

An Analysis of Changing Consumption Pattern in Rural-Urban India



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Abstract

Consumption expenditure is one of the major component of gross domestic product i.e. GDP and it is equally important for both macro-economists as well as micro-economists. The paper aims at studying the trend of change in the private final consumption expenditure occurred in the Indian economy during the last four decades i.e. from 1972-73 to 2011-12. The study has tried to analyse the change in the trend of consumption of food and non-food items in both rural and urban areas of India. The data has been taken from NSSO Survey Reports. The findings of the study reveals that from 1992-93 onwards, there has been a noticeable change in the consumption of traditional food items to non-food items. However, still the expenditure on food items is more in rural areas as compared to urban areas. Cereals which has been major food consumption item has been replaced by high expenditure on beverages, milk and milk products. In the non-food expenditure category, the expenditure on miscellaneous goods and services has risen consisting of educational and medical expenditure in both rural as well as urban areas.

Keywords: Gross Domestic Product, Consumption Expenditure, Food and Non-Food Item in Production.

Introduction

In layman perception, the term 'consumption' refers to the act of consuming resources whereas in economics it means the use of good and services by the households. The expenditure on goods and services is termed as consumption expenditure. In the context of economic studies, all the terms i.e. consumption, final consumption and consumption expenditure are used interchangeably and thus they represent amount spent on purchase of final foods and services. Gross Domestic Product is widely accepted benchmark of economic performance of the nation. It is the sum total of goods and services produced within the country's geographical boundaries during one year. It is calculated by adding up the following four components i.e. consumption, govt. expenditure, investment and net exports. Among all these four components, consumption is the most important and the significant measure of determining the growth and success of the economy (Gupta, 2016).

Objectives of The Study

1. To analyse the change in consumption pattern of rural and urban areas of India.
2. To analyse the change in food and non-food consumption expenditure.
3. To analyse the change in relative share of various food and non-food items.

Review of Literature

Iyengar and Jam (1964) made use of Non Linear System of Demand Curves. It possessed the additional properties of homogeneity and symmetry. The method was illustrated from food and non food items from the published NSSO data relating to monthly expenditures of rural households in West Bengal. The major findings of the study were the proportion of total outlay spent on luxuries increased with the level of total expenditure and for necessities it decreased. Price elasticities of demand were all negative and for food the price elasticities were lower in magnitude than for non-food in the years studied.

Dissanayake et al. (1988) estimated systems of Engel curves for the Sri Lankan Economy considering expenditure on all non-durable goods and with special importance to the important category of food expenditure. The study analysed cross section per capita household expenditure using the data of 1981-82 survey reported by Central Bank of Ceylon. The study had estimated complete Engel systems for non-durable expenditure categories and also individual food sub categories.

Maiti (1993) used National Sample Survey Organisation data for the period 1953-54 to 1989-90 to examine the Incidence of Urban Poverty. On the basis of Lorenz ratio, of the size of the distribution of per capita expenditure, the inter-temporal change in inequality in urban consumption expenditure had been analysed. It was found that there was a substantial increase in the average per capita expenditure in nominal terms for the poorest and the richest 20 per cent of the urban population in the 1980's as compared to the 1950's. The Sen Index and Head-Count Ratio showed that the percentage of people below poverty line had increased upto the mid 1960's and then declined sharply.

Sooryamoorthy (2006) opined that The Transformation of Consumption to Consumerism was not spontaneous but happened as a result of the combined effect of several External and Internal Socio-Economic Factors. Disposable income, a key determinant not only in the spending power and decisions of the consumers but also in the manifestations of consumerist tendencies; had been increasing in Israel when its GDP registered a growth rate of 7 per cent between 1975 and 1995. The per capita private consumption grew at an average of 4 per cent between 1950 and 1996.

Sethi and Pradhan (2012) had conducted study on the Patterns of Consumption Expenditure in Rural Households of Western Odisha. The aim of the study was to highlight the pattern of consumption expenditure and the frequent changes in both food and non-food items. The consumption expenditure was increasing due to increase in urbanisation, breaking up of the traditional joint family system, desire for quality food, lack of time, increasing number of working women, rise in per-capita income, changing lifestyle and lack of saving attitude. The study was conducted in rural Odisha where the rural population constitute of 83.32 per cent of total population and Sundergarh district which was selected for the purpose of study had 64.50 per cent rural population. An Engel ratio for each item of expenditure to total expenditure had been estimated for each item-food and non-food separately. The sample households had been grouped into different comparable expenditure classes. The results of the study revealed that average income of the various occupational groups varied as per their occupations; cultivators had an average income of Rs.73650 and their income consumption ratio was .84 whereas business men had an average income of Rs.105940 and their income consumption ratio was .71. On non-food items like clothing, the average monthly expenditure was Rs.22.19 with an Engel ratio of 13.46 and on Education was Rs.2.1 with an Engel ratio of 1.11. The study concluded that the average MPCE of ST/SC's was lower than that of general households

both in food and non food items. The level of living of the rural households had improved than before but accordingly the prices of goods and services in the market had also increased, so the degree of improvement was not much high in comparison as it was visible.

