



Trend and Pattern of India's Consumption Expenditure in the Last Three Decades

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Abstract

The present paper primarily aims to capture the changing pattern of food and non-food consumption expenditure in the rural and urban India. India's faster economic growth over 1990s has risen per capita income (expenditure) and has significantly impacted its food consumption patterns by causing a change in the structure of food consumption patterns observed earlier during pre-reform period. In contrast to what is generally held that differences in consumption of necessities across India decline more as the economy grows. Furthermore, in the cases of most of the food and non-food items, especially, education and medical services the consumption expenditure in real terms is showing an upward trend. On the basis of National Sample Survey data on consumer expenditure, this paper examines empirical evidence on the nature and extent of long-term changes in consumption patterns of various groups at the household level in rural and urban India. The percentage share of Monthly Per Capita Expenditure (MPCE) on food items in total aggregate consumption expenditure had declined from 51.7 per cent in 1987-88 to 48.4 per cent at the end of the pre-reform period. In the post reform period also, the food expenditure had declined from 49.9 per cent in 1991-92 to 34.1 per cent in 2011- 2012. Whereas expenditure pattern on non-food items showed a steady growth rate in both the reform periods.

Keywords: *Consumption expenditure, Economic reforms, Consumption pattern*

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Introduction

The performance of any economy is estimated in terms of the trends and pattern of macroeconomic variable which include national income, consumption, saving, investment and employment. Per capita income and food consumption both are the indicators of human development but food consumption is a better indicator of human welfare. India's faster economic growth over 1990s has raised per capita income (expenditure) and has significantly impacted its food consumption patterns by causing a change in the structure of food consumption patterns. This raises the relevance of looking at the composition of India's food consumption basket (wheat), and products of livestock (milk, meat), poultry, fisheries and horticulture (fruits and vegetables).

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Engel's law on food demand appears to be fully operational in India, as is evident from the declining income elasticity for food with rise in income. In the past decennia, economists had closely followed the trend in cereals consumption and demonstrated that the per capita consumption and demand have leveled off [Kumar 1998]. Diversification in food supply and domestic market reforms initiated during the 1980s have offered a wide choice of food items to consumers, leading to changes in dietary patterns towards high-value grains (rice and

However, significant socio-economic and regional differences do exist in supply and demand patterns. Nearly 298 million (out of nearly one billion) people in India are below the poverty line and of which 68 percent live in rural areas. It is widely believed that though food security has been achieved at the national level, it is not so at the regional and household levels, especially among the poor. Therefore, a study on changes in food basket at the household level is of great significance. Since consumption changes occur slowly, such an analysis should be based on long-term basis. Consumption is an important activity performed by the household sector. Whatever personal income we obtain, from one source or the other, is spent either on consumption or is saved. Today's consumption is exacerbating inequalities. The consumption pattern in India is defined with the reference to the consumer expenditure survey by the NSSO. These surveys divide rural and urban population into different expenditure group. The distribution of household/person and the per capita monthly expenditure on food and non-food items is given for each group.

This paper provides empirical evidence on the nature and extent of long-term changes in consumption patterns and trend status of various socio-economic groups at the household level in rural and urban India. It also takes stock of the changing consumption patterns of the poorest strata of population in rural and urban India. It is hypothesized that the dietary changes during the last few years have improved the food and non-food consumption status at the household level in both rural and urban areas for all the classes and states of India.

The Government of India introduced economic reforms in various sectors of the economy in July, 1991. The economic reforms were expected to influence the national income and the standard of living of the people. There by the consumption expenditure was expected to change after the reform. Generally economic reforms refer to the special efforts aimed at the removal of economic imperfection in an economy. In other words economic reforms refer to the short term changes for better economic environment and have to refrain from operations. The paradigm of Indian economic development is the pursuance of economic planning with domination role of the state and economic reforms with the devolution of the government role in the last decade. Now after more than three decades of the reform, it would be interesting to explore the extent to which the economic policies of the 1990's have impacted the behavior of consumption amongst rural and urban population of the country.

