

An Analysis of Changing Rural-Urban Consumption Pattern in India

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Abstract: It's widely known that consumption expenditure is one of the major components of GDP and it is equally important to both macro-economists and micro-economists. The paper focuses on studying the trend of private final consumption expenditure in the Indian economy over the last four decades (1972-73 to 2011-12). The study has also analysed the trend of food and non-food consumption pattern in both urban and rural areas and interstate differences in consumption pattern over the same period by using data from NSSO survey reports, RBI and CSO. The findings of the study present that from 1972-73 onwards there has been a shift from traditional food items to non-food items, however the expenditure on food continued to remain higher in rural areas as compared to urban areas. Traditional food basket dominated by cereals among other changes is now seeing higher expenditure on beverages and milk & milk products. Analysis of non-food expenditure showed that from 1972-73 till 2011-12, weightage of miscellaneous goods & services has risen, these include educational and medical expenses, etc. in both urban and rural areas. The state-wise analysis of monthly per-capita consumption expenditure revealed that both in urban and rural areas, the states that have overall high per-capita expenditure also have both high food and non-food expenditure. It further pointed that there are fewer states above the all-India average in urban areas than rural areas. Findings further show that non-food consumption expenditure carries higher weightage in urban areas compared to rural areas.

Keywords: Private Final Consumption Expenditure, Food & Non-Food Consumption Expenditure.

I. INTRODUCTION

In common parlance, the term 'consumption' refers to the act of using up the resources, whereas in economics it means the use of goods and services by households which are not intended to be an investment of some sort i.e. the goods or services are not used with an intention of being sold in future. The expenditure on these purchases is termed as 'Consumption expenditure'. Unless otherwise described, in the context of economic studies the terms consumption, final consumption and consumption expenditure are used interchangeably and carry the same meaning of amount spent on purchase of final goods and services.

In the world of economics and finance the Gross Domestic Product (GDP) and GDP growth rate are globally considered as the benchmarks to measure the economic performance of a nation. GDP which is sum total of the goods and services produced within the country's geographical borders over a year, can be measured by adding up four broad components viz. (i) consumption, (ii) government expenditure, (iii) investment and (iv) net exports. Among these four, consumption is the most significant component in all economies and thus consumption is one of the bigger concepts in economics. As a dominant part of the GDP the change in consumption carries weight in determining the growth and success of the economy.

In the words of Muellbauer and Lattimore 1994, p.292 as cited in [1], "Consumer expenditure accounts for between 50% and 70% of spending in most economies. Not surprisingly, the consumption function has been the most studied of the aggregate expenditure relationships and has been a key element of all the macroeconomic model building efforts since the seminal work of Klein and Goldberg (1955)."

While from a macro-economic perspective study of consumption is important as it governs total saving, economy's long-term productive capacity, national output. Additionally, it's equally important for micro-economicsto focus on consumption behaviour in order to measure distribution of wealth, to examine households' preparedness for retirement, or to test theories of competition in retail industries. In this paper we shall attempt to examine the trends in private final consumption expenditure in India over the last three decades.

1.1 Meaning & Definition of Consumption Behaviour

In its entirety the study of Consumer Behaviour is a multi-disciplinary field which draws its theories and beliefs from several knowledge pools like psychology, sociology, social psychology, cultural anthropology and economics. Since it combines the concepts of behavioural science to understand human behaviour, it's recognised as an applied field. In addition to economics it is also useful to organisations in developing their marketing strategy

and to government authorities in framing their policies and to consumer groups in influencing consumption behaviour.

To put simply, Consumer Behaviour is the study which deals with the various stages a consumer goes through before purchasing products or services for his end use[2].

“Consumer behaviour is the study of individuals, groups, or organizations and the process they use to select, secure, and dispose of products, services, experiences and ideas, which are associated with the satisfaction of their needs. It also includes consideration of the impact of these processes upon consumers, organisations and society in general”[3]. It refers to the actions of the consumers in the market place and the underlying motives for those actions.

“Consumer behaviour..... is the study of the processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires” [4].

Schiffman and Kanuk, as cited in[5]take a similar approach in defining consumer behaviour, “the behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs.”

1.2 Empirics of Consumer Behaviour in India

Prior to independence in 1947 Consumer Behaviour in India did not get its due importance. The legacy of data collection methods left behind by the colonial rulers was far from adequate to study Consumer Behaviour and those could not even provide the elementary data required for estimation of national income. However during 1950’s under the aegis of Prime Minister, Pandit Jawaharlal Nehru the foundation of a strong statistical base was laid. Today, in the official statistical system the Department of Statistics set up by the Government of India is the apex body. In terms of the organisational structure the Central Statistical Organisation (CSO), the National Sample Survey Organisation (NSSO) and the Computer Centre (CC) operate under the Department of Statistics.

The NSSO which is a permanent survey organization collects data relating to a wide variety of aspects of the Indian economy through country wide large-scale sample surveys. These surveys contribute vital information that helps decision makers in socio-economic planning and policy making. The work of NSSO has won international acclaim and stimulated the creation of similar organisations in other developing countries.

The first round of NSS, covering rural India was conducted during 1950-51. Since then NSSO is entrusted with conducting annual surveys with each year having a definite scheduled area of focus. The NSSO has been carrying out household consumer expenditure survey (CES), which is generally conducted along with the employment-unemployment survey of the NSS at five year intervals often referred to as “quinquennial” intervals.

Table-1 brings out the quinquennial rounds of CES with its corresponding NSSO survey and the conforming reference period.

Quinquennial surveys on consumer expenditure and employment-unemployment were conducted in the 27th, 32nd, 38th, 43rd, 50th, 55th, 61st and 66th rounds of NSS, at roughly 5-year intervals. Also 2009-10, being a non-normal year, may not be a true representation of the economic situation and hence an additional 68th Round (2011-12) of NSS was conducted to repeating the quinquennial survey on consumer expenditure and employment-unemployment[6].

As part of the CES, NSSO surveys provide time-series data of expenditure on food and non-food items in different income groups, residence (rural & urban) and state. Taking into account the cost of food in the corresponding year, NSSO computes and reports household level of consumption of different food items.