Gupta and Mishra (2017) studied that since the economic transformation in early 1990s, India experienced a massive change in food consumption pattern. There has been a decline in cereal especially coarse cereal intake whereas consumption of other food items (fruits, vegetables, meat products) has slightly increased, particularly in rural India. These changes vary across socio-economic groups, which has implications for inter-group inequalities. This paper attempted to show food consumption pattern across selected social and economic groups and identifies food consumption regions in India. An attempt has also been made to show determinants of food item wise consumption pattern in rural India. The paper argues that such a disaggregated analysis brings out the diversity in food consumption patterns and helps identifying the socio-economic groups suffering from deprivations in food consumption.

METHODOLOGY :

To study the significance of private final consumption expenditure. Components of Gross Domestic Product has been calculated and analysed by using time series data from 1980-81 to 2014-15. The annual expenditure on the food and non-food items has also been studied by analyzing the relative share of these items in both urban and rural areas. Further, the analyse has also been made to study the relative share of these food and non-food items in the consumption expenditure respectively.

Meaning of Consumption Behaviour

Whatever personal income obtained, from one source or the other, is spent either on consumption or on saving. Today's consumption is exacerbating inequalities. The consumption patterns in India is defined with reference to the consumer expenditure survey by the National Sample Survey Organisation (NSSO). These surveys divide rural and urban population into different expenditure groups (Bhattacharya, 1961).

Nature of Consumption

The nature of consumption is dynamic as it involves human beings. Human needs keep on changing which further effect their consumption desires. The dynamic nature of consumption depends on the society as well on the economy. Due to variation in environment, social, economic and cultural contexts in different societies, different kinds of consumption patterns are observed. Human wants change with changes in society. With growth in the society, different consumption patterns emerge (Bhattacharya, 1986).

Trends in Private Final Consumption Expenditure In India**Trends in share of private final consumption expenditure in close domestic product****Table 1 Components of Gross Domestic Product (As Percentage of GDP)**

Year	PFCE	GFCE	GDCF	Trade Deficit (negative)
1980-81	79%	10%	18%	3%
1981-82	77%	10%	22%	3%
1982-83	76%	11%	22%	2%
1983-84	77%	11%	20%	2%
1984-85	76%	11%	22%	1%
1985-86	74%	11%	23%	2
1986-87	74%	12%	23%	2%
1987-88	72%	13%	23%	1%
1988-89	71%	12%	24%	1%
1989-90	69%	12%	24%	1%
1990-91	68%	12%	25%	0%
1991-92	68%	12%	22%	1%
1992-93	67%	11%	24%	0%
1993-94	66%	12%	21%	0%
1994-95	66%	11%	23%	1%
1995-96	65%	11%	26%	1%
1996-97	65%	11%	22%	1%
1997-98	65%	12%	25%	2%
1998-99	65%	13%	24%	2%
1999-00	65%	13%	27%	1%
2000-01	65%	13%	24%	1%
2001-02	69%	12%	26%	1%
2002-03	64%	12%	25%	1%
2003-04	62%	11%	26%	2%
2004-05	59%	11%	32%	3%
2005-06	58%	11%	34%	3%
2006-07	58%	10%	36%	3%
2007-08	57%	10%	38%	4%
2008-09	58%	11%	36%	5%
2009-10	57%	12%	36%	5%
2010-11	56%	11%	37%	4%
2011-12	57%	11%	36%	6%
2012-13	57%	12%	35%	7%
2013-14	57%	12%	31%	4%
2014-15	58%	13%	31%	4%

Source : Author's Calculation based on NSSO Reports.

The table no. 1 reveals that proportion of private final consumption expenditure in the gross domestic product of India has continuously been declining from 79 percent in 1980-81 to 58 percent in 2014-15. In the same period, there has been rise in investment from 18 percent to 31 percent, increased in government consumption from 10 percent to 13 percent and slight rise in trade deficit from 3 percent

to 4 percent. The recent high growth rate of the Indian economy has contributed a lot in increase in the consumption. The change in the consumption pattern of middle class, increased growth of IT and service sector and low interest rate on high purchase system has resulted in boom in the consumption of goods and services.