The main objective of this study is to compare the consumption expenditure of food and non-food items of Indian households in the pre and post reform periods and to measure the impact of economic reforms on changing consumption pattern between rural and urban households.

It is based on the secondary data collected from various source to facilitate our proposed study. For collecting secondary data, the unit data on dietary patterns and consumer expenditures collected by the National Sample Survey Organization (NSSO) at the national level was used for this study. The analysis was based on the 43th to 68th rounds of the National Sample Survey (NSS) and pertained to the years 1987-88 (July to June) and 2011-2012 (July to June), respectively.

CONSUMPTION EXPENDITURE ON FOOD ITEMS IN THE PRE AND POST REFORM PERIOD

The expenditure on food items include expenditure on cereals and cereal products, pulses, sugar and gur, oil and oil seeds, fruits and vegetables, potato and tubers, milk and milk products, meat, egg and fish, coffee, tea and cocoa and spices. The changes in the economic indicators due to new economic reform were expected to vary the consumption pattern of households. Hence, the expenditure pattern of the households was classified as pre and post reform period. The final consumption expenditure on various food items of pre and post reform period i.e. from 1987-88 to 2011-2012 are presented in Table 1.

TABLE 1: CONSUMPTION EXPENDITURE ON FOOD OF PRE – REFORM PERIOD AND POST -REFORM PERIOD

YEARS	PRE- REFORM PERIOD			POST – REFORM PERIOD				
	1987-88	1989-90	1990-91	1991-92	1996-97	2001-02	2004-05	2011-12
Consumption Expenditure On Food	213613	236254	147305	175767	422134	595259	611949	1296146
Percentage (Regarding Total Consumption)	51.7	51.3	48.4	49.9	51.0	43.6	35.4	34.1

Source: *National Accounts Statistics, Government of India*

The necessary feature visible from the data in Table -1 is that consumption expenditure on food in India has decreased substantially over the years for both the reform periods. The share had decreased from 51.7 % (1987-88) to 48.4 % (1990-91) in the pre – reform period and from 49.9 % (1991-92) to 34.1 % (2011-12) in the post reform period. This could largely be due to agricultural diversification combined with changes in tastes and preferences. On the basis of econometric analysis Mittal (2007) concluded that the increase in relative prices of cereals vis-à-vis other food commodities, diversification towards high value food and changes in taste and preferences are really responsible factors for the decrease in food consumption.

CONSUMPTION EXPENDITURE ON NON- FOOD ITEMS IN THE PRE AND POST REFORM PERIOD

The expenditure on non-food items comprises of expenses of fuel and light, miscellaneous goods and services including non-institutional medical, rents and taxes, clothing and footwear, furniture, beverages, tobacco and its products, pan, intoxicants, hotel and restaurants, furnishing appliances and services, transport and communication, education, cultural and recreational services. The final consumption expenditure on different non- food items of pre and post reform period i.e. from 1987-88 to 2011-2012 are presented in Table 2.

TABLE 2: CONSUMPTION EXPENDITURE ON NON- FOOD OF PRE – REFORM PERIOD AND POST - REFORM PERIOD

YEARS	PRE- REFORM PERIOD			POST – REFORM PERIOD				
	1987-88	1989-90	1990-91	1991-92	1996-97	2001-02	2004-05	2011-12
Consumption Expenditure On Non-Food	199344	224250	156878	176727	404899	771054	1118367	2499755
Percentage (Regarding Total Consumption)	48.3	48.7	51.6	50.1	49.0	56.4	64.6	65.9

Source: *National Accounts Statistics, Government of India*

The analysis clarifies that consumption expenditure on non-food items in India has increased over the years for both the pre reform period and the post reform period. In pre-reform period consumption expenditure on non- food is seen to have grown from 48.3% in 1987-88 to 51.6% in 1990-91. Whereas, in the post- reform period, there have been a substantially higher growth in non- food consumption expenditure from 50.1% in 1991-92 to 65.9% in 2011-12.