Table-1: NSSO Rounds – Quinquennial Survey

Quinquennial	Round	Period
1 st	27 th	Sept 1972 – Oct 1973
2 nd	32 nd	July 1977 – June 1978
3 rd	38 th	Jan 1983 – Dec 1983
4 th	43 rd	July 1987 – June 1988
5 th	50 th	July 1993 – June 1994
6 th	55 th	July 1999 – June 2000
7 th	61 st	July 2004 – June 2005
8 th	66 th	July 2009 – June 2010
9 th	68 th	July 2011 – June 2012

Source: NSSO Survey Report, All Rounds

1.3 Objectives of the Paper

In view of the above, the major objectives of the paper are as follows:

- 1) To study the relative significance of Private Final Consumption Expenditure (PFCE) in total Gross Domestic Product (GDP).
- 2) To study and analyse the relative share of food and non-food items in PFCE.
- 3) To find out the major food items and non-food items of consumption both in urban and rural India.
- 4) To study and analyse the interstate differences in the consumption pattern in both urban and rural areas.

1.4 Methodology

To study the relative significance of Private Final Consumption Expenditure (PFCE), the share of PFCE and other components of GDP has been calculated and analysed by using time series data from 1980-81 to 2014-15. The study has also examined the relative share of food and non-food items in PFCE by studying the annual expenditure of food and non-food items within the overall PFCE. Major food and non-food items of consumption in both urban and rural areas have been studied by analysing the relative share of various food and non-food items in total food and total non-food consumption expenditure respectively. The interstate differences in the consumption pattern in both urban and rural areas has been analysed by studying the total, food and non-food monthly per capita consumption expenditure.

II. TRENDS OF PRIVATE FINAL CONSUMPTION EXPENDITURE (PFCE) IN INDIA

2.1 Trends in Share of Private Final Consumption Expenditure (PFCE) in Gross Domestic Product (GDP) (1980-81 to 2014-15)

Private consumption expenditure is a key component in determining the growth of an economy. It acts as an indicator to acknowledge the levels of employment, savings, investment and other aspects of an economy. Private Final Consumption Expenditure (PFCE) is nothing but the expenditure incurred by the private households and non-profit institutions serving these households on the final goods and services.

GDP is the value of goods and services produced in an economy in a year. Looked from different perspective GDP is the total value of the spending on goods and services in the nation in a year towards consumption and capital formation together with the value of foreign trade. In terms the same can be represented as;

GDP = Private Final Consumption Expenditure (PFCE) + Government Final Consumption Expenditure (GFCE) + Investment Expenditure or Gross Domestic Capital Formation (GDCF) + (Exports – Imports)

where, GDCF includes Gross Fixed Capital Formation, Changes in Stocks and Valuables.

Trade Deficit = Export - Import

Table-2: 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%	1%
1991-92	68%	12%	22%	0%
1992-93	67%	11%	24%	1%
1993-94	66%	12%	21%	0%
1994-95	66%	11%	23%	0%
1995-96	65%	11%	26%	1%
1996-97	65%	11%	22%	1%
1997-98	65%	12%	25%	1%
1998-99	65%	13%	24%	2%
1999-00	65%	13%	27%	2%
2000-01	65%	13%	24%	1%

2001-02	65%	12%	26%	1%
2002-03	64%	12%	25%	1%
2003-04	62%	11%	26%	1%
2004-05	59%	11%	32%	2%
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 Table A-1[7].

Notes: 1. Data for 2014-15 are Provisional Estimates.

2. The sum total of components may not equal the GDP on account of errors and omissions.

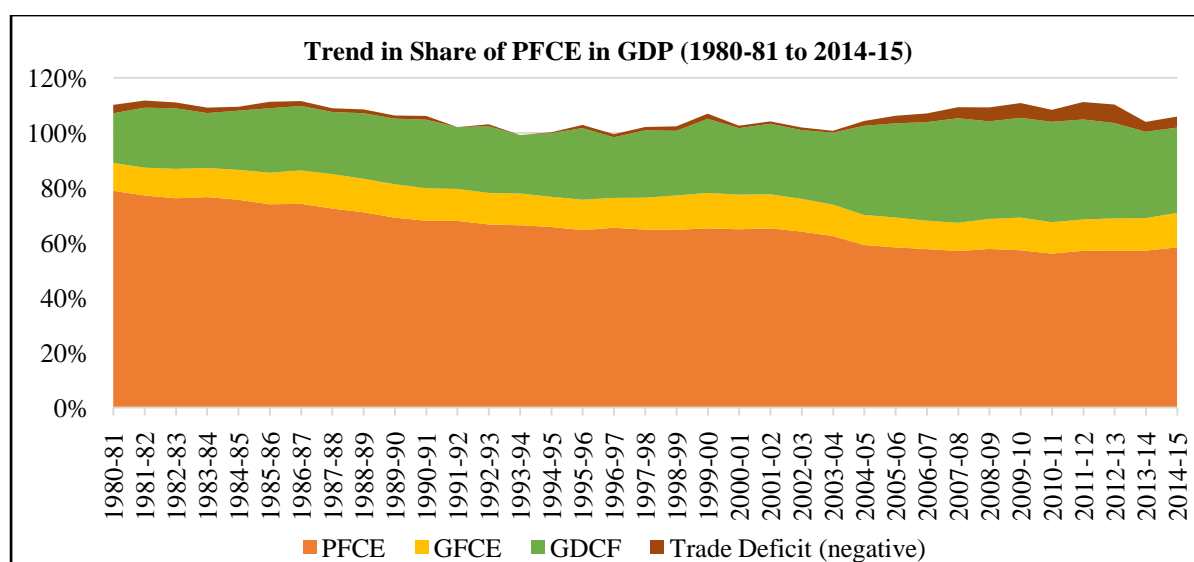


Figure 1

Source: Author's Compilation based on Table-2.

Fig.1& Table-2 reveals that the proportion of PFCE in the GDP of India has been steadily declining and has reduced from 79% in 1980-81 to 58% in 2014-15. Over the same period there has been a rise in investment from 18% to 31%, increase in government consumption from 10% to 13% and marginal rise in trade deficit from 3% to 4%.

While the proportion of PFCE in GDP has declined, it continues to remain the single most important contributor towards the GDP. The recent high growth rate of the Indian economy is largely attributable to the high consumption. A rising and aspirational middle class, spurred by higher IT and service sector wages, coupled with a low interest rate regime led to the exponential growth of hire purchase schemes, which translated into a boom for the consumer goods and services industries[8]. Commenting upon the significance of consumption, in an interview Dr.ChakravarthiRangarajan (former Governor of Reserve Bank of India) said, "It is because of domestic consumption that our economy is able to register the current level of growth. Other economies which are dependent on the rest of the world are affected more than us. Only because of strong domestic demand would we be able to achieve 6%-6.5% growth this fiscal" [9].