Table 2 : Trends in Private Final Consumption on Food and Non-Food items (1972-73 to 2011-12) percentage

Rounds	Food Items	Non-Food Items	Total PFCE
27 th	61%	39%	100
32 nd	59%	41%	100
38 th	58%	42%	100
43 rd	55%	45%	100
50 th	55%	45%	100
55 th	51%	49%	100
61 st	40%	60%	100
66 th	37%	63%	100
68 th	36%	64%	100

Source: Author's Calculation based on NSSO Reports.

The total Private Final Consumption Expenditure (PFCE) has been classified by National Sample Survey Organization (NSSO) into two categories, as expenditure on food items and expenditure on non-food items. In order to understand the components of consumption, the food items and non-food items were separately considered under the Private Final Consumption Expenditure. The expenditure on food items include "expenditure on cereals and bread, pulses, sugar and gur, oil and oilseeds, fruits and vegetables, potato and tubers, milk and milk products, meat, egg and fish, coffee, tea and cocoa, spices and beverages, pan, intoxicants, tobacco and its products." The expenditure on non-food items comprises of "expenses of hotel and restaurants, clothing and footwear, gross rent and fuel and power, furniture, furnishing appliances and services, medical care and health services, transport and communication, recreation and education and

cultural services and other miscellaneous goods and services." The table reveals that during the last four decade there has been constant increase in the non-food consumption pattern and it has risen from 39 percent in 1971-72 to 64 percent in 2011-12. Lifestyle of Indian consumer has been changing fast towards better living standards with comforts. This phenomenon which has been earlier in urban consumers has now spread over rural consumers also. Not only the personal needs and requirements are affecting these changes but to a large degree the present social conditions and behaviour are driving these changes especially younger generation. An individual or family has large influence by the society in which he/she moves and tries to follow the others when it comes to living standards and gadgets/appliances used in daily use. This is driving consumerism fast and is reflected today in increased consumption and spending on services (Gupta, 2016).

Trends in Share of Expenditure on Various Food and Non-Food Items in Total Consumption Expenditure

Table-3: Percentage Share of Expenditure on Various Food and Non Food Items in Urban & Rural Areas (1972-73 to 2011-12)

Rounds	Urban		Rural	
	Food Total	Non-Food Total	Food Total	Non-Food Total
27 th	64.5	35.5	72.9	27.1
32 nd	60	40	64.3	35.7
38 th	59.1	40.9	65.6	34.4
43 rd	56.4	43.6	64	36
50 th	54.7	45.3	63.2	36.8
55 th	48.1	51.9	59.4	40.6
61 st	42.5	57.5	55	45
66 th	40.7	59.3	53.6	46.4
68 th	38.5	61.5	48.6	51.4

Source : NSSO Reports.

The table reveals that there has been decrease in the proportion of expenditure of food items during the last four decades in both rural and urban areas. But in rural areas, it is still higher than the urban areas. The share of food items in total consumption expenditure in both urban and rural areas have declined. In urban area the share has fallen from 64.5 percent in 1972-73 (27th round) to 54.7 per cent in 1993-94 (50th round) and later to 38.5 percent in 2011-12 (68th round). In the same time

span, the share of food items in rural areas has also been falling, it dropped from 72.9 percent to 63.2 and later to 48.6 percent. The proportion of expenditure on non-food items in urban areas has increased from 35.5 percent in 1972-73 (27th round) to 45.3 percent in 1993-94 (50th round) and further rose to 61.5 percent in 2011-12 (68th round) in rural areas. Comparatively, over the years, the proportion of expenditure on non-food items in rural areas increased from 27.1 percent to 36.8 percent and further to 51.4 percent.

Table - 4

Trends in Percentage Composition of Monthly Per Capita Expenditure (MPCE)_{URP} since 1987-88