CHANGES IN CONSUMPTION PATTERN

Consumption pattern has attracted a greater interest to a larger number of researchers in developed countries but in all under developing countries research interest in consumer studies receive less attention. Consumption expenditure on different food and non-food items are generally used as the main yardstick for measuring standard of living in developing nation. Studies of temporal changes in consumption pattern, provides an insight into the status of human resources of a country and hence is helpful in planning future investment decision. Such

studies attained special focus in recent years in wake of globalization and concerns about food securities.

The concept of MPCE (Monthly Per Capita Expenditure) is defined at the household level (household monthly consumer expenditure ÷ household size). This measure serves as the indicator of the household's level of living. This gives us a good reference point to measure the behavior and patterns along lifeline and lifestyle expenses. Following is a table displaying how MPCE has changed over this time period. Table 3 shows estimates of all-India average MPCE including the 68th round survey. For rural India, real MPCE is seen to have grown from Rs.157.42 in 1987-88 to Rs.220.51 in 2011-12, an increase of about 71% over 24 years. In urban India there has been a substantially higher growth in real MPCE from Rs.252.67 in 1987-88 to Rs.400.54 in 2011-12, an increase of 63% in the 24-year period since 1987-88. Over the 7-year period since 2004-05, the growth in real rural MPCE has been about 26% and the growth in real urban MPCE about 29%.

TABLE 3: GROWTH IN MONTHLY PER CAPITA EXPENDITURE (MPCE) SINCE 1987-88

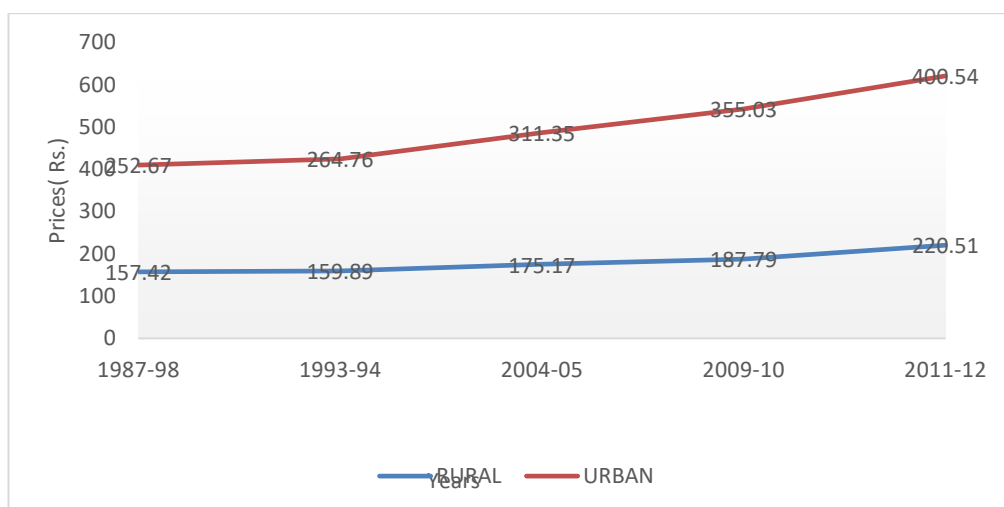
SECTOR	YEAR				
	1987-88	1993-94	2004-05	2009-10	2011-12
Rural (Rs.) At 1987-88 prices	157.42	159.89	175.17	187.79	220.51
Rural (Rs.): current prices	157.42	281.40	558.78	927.70	1278.94
Urban (Rs.) At 1987-88 prices	252.67	264.76	311.35	355.03	400.54
Urban(Rs.): current prices	252.67	458.04	1052.36	1785.81	2399.24

Note: All the values are expressed in real terms i.e. adjusted with CPI with 1987-88 as a base year.