Growing cult of investments for future has also contributed to GDP growth. The investments have been channelled through various schemes of channeling idle money into the banking system through financial inclusion measures. Access to banking system mainly in hinterland thru recent Government program of Jan Dhan Yojna and PM Bima Yojnas, etc. which hitherto were out of reach has substantially been helpful in growth of financial inclusion and investments. In urban areas increased incomes/salaries and urge to save for a rainy day has also

helped investments in Deposits, Mutual Funds and Insurance premiums which help in channel the savings to investments. Lately systematic investment plans have become habit of middle class family and is presently a behemoth contributor to investments[10].The rise in income levels coupled with increasing young working-age population is working towards increasing the share of discretionary spending in private final consumption expenditure and raising the savings rate.

Over the last three decades the government expenditure’s contribution to GDP has been steady whereas that of trade deficit has risen this is primarily resulting from the heightened pace of depreciation that the Indian Rupee witnessed from 2007-08 onwards and with that the effect of the trade deficit began widening.

2.2 Trends of Private Final Consumption Expenditure (PFCE) on Food and Non-Food Items

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.”

Table-3: Private Final Consumption Expenditure on Food and Non Food Items(1972-73 to 2011-12)(Rs. Crores)

Rounds	Food		Non-Food		Total PFCE
27th	28519	(61%)	18010	(39%)	46529
32nd	48744	(59%)	34461	(41%)	83205
38th	101255	(58%)	73131	(42%)	174386
43rd	143508	(55%)	116687	(45%)	260195
50th	315243	(55%)	259529	(45%)	574772
55th	651262	(51%)	614087	(49%)	1265349
61st	769500	(40%)	1156092	(60%)	1925592
66th	1371888	(37%)	2349566	(63%)	3721454
68th	1858707	(36%)	3308739	(64%)	5167446

Source: Author’s Calculation by using database from Private Final Consumption Expenditure by Object in India, NAS Reports, various years (Annual data)[11].

Notes: Figures in parentheses denotes the percentage of the total Private Final Consumption Expenditure.

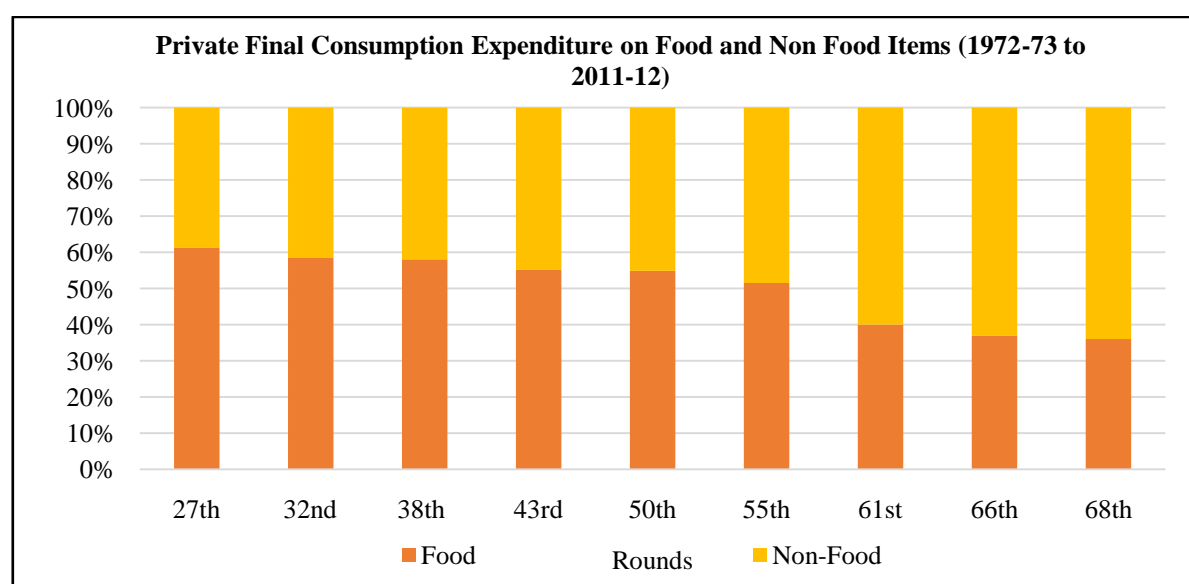


Figure 2

Source: Author’s Compilation based on Table-3

Table-3 and Fig. 2 reveals that over the last four decades there has been a consistent increase in the non-food expenditure and decline in the proportion of food items. In 1972-73 (27th round) non-food contributed to about 39% of the total private final consumption expenditure which rose to 45% in 1993-94 (50th round) to 64% in 2011-12 (68th round). For the same period the contribution of food item was 61%, then declined to 55% and then 36%.

III. TRENDS IN SHARE OF EXPENDITURE ON VARIOUS FOOD AND NON-FOOD ITEMS IN TOTAL CONSUMPTION EXPENDITURE

3.1 Trends in Share of Expenditure on Various Food and Non-Food Items in Total Consumption Expenditure: Urban & Rural

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.

Table-4: 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
27th	64.5	35.5	72.9	27.1
32nd	60	40	64.3	35.7
38th	59.1	40.9	65.6	34.4
43rd	56.4	43.6	64	36
50th	54.7	45.3	63.2	36.8
55th	48.1	51.9	59.4	40.6
61st	42.5	57.5	55	45
66th	40.7	59.3	53.6	46.4
68th	38.5	61.5	48.6	51.4

Source: NSSO Report 402, Level and Pattern of Consumer Expenditure, 1993-94 and Key Indicators of Household Consumer Expenditure in India, 2011-12[12] [13].