Item Group	Rural					Urban				
	Share in Total Consumption Expenditure									
	1987-88	1993-94	1999-2000	2004-05	2009-10	1987-88	1993-94	1999-2000	2004-05	2009-10
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Cereals	26.3	24.2	22.2	18.0	15.6	15.0	14.0	12.4	10.1	9.1
Gram	0.2	0.2	0.1	0.1	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	0.0
Pulses & products	4.0	3.8	3.8	3.1	3.7	3.4	3.0	2.8	2.1	2.7
Milk & products	8.6	9.5	8.8	8.5	8.6	9.5	9.8	8.7	7.9	7.8
Edible oil	5.0	4.4	3.7	4.6	3.7	5.3	4.4	3.1	3.5	2.6
Egg, fish & meat	3.3	3.3	3.3	3.3	3.5	3.6	5.5	5.1	4.5	4.3
Vegetables	5.2	6.0	6.2	6.1	6.2	5.3	5.5	5.1	4.5	4.3
Fruits & nuts	1.6	1.7	1.7	1.9	1.6	2.5	2.7	2.4	2.2	2.1
Sugar	2.9	3.1	2.4	2.4	2.4	2.4	2.4	1.6	1.5	1.5
Salt & spices	2.9	2.7	3.0	2.5	2.4	2.3	2.0	2.2	1.7	1.5
Beverages, etc.	3.9	4.2	4.2	4.5	5.6	6.8	7.2	6.4	6.2	6.3

Food total	64.0	63.2	59.4	55.0	53.6	56.4	54.7	48.1	42.5	40.7
Pan, tobacco, intox.	3.2	3.2	2.9	2.7	2.2	2.6	2.3	1.9	1.6	1.2
Fuel & light	7.5	7.4	7.5	10.2	9.5	6.8	6.6	7.8	9.9	8.0
Clothing & bedding	6.7	5.4	6.9	4.5	4.9	5.9	4.7	6.1	4.0	4.7
Footwear	1.0	0.9	1.1	0.8	1.0	1.1	0.9	1.2	0.7	0.9
Misc. & services	14.5	17.3	19.6	23.4	24.0	23.2	27.5	31.3	37.2	37.8
Durable goods	3.1	2.7	2.6	3.4	4.8	4.1	3.3	3.6	4.1	6.7
Non-food total	36.0	36.8	40.6	45.0	46.4	43.6	45.3	51.9	57.5	59.3
Total expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*URP stands for Uniform Reference period.

Source : Reports on Household Consumption Expenditure in India by National Sample Survey Organisation.

Table No. 4 reveals the trends in Monthly Per Capita Expenditure (MPCE) on cereals in rural areas and urban areas. The expenditure on cereals in rural areas is 26.3 per cent in 1987-88 and has fallen to 24.2 per cent in 1993-94 and to 22.2 per cent in 1999-2000. It has further declined to 18.0 per cent in 2004-05 and to 15.6 per cent in 2009-10. The overall decline in consumption of cereals in rural areas has been observed as quite high. While observing the trends in the percentage composition of Monthly Per Capita Expenditure (MPCE) in urban areas, it is observed that the consumption of cereals has fallen from 15.0 per cent in 1987-88 to 14.0 per cent in 1993-94. This declining trend has continued in the upcoming years where the fall is 12.4 per cent in 1999-2000, 10.1 per cent in 2004-05 and 9.1 per cent in 2009-10. The consumption pattern of cereals is following Exponential trend i.e. apprising and sudden change. The modern life style which has been adopted by the Indians after the globalisation, privatisation and liberalisation may be attributed to this fall in consumption of cereals.

The income-induced diet diversification has resulted in consumers moving away from inferior cereals such as jowar and bajra to superior grains such as wheat and rice and more recently from cereals to high value food products such as milk, egg, meat, and fruits and vegetables – a natural corollary to the negative income elasticity for cereals in India and positive income elasticity for high quality food. The change is occurring between rural and urban households. Other factors contributing to the change in the consumption pattern is the increasing urbanisation. During the most recent decade globalisation has also played an important role in the transformation of food consumption patterns of Indian households. The data relates to all over India, hence it includes all household classes of India. Various researches also proved that people who are in occupations involving manual labour consumes more cereals than salaried class or sedentary workers. The argument which has been raised that consumption of cereals and pulses has declined as a sign of prosperity because people are consuming better quality foods and hence diversifying from this

conventional food to non-vegetarian food such as eggs, fish, meat and chicken alongwith fruits and vegetables.

Conclusion

The results of the study reveals that during the past four decades there has been a tremendous shift in the private final consumption expenditure in the consumption pattern of Indian economy. The share of food items in the total consumption expenditure has been constantly declining whereas the share of non-food items has been rising steadily. This change is visible in both rural as well as urban areas but it is more visible in urban areas. There has been observed major decline on conventional food items like cereals and substantial rise in the expenditure on milk and milk products, fruits and nuts and beverages. In case of non-food items, the major significant change has been observed in miscellaneous goods and services as well as durable goods consumption whereas the expenditure on fuel and light, tobacco and intoxicants has declined in both rural as well urban areas.

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