Source: National Sample Survey Organisation, 2011-12

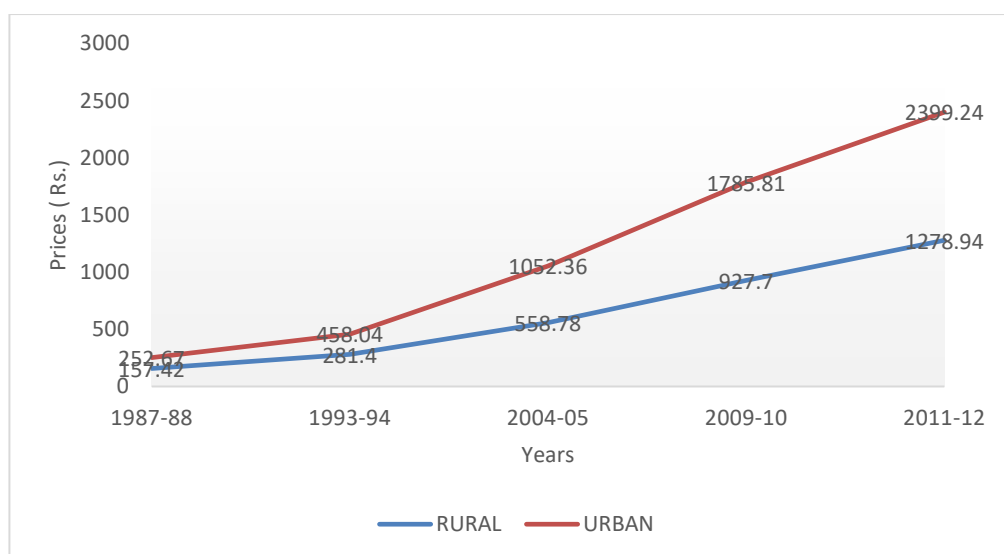
Empirical data shows that the level of MPCE has a negative relationship to the proportion of food expenditure. So, Engel's law on food demand appears to be fully operational in India, as the income of a household increases, they tend to spend a lower proportion on food even the overall expenditure on food may raise i.e. the decreasing income elasticity for food with increase in income. This is shown that in both the below figures, (Figure 1 for MPCE at base price and Figure 2 for MPCE at the current price in rural and urban sector) the overall expenditure of food increases over the periods. From the above discussion we can conclude that the percentage share on food decreases, which satisfies the Engel's Law.

FIGURE -1: MPCE IN RURAL AND URBAN SECTOR AT 1987-88 BASE PRICE



Source: National Sample Survey Organisation, 2011-12

FIGURE- 2: MPCE IN RURAL AND URBAN SECTOR AT CURRENT PRICE



Source: National Sample Survey Organisation, 2011-12

PATTERN AND CHANGES OF CONSUMPTION EXPENDITURE

A variety of consumer goods, entered in the Indian market soon after liberalization. There was a consumer boom and the country witnessed impressive growth in the consumption of goods and services. NSS gives per capita monthly expenditure for rural and urban areas separately for these items. The last round (68th) of NSS data shows Average rural MPCE was lowest in Odisha and Jharkhand (around Rs.1000) and also in Chhattisgarh (Rs.1027). In Bihar, Madhya Pradesh and Uttar Pradesh, rural MPCE was about Rs.1125-1160, perceptibly below the all-India average of Rs.1430. The only three major States with MPCE above Rs.2000 were Kerala (Rs.2669), Punjab (Rs.2345) and Haryana (about Rs.2176). In urban India, Bihar had the lowest MPCE, Rs.1507. In Chhattisgarh, Odisha, Jharkhand, Uttar Pradesh and Madhya Pradesh, urban MPCE was between Rs.1865 and Rs.2060, well below the all-India average of Rs.2630. These six were the six major States with the lowest MPCEs in both rural and urban sectors. The four major States with the highest urban MPCEs were Haryana (Rs.3817), Kerala (Rs.3408), Maharashtra (Rs.3189), and Karnataka (Rs.3026).