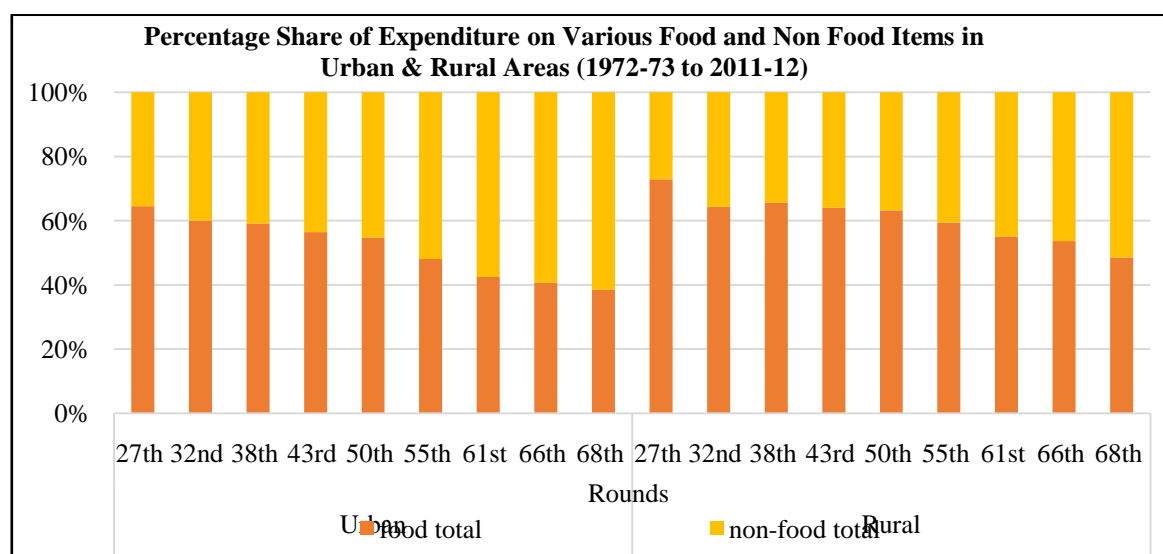


Figure 3

Source: Author's Compilation based on Table-4

Table-4 & Fig. 3 shows that there has been a decrease in the proportion of expenditure on food items in the last four decades in both urban and rural areas, however the expenditure on food continued to remain higher in rural areas as compared to urban areas.

The share of food items in total consumer expenditure in both urban and rural areas have declined. In urban area the share has fallen from 64.5% in 1972-73 (27th round) to 54.7% in 1993-94 (50th round) and later to 38.5% 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% to 63.2% and later to 48.6%.

The proportion of expenditure on non-food items in urban areas has increased from 35.5% in 1972-73 (27th round) to 45.3% in 1993-94 (50th round) and further rose to 61.5% 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% to 36.8% and further to 51.4%.

3.2 Trends in Share of Expenditure on Various Food Items in Total Expenditure on Food Items: Urban & Rural

Over time, there have been changes not only in the broader categories of food and non-food but also within the food basket. The food basket is comprised of cereals, pulses, milk & milk products, fruits & nuts, vegetables, edible oil, sugar, salt & spices, beverages and poultry & meat products.

3.2.1 Trends in Share of Expenditure on Various Food Items in Total Expenditure on Food Items: Urban Areas

Table-5 & Fig. 4 shows that for urban India the percentage share of cereals & substitutes in total food expenditure have decreased from 37% in 1972-73 (27th round) to 26% in 1993-94 (50th round) and to 19% in 2011-12 (68th round). Sugar has also declined remarkably half of its share from 6% in 1972-73 to 3% in 2011-12.

Table-5: Percentage Share of Expenditure on Various Food Items in Total Food Consumption Expenditure: Urban Areas

ITEM	Rounds								
	27th	32nd	38th	43rd	50th	55th	61st	66th	68th
cereals & subst.	37%	35%	33%	27%	26%	26%	24%	23%	19%
pulses & prod.	5%	6%	5%	6%	5%	6%	5%	7%	5%
milk & prod.	14%	16%	16%	17%	18%	18%	19%	19%	20%
edible oil	8%	8%	8%	9%	8%	6%	8%	6%	7%
meat,egg,fish	5%	6%	6%	6%	6%	6%	6%	7%	7%
vegetables	7%	7%	8%	9%	10%	11%	11%	11%	9%
fruits & nuts	3%	3%	4%	4%	5%	5%	5%	5%	6%
sugar	6%	4%	4%	4%	4%	3%	4%	4%	3%
salt & spices	4%	4%	4%	4%	4%	5%	4%	4%	4%
beverages etc.	12%	10%	12%	12%	13%	13%	15%	15%	18%

Source: Author's Calculation based on Table A-2 [12] [13].

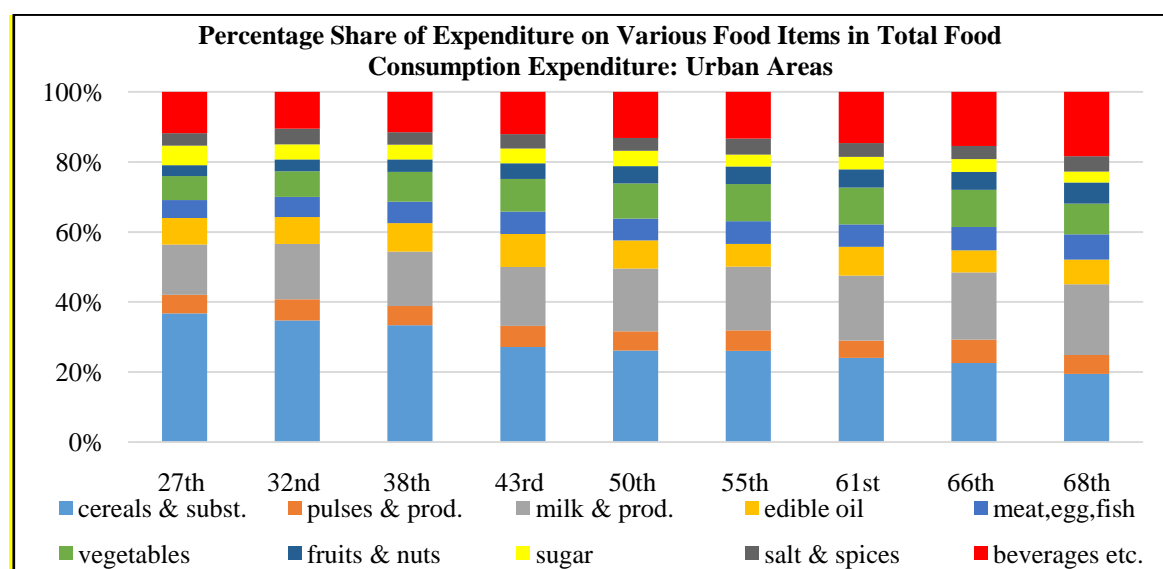


Figure 4

Source: Author's Compilation based on Table-5

For the same period milk and milk products increased from 14% in 1972-73 to 18% in 1993-94 and further to 20% in 2011-12 as well as beverages percentage share raised from 12% to 13% and furthermore to 18%. The share of fruits and nuts has notably doubled from 3% in 1972-73 to 6% in 2011-12.

There was a slight increase in the share of meat, egg, and fish from 5% (1972-73) to 7% (2011-12). The share of vegetables in total food consumption has increased from 7% in 1972-73 to 10% in 1993-94 and then slightly declined in 2011-12 to 9%. There was no significant change in the share of pulses & products, salt & spices and edible oil for the same time span.

