rate of 3.8%) over a five-year period (FY11 to FY15). Significantly, sales growth of cars in FY15 over the previous year is roughly at the same rate. In contrast, two-wheelers sales have registered a growth rate of 7.5% in FY15 over the previous year and a whopping growth rate of 26.5% during the five-year period. If the economy grew at 8% during the next five years, it would result in sales of an additional 9-10 million two-wheelers (or roughly about 70% of an entire year's sales now) and about 2 million additional passenger cars. It further adds that two-wheelers is the only segment where sales over the next five years will rise faster than what was seen in the high growth phase.

Let's take a closer look at what the growth in sales of this particular consumer product signifies about household incomes and well-being. It should come as no surprise then that incomes of two-wheeler owning households have increased more than three times between FY14 and FY16. ICE 360 pan-India survey's findings reveal that salaried households with two wheelers earn an average annual income of R84,579 compared to non-vehicle owning households (R21,745). Regardless of the source of income, households that only have a two-wheeler seem to be doing much better than those who don't own any vehicles in terms of average annual incomes. So, while a labour household without any vehicle earns roughly R26,974, a two-wheeler owning labour household earns double that amount. The self-employed, non-farm households with two-wheelers have average incomes of R36,296 compared to R27,183 for those that don't own any vehicles.

When you further dissect households by type of occupation and two-wheeler ownership, you get some interesting insights. Take for example, the self-employed households. Two-wheeler penetration is as high as 54% for those who are self-employed as plumbers, 48% for sales people, 47% for contractors and 45% for lawyers. What is even more interesting is that their average annual incomes are significantly higher than that for those who are engaged in the same occupation but do not own vehicles.

Along with higher incomes, such households score high on other well-being indices as well. For instance, spending on health, education, leisure and travel, and social events are much higher for households with two-wheelers than those for households that do not own vehicles. On an average, two-wheeler owning households spend R111,340 annually on non-food consumption items, which is more than double that of households without a means of transport (R52,068)

Better standards of living also contribute towards a more positive outlook on their financial situation and prospects for the future. Nearly 62% of two-wheeler owning households are confident about their current financial situation compared to 33% of non-vehicle owners. An almost identical percentage (61%) feels confident about its major source of income compared to 32% of the other group. Nearly 35% reported that their wealth had improved over the last three years as against 14% of non-vehicle owning households. And most significantly, 41% of two-wheeler owning households are optimistic of further improvement in their financial well-being in the coming years against 24% among non-vehicle owners.

Travel mobility in ordinary parlance refers to “movement” that allows interaction, either existing or new, between economic entities. It improves usage of time and allows access to a wider market base. Economic activity increases when mobility increases level of household well-being. Increased mobility does not necessarily mean travelling to distant places. It also means being able to make more journeys over shorter distances or increased speeds allowing more journeys in similar time. Increased journeys unlock economic opportunities and increased speeds liberate time for other value creating activities. These two when combined can have a multiplier effect on economic prosperity. Owning a two wheeler creates a virtuous cycle of increased mobility and increased incomes, one feeding the other.

Thus, in Indian context, two-wheeler is less of an automobile and more of an enabler which creates a virtuous cycle of increased mobility towards generating better livelihood for households. Clearly then, the interplay of improved mobility, asset ownership, occupational profiles and household incomes provides many clues to improving household well-being. Policymakers would do well to pay attention to the insights that emerge from the changing patterns of asset ownership and develop enabling strategies to upgrade employment opportunities for households still stuck at the various levels of income pyramid.

Two wheelers create better livelihood...

Selected self-employed categories of households	Two-Wheeler penetration (% of household own)	Average income (₹ per annum)		
		Two wheeler owning households (TWOH)	Households that do not have any vehicle	Earnings ratio (TWOH/HNV)
Sales persons/advisors	48%	1,073,422	271,496	3.95
Artisan	49%	471,894	269,672	1.75
Hawker	33%	377,632	216,949	1.74
Lawyer	45%	1,209,544	746,411	1.62
Contractor	47%	690,571	454,868	1.52
Electrician	47%	454,877	321,004	1.42
Washer man	40%	360,026	254,414	1.42
Plumber	54%	491,387	365,248	1.35
Retailer	41%	528,514	396,994	1.33

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