The last column states the rural-urban MPCE differential across States. Although such percentage differences may be subject to greater errors of estimation than average rural MPCE or average urban MPCE themselves, and although urban price levels are generally higher than rural price levels so that the rural-urban gap in consumption may be smaller in real terms, it is clear that States vary widely in the degree of the rural-urban gap. Restricting ourselves to the major States, we find that urban MPCE is double rural MPCE in West Bengal and Jharkhand, and 93-97% higher than rural MPCE in Maharashtra, Karnataka and Odisha. The gap is relatively narrow in Rajasthan, Andhra Pradesh and Tamil Nadu (about 53-55%), Bihar (34%) and Kerala (28%), and lowest in Punjab (19%).

TABLE 4: AVERAGE MONTHLY PER CAPITA EXPENDITURE (RS.) & RURAL-URBAN DIFFERENTIALS ACROSS STATE/UTS

State/UT	Rural	Urban	Percentage difference
Andhra Pradesh	1754	2685	53.1
Arunachal Pradesh	1782	2654	49.0
Assam	1219	2189	79.6
Bihar	1127	1207	33.7
Chhattisgarh	1027	1868	81.9

Delhi	2762	3298	19.4
Goa	2408	3051	26.7
Gujarat	1536	2581	68.1
Haryana	2176	3817	75.4
Himachal Pradesh	2034	3259	60.2
Jammu & Kashmir	1743	2485	42.6
Jharkhand	1006	2018	100.7
Karnataka	1561	3026	93.8
Kerala	2669	3408	27.7
Madhya Pradesh	1152	2058	78.6
Maharashtra	1619	3189	97.0
Manipur	1502	1483	-1.3
Meghalaya	1475	2436	65.2
Mizoram	1644	2568	56.2
Nagaland	2059	2284	11.0
Odisha	1003	1941	93.6
Punjab	2345	2794	19.2

Rajasthan	1598	2442	52.9
Sikkim	1565	2608	66.6
Tamil Nadu	1693	2622	54.9
Tripura	1334	2144	60.7
Uttar Pradesh	1156	2051	77.4
Uttaranchal	1726	2339	35.5
West Bengal	1291	2591	100.7
Andaman & Nicobar Is.	2712	4642	71.2
Chandigarh	2633	3357	27.5
Dadra & Nagar Haveli	1123	2671	137.8
Daman & Diu	2436	2388	-1.9
Lakshadweep	2924	3287	12.4
Puducherry	2173	3116	48.0
All-India Total	1430	2630	83.9

Note:percentage difference = urban minus rural as percentage of rural

Source:NationalSample Survey Organisation, 2011-12

Using the URP (Uniform Reference Period) method of Monthly Per Capita Expenditure measurement, food was measured to account for about 48.6% of the value of the average rural Indian's household consumption during 2011-12. This included 12% for cereals

and cerealsubstitutes, 9.1% for milk and milk products, and 4.8% on vegetables. Among non-food item categories, fuel for cooking and lighting accounted for about 9.2%, clothing and footwear for 7.6%, for miscellaneous goods and services 26.1%, and consumer durables for 6.1%. For the averageurban Indian, over 38.5% of the value of household consumption was accounted for by food,including 7.3% by cereals and 7.8% by milk and its products. The share of most of the food itemgroups in total consumption expenditure was higher in rural India than in urban India, fruitsand beverages being exceptions. Over the 24-year period ending 2011-12, cereals have registered the largest decline in share among all the item groups – from 26% to 12% in rural India and from 15% to 7% in urban India.

For non-food item groups, the share was usually higher in urban India. The share of non- food expenditure during 2011-12 by average rural India was 51.4% compare to urban India was 61.5%. The share of pan, tobacco and intoxicants, too, has fallen noticeably in both sectors, though the decline appears to be flattening out.Over the same period, the share of durables has increased from about 3% to 6% of MPCE in rural sector and 4% to 6% urban sectors, and the share of fuel and light shows a rise of about 2 percentage points in the rural sector and 1 percentage point in the urban. The miscellaneous goods and services category (including education and medical care) is, of course, the group which has grown the most – from 14.5% of total expenditure in 1987-88 to 26% in 2011-12 in rural India and from 23% to nearly 40% in urban India.