3.2.2 Trends in Share of Expenditure on Various Food Items in Total Expenditure on Food Items: Rural Areas

Table-6 & Fig. 5 shows that there was a notable change in cereals & substitute declining from 57% in 1972-73 (27th round) to 39% in 1993-94 (50th round) and further to 25% in 2011-12 (68th round).

Table-6: Percentage Share of Expenditure on Various Food Items in Total Food Consumption Expenditure: Rural Areas

ITEM	Rounds								
	27th	32nd	38th	43rd	50th	55th	61st	66th	68th
cereals & subst.	57%	52%	50%	42%	39%	38%	33%	30%	25%
pulses& prod.	6%	6%	5%	6%	6%	6%	6%	7%	6%
milk& prod.	10%	12%	11%	13%	15%	15%	15%	16%	19%
edible oil	5%	6%	6%	8%	7%	6%	8%	7%	8%
meat,egg,fish	3%	4%	5%	5%	5%	6%	6%	7%	7%
vegetables	5%	6%	7%	8%	9%	10%	11%	12%	10%
fruits & nuts	2%	2%	2%	3%	3%	3%	3%	3%	4%
sugar	5%	4%	4%	5%	5%	4%	4%	4%	4%
salt & spices	4%	5%	4%	5%	4%	5%	5%	4%	5%
beverages etc.	3%	4%	5%	6%	7%	7%	8%	10%	12%

Source: Author's Calculation based on Table A-3 [12] [13].

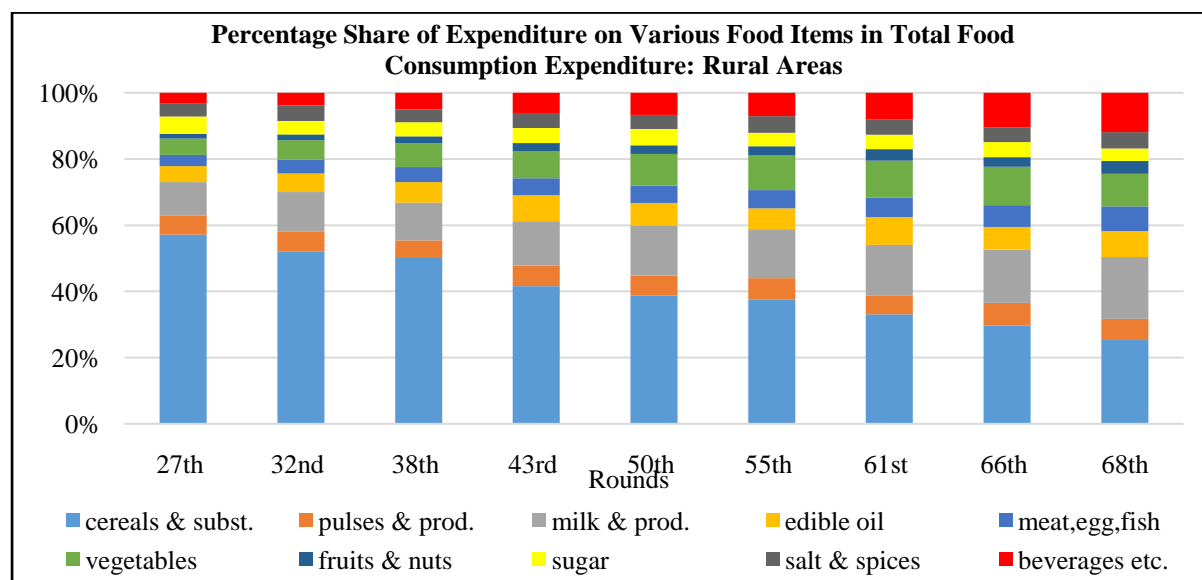


Figure 5

Source: Author's Compilation based on Table-6

For the same period milk and milk products raised from 10% to 15% and further to 19%, meat, egg, fish raised from 3% to 5% and to 7%. Vegetables and fruits & nuts doubled from 5% and 2% in 1972-73 to 10% and 4% in 2011-12 respectively. The percentage share of beverage contribution increased from 3% in 1972-73 to 7% in 1993-94 and furthermore to 12% in 2011-12. There was a slight increase in the share of edible oil from 5% in 1972-73 to 8% in 2011-12.

In rural areas there wasn't any significant change in the share of sugar, salt & spices and pulses & products for the same time span.

From both the Figures 4 &5, we can say that in both urban and rural areas, the percentage share of cereal & substitutes has declined and the share of milk & milk products, beverages and fruits & nuts have increased. There was no significant change in the share of pulses & products and salt & spices in both the areas.

In urban areas the percentage share of sugar has decreased whereas in rural areas there was no significant change in the share of sugar. There was no significant change in the share of edible oil in urban area whereas slightly increased in the rural area. The share of meat, egg, fish & vegetables in the total food expenditure have increased in both rural and urban areas.

3.3 Trends in Share of Expenditure on Various Non-Food Items in Total Expenditure on Non-Food Items: Urban & Rural

While the non-food consumption expenditure has been rising, its composition has undergone change over time. The non-food consumption comprised of pan tobacco & intoxicants, fuel & light, clothing & footwear, durable goods and miscellaneous goods & services.

3.3.1 Trends in Share of Expenditure on Various Non-Food Items in Total Expenditure on Non-Food Items: Urban Areas

Table-7 & Fig. 6 depicted that in urban India the largest contributor to the non-food consumption expenditure were miscellaneous goods & services, which includes educational and medical expenses, and expenditure on amusement, goods for personal care and effect, toilet articles, consumer services, and conveyance. The share of miscellaneous goods & services has increased from 54% in 1972-73 (27th round) to 61% in 1993-94 (50th round) and further to 65% in 2011-12 (68th round). In 1972-73 the second highest contributors were fuel & light and clothing & footwear at 16% which dropped to 12% and 11% respectively in 2011-12.

The share of durable goods has increased from 6% in 1972-73 to 10% in 2011-12. For the same period the share of pan, tobacco & intoxicants has decreased notably from 8% to 2%.

Table-7: Percentage Share of Expenditure on Various Non-Food Item in Total Non-Food Consumption Expenditure-Urban Areas

ITEM	27th	32nd	38th	43rd	50th	55th	61st	66th	68th
pan, tobacco & intoxicants	8%	6%	6%	6%	5%	4%	3%	2%	2%
fuel & light	16%	16%	17%	16%	15%	15%	17%	13%	12%
clothing & footwear	16%	19%	21%	16%	12%	14%	8%	9%	11%
misc. goods & services	54%	37%	50%	53%	61%	60%	65%	64%	65%
durable goods	6%	22%	6%	9%	7%	7%	7%	11%	10%

Source: Author's Calculation based on Table A-2 [12] [13].

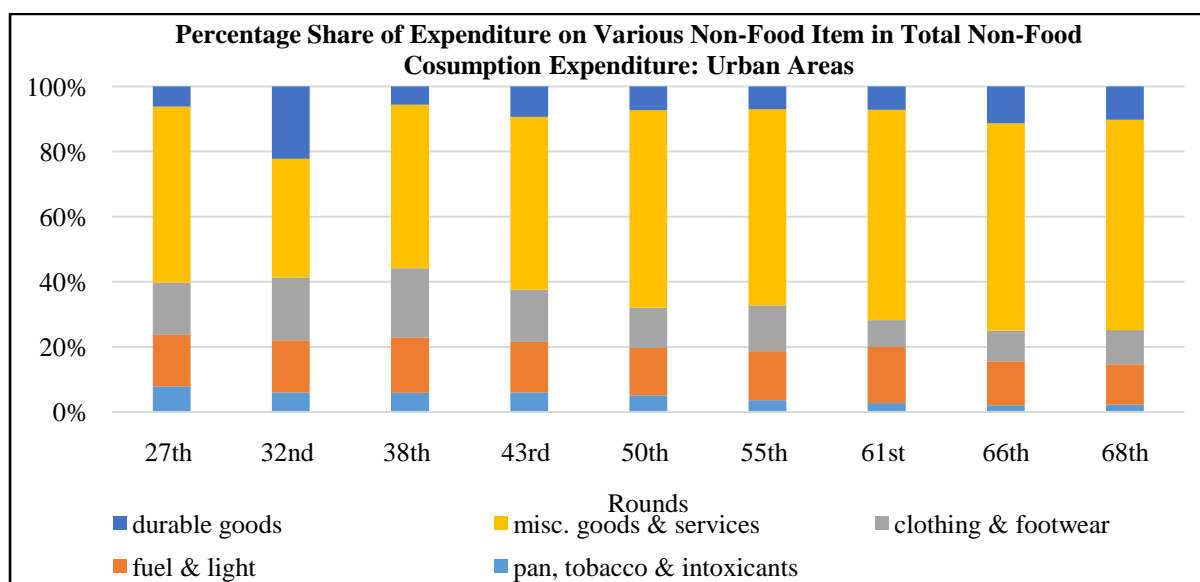


Figure 6

Source: Author's Compilation based on Table-7

3.3.2 Trends in Share of Expenditure on Various Non-Food Items in Total Expenditure on Non-Food Items: Rural Areas

Table-8 & Fig. 7 shows that in rural areas also the largest contributor to the non-food consumption expenditure were miscellaneous goods & services whose share has increased from 32% in 1972-73 to 47% in 1993-94 to 51% in 2011-12. In 1972-73 the second highest contributor was clothing & footwear at 28% which dropped to 15% in 2011-12.

The percentage share of fuel & light and pan, tobacco & intoxicants have decreased from 21% and 11% in 1972-73 to 18% and 5% in 2011-12 respectively. For the same period the share of durable goods has increased from 8% to 12%.

Table-8: Percentage Share of Expenditure on Various Non-Food Items in Total Non-Food Consumption Expenditure: Rural Areas

ITEM	Round								
	27th	32nd	38th	43rd	50th	55th	61st	66th	68th
pan, tobacco & intoxicants	11%	8%	9%	9%	9%	7%	6%	5%	5%
fuel & light	21%	17%	20%	21%	20%	18%	23%	20%	18%
clothing & footwear	28%	26%	28%	21%	17%	20%	12%	13%	15%
misc. goods & services	32%	29%	36%	40%	47%	48%	52%	52%	51%
durable goods	8%	20%	7%	9%	7%	6%	8%	10%	12%

Source: Author's Calculation based on Table A-3 [12] [13].

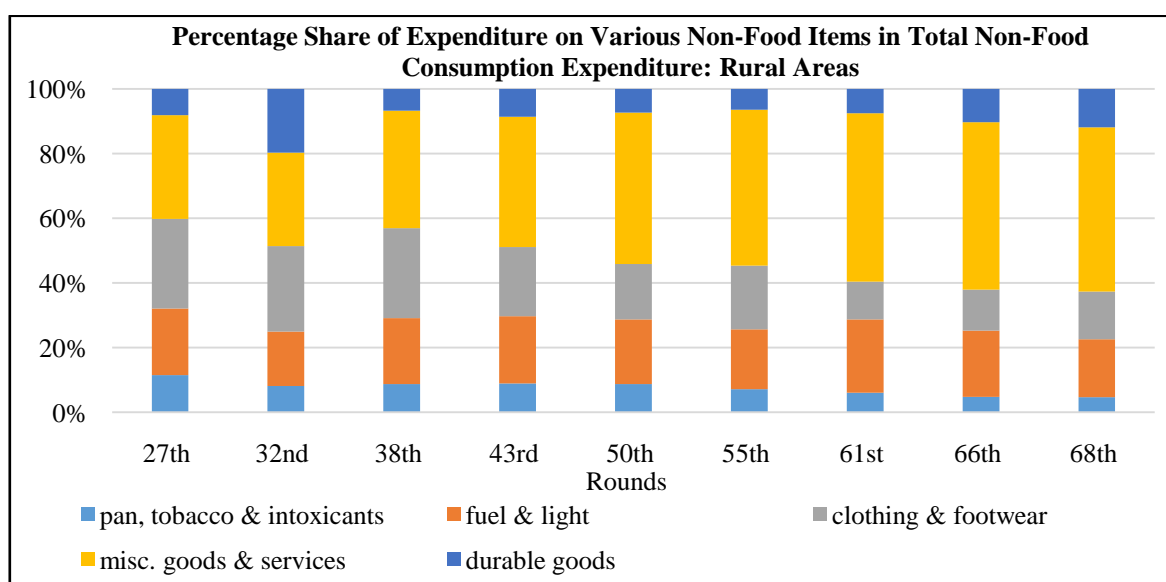


Figure 7

Source: Author's Compilation based on Table-8

From both the Fig. 6& 7, we can say that rural areas have largely mirrored that of the urban areas. The most significant change over the years has been that of the contribution of miscellaneous goods & services which has increased significantly in both the areas. The miscellaneous goods & services were followed by clothing & footwear, though share has decreased over the years. The share of fuel & light and pan and tobacco & intoxicants has also decreased in both the urban and rural areas. There was an increasing trend in the share of durable goods in both urban and rural India.