TABLE 5: CHANGES IN COMPOSITION OF CONSUMER EXPENDITURE DURING 1987-88 TO 2011-12

Item group	Rural					Urban				
	Share in total consumer expenditure in									
	1987-88	1993-94	2004-05	2009-10	2011-12	1987-88	1993-94	2004-05	2009-10	2011-12
Cereals	26.3	24.2	18.0	15.6	12.0	15.0	14.0	10.1	9.1	7.3
Gram	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Cereal substitutes	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1
Pulses & products	4.0	3.8	3.1	3.7	3.1	3.4	3.0	2.1	2.7	2.1

Milk & products	8.6	9.5	8.5	8.6	9.1	9.5	9.8	7.9	7.8	7.8
Edible oil	5.0	4.4	4.6	3.7	3.8	5.3	4.4	3.5	2.6	2.7
Egg, fish & meat	3.3	3.3	3.3	3.5	3.6	3.6	3.4	2.7	2.7	2.8
Vegetables	5.2	6.0	6.1	6.2	4.8	5.3	5.5	4.5	4.3	3.4
Fruits & nuts	1.6	1.7	1.9	1.6	1.9	2.5	2.7	2.2	2.1	2.3
Sugar	2.9	3.1	2.4	2.4	1.8	2.4	2.4	1.5	1.5	1.2
Salt & spices	2.9	2.7	2.5	2.4	2.4	2.3	2.0	1.7	1.5	1.7
Beverages, etc	3.9	4.2	4.5	5.6	5.8	6.8	7.2	6.2	6.3	7.1
Food total	64.0	63.2	55.0	53.6	48.6	56.4	54.7	42.5	40.7	38.5
Pan, tobacco, intoxicants	3.2	3.2	2.7	2.2	2.4	2.6	2.3	1.6	1.2	1.4
Fuel & light	7.5	7.4	10.2	9.5	9.2	6.8	6.6	9.9	8.0	7.6
Clothing & bedding	6.7	5.4	4.5	4.9	6.3	5.9	4.7	4.0	4.7	5.3
Footwear	1.0	0.9	0.8	1.0	1.3	1.1	0.9	0.7	0.9	1.2
Misc. G. & services	14.5	17.3	23.4	24.0	26.1	23.2	27.5	37.2	37.8	39.7
Durable goods	3.1	2.7	3.4	4.8	6.1	4.1	3.3	4.1	6.7	6.3

Non-food total	36.0	36.8	45.0	46.4	51.4	43.6	45.3	57.5	59.3	61.5
Total expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: *National Sample Survey Organisation*

CONCLUSION

Change in the patterns of consumption expenditure is a complicated process, nevertheless, some broad trends can be identified on the basis of social differentiation of which income or consumption class is one dimension of several aspects of stratification. In this study we considered items of consumption that relate to necessities and we hardly find any converging trend. On the contrary, in the cases of most of the food and non-food items the consumption expenditure in real terms shows a increasing gap between the sectors. The share of expenditure on food items in total aggregate consumption expenditure had decreased from 51.7 per cent in 1987-88 to 48.4 per cent at the end of the pre reform period. In the post reform period also, the food expenditure had declined from 49.9 per cent in 1991-92 to 34.1 per cent in 2011- 2012. There has been a change in the relative priorities in the food basket in the rural and urban segments. The shift is against cereals and pulses and more towards high valued food such as meat-egg-fish and fruits and vegetables within the food basket. The decreasing share of the cereals and pulses and the rising share of other items imply a distinct change in dietary that might have significant impact upon their nutrition. Patnaik (2007) had been arguing for long that the new food basket is more expensive and could not secure the nutritional requirements at least for the poor. This is because maintaining the same level of nutrition with a declining cereal intake requires quite a high supplementary consumption of meat, fish, egg, fruits and vegetables and since these replacements in adequate amount are beyond the capacity of the poor, the change is likely to result in a fall in their nutrition levels. The above comparative discussion on aggregate national income and aggregate consumption expenditure between pre and post economic reform period indicates that there was significant difference in them.

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