IV. INTERSTATE DIFFERENCES IN CONSUMPTION PATTERN (68TH ROUND, 2011-12)

The consumption pattern not only differ among urban and rural areas but are also significantly different across states. Differences among states in terms of food and non-food expenditure are mainly due to the level of per capita income. Regions or states with low per capita income exhibit lower non-food expenditure as a significant portion of the income goes towards meeting the basic necessities mainly food. States with higher per capita income display higher non-food expenditure. Diversity of per-capita income among states is often associated with fertility of land, irrigation, level of industrialisation, connectivity to trade hubs etc.

4.1 Interstate Food and Non-Food Monthly Per capita Consumption Expenditure in Urban Area (2011-12)

Fig. 8 charts the state-wise per-capita monthly expenditure for urban areas ranked in decreasing order. These are as per the 68th NSSO round conducted for the year 2011-12. The said figure brings out the fact that there are high number of states which are below the all-India average versus the ones that are above it i.e., in relation to the all-India average there are nine states which are above the average and nineteen that are below.

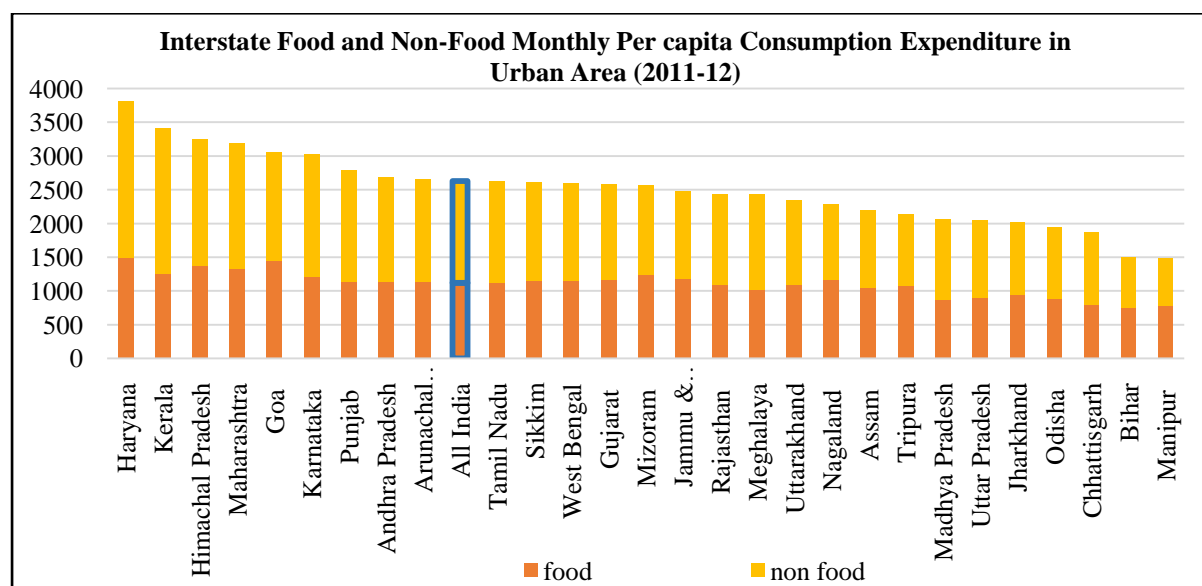


Figure 8

Source: Author’s Compilation using database from Level and Pattern of Consumer Expenditure, 2011-12, NSSO Report 555[6].

The top five states in terms of per-capita monthly expenditure are Haryana, Kerala, Himachal Pradesh, Maharashtra and Goa, the bottom five are Manipur, Bihar, Chhattisgarh, Odisha and Jharkhand. A compilation of these are captured in Table-9.

In terms of the food and non-food bifurcation one would notice that the states that have high consumption are also the ones that have high food and non-food consumption. Barring a few changes in order the top five states remain more or less the same.

The top five states with respect to per-capita food consumptions are the same as overall level and in terms of the bottom five states we have Madhya Pradesh in place of Jharkhand. For food consumption there are fifteen states above the national average and thirteen that are below the national average, indicating that variations are relatively less in food consumption.

Regarding non-food consumption the top-four states are the same as overall followed by Karnataka. The bottom five states are again the same with the exception of Tripura replacing Chhattisgarh. Similar to the order in the overall rankings, the all-India average has nine states above it and nineteen states below it. This further reiterates the fact that in urban areas non-food expenditure has more weightage in the overall consumption basket.

Table-9: Total, Food and Non-Food Monthly Per capita Consumption Expenditure in Urban Area (2011-12) – Ranking of States (Rs.)

Ranks	Name of States	TE	Name of States	Food	Name of States	Non-Food
1	Haryana	3817.33	Haryana	1494.72	Haryana	2322.62
2	Kerala	3408.45	Goa	1447.01	Kerala	2148.22
3	Himachal Pradesh	3258.54	Himachal Pradesh	1382.21	Himachal Pradesh	1876.35
4	Maharashtra	3189.14	Maharashtra	1325.36	Maharashtra	1863.79
5	Goa	3051.19	Kerala	1260.23	Karnataka	1812.89
6	Karnataka	3025.52	Mizoram	1235.72	Punjab	1649.02
7	Punjab	2794.02	Karnataka	1212.63	Goa	1604.22
8	Andhra Pradesh	2685.09	Jammu & Kashmir	1188.48	Andhra Pradesh	1549.43
9	Arunachal Pradesh	2654.17	Gujarat	1167.17	Arunachal Pradesh	1515.99
10	All-India	2629.65	Nagaland	1160.13	All-India	1508.78
11	Tamil Nadu	2622.18	Sikkim	1151.22	Tamil Nadu	1502.88
12	Sikkim	2607.87	West Bengal	1146.2	Sikkim	1456.69

13	West Bengal	2591.04	Punjab	1145	West Bengal	1444.84
14	Gujarat	2581.28	Arunachal Pradesh	1138.17	Gujarat	1414.12
15	Mizoram	2567.72	Andhra Pradesh	1135.65	Meghalaya	1410.23
16	Jammu & Kashmir	2485.34	All-India	1120.88	Rajasthan	1348.99
17	Rajasthan	2442.4	Tamil Nadu	1119.31	Mizoram	1332.02
18	Meghalaya	2435.66	Rajasthan	1093.42	Jammu & Kashmir	1296.88
19	Uttarakhand	2338.99	Tripura	1085.35	Uttarakhand	1255.15
20	Nagaland	2284.43	Uttarakhand	1083.86	Madhya Pradesh	1189.61
21	Assam	2189.15	Assam	1043.63	Uttar Pradesh	1148.83
22	Tripura	2144.45	Meghalaya	1025.4	Assam	1145.55
23	Madhya Pradesh	2058.02	Jharkhand	939.26	Nagaland	1124.34
24	Uttar Pradesh	2051.22	Uttar Pradesh	902.4	Chhattisgarh	1079.95
25	Jharkhand	2018.29	Odisha	881.67	Jharkhand	1079.03
26	Odisha	1940.61	Madhya Pradesh	868.42	Tripura	1059.1
27	Chhattisgarh	1867.86	Chhattisgarh	787.92	Odisha	1058.97
28	Bihar	1506.58	Manipur	777.64	Bihar	745.47
29	Manipur	1482.63	Bihar	761.11	Manipur	705.03

Source: Author’s Calculation using database from Level and Pattern of Consumer Expenditure, 2011-12, NSSO Report 555[6].

Notes: TE – Total Expenditure/Consumption

4.2 Interstate Food and Non-Food Monthly Per capita Consumption Expenditure in Rural Area (2011-12)

Fig. 9 shows the state-wise per-capita monthly expenditure for rural areas ranked in descending order as per the 68th NSSO round conducted for the year 2011-12. Unlike the urban areas the rural areas have the average set at a relatively lower level with nineteen states above the all-India average and nine states below the average.

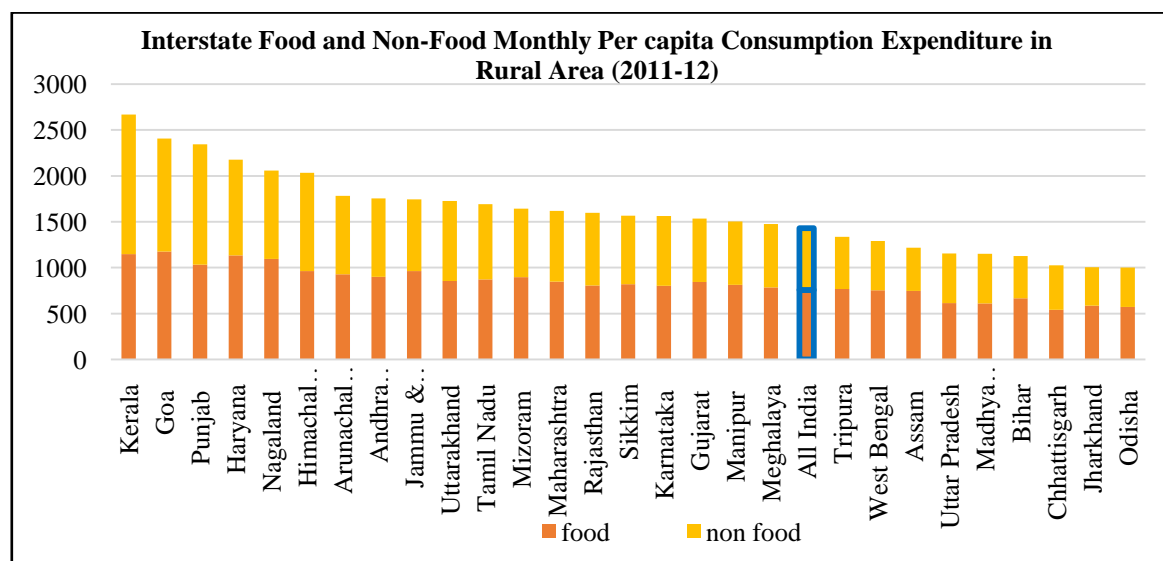


Figure 9

Source: Author’s Compilation using database from Level and Pattern of Consumer Expenditure, 2011-12, NSSO Report 555 [6].

The top five states in terms of per-capita monthly expenditure are Kerala, Goa, Punjab, Haryana and Nagaland. The bottom five are Madhya Pradesh, Bihar, Chhattisgarh, Jharkhand and Odisha. A complete ranking for overall consumption expenditure and its bifurcation into food and non-food is captured in Table-10.

Similar to urban areas, in rural areas as well of the food and non-food bifurcation one would notice that the states that have high consumption are also the ones that have high food and non-food consumption. Not including a few changes in order the top five states remain more or less the same.

The top five states with respect to per-capita food consumptions are the same as overall level and in terms of the bottom five states we have Uttar Pradesh in place of Bihar. For food consumption there are twenty states above the national average and eight that are below the national average.

Regarding non-food consumption among the top five the only change from the overall ranking is the inclusion of Himachal Pradesh in place of Nagaland. The bottom five states are again the same with the exception of Assam replacing Madhya Pradesh. Similar to the order in the overall rankings, the all-India average has nineteen states above it and nine states below it. This reaffirms the fact that in rural areas food and non-food expenditure hold nearly equal weightage in the overall consumption basket.

Table-10: Total, Food and Non-Food Monthly Per capita Consumption Expenditure in Rural Area (2011-12) – Ranking of States (Rs.)

Rank	Name of States	TE	Name of States	Food	Name of States	Non-Food
1	Kerala	2668.7	Goa	1174.42	Kerala	1521.51
2	Goa	2407.9	Kerala	1147.22	Punjab	1311.8
3	Punjab	2344.7	Haryana	1133.34	Goa	1233.47
4	Haryana	2176	Nagaland	1095	Himachal Pradesh	1071.83
5	Nagaland	2058.6	Punjab	1032.87	Haryana	1042.7
6	Himachal Pradesh	2034.2	Jammu & Kashmir	963.03	Nagaland	963.58
7	Arunachal Pradesh	1781.7	Himachal Pradesh	962.32	Uttarakhand	869.94
8	Andhra Pradesh	1754	Arunachal Pradesh	927.48	Arunachal Pradesh	854.28
9	Jammu & Kashmir	1742.6	Andhra Pradesh	901.58	Andhra Pradesh	852.4
10	Uttarakhand	1725.8	Mizoram	894.94	Tamil Nadu	821.38
11	Tamil Nadu	1692.9	Tamil Nadu	871.55	Rajasthan	791.13
12	Mizoram	1643.7	Uttarakhand	855.84	Jammu & Kashmir	779.62
13	Maharashtra	1619.2	Maharashtra	848.72	Maharashtra	770.5
14	Rajasthan	1597.5	Gujarat	842.74	Karnataka	759.57
15	Sikkim	1564.9	Sikkim	818.81	Mizoram	748.76
16	Karnataka	1561.3	Manipur	812.78	Sikkim	746.1
17	Gujarat	1535.7	Rajasthan	806.38	Gujarat	692.92
18	Manipur	1501.9	Karnataka	801.72	Manipur	689.14
19	Meghalaya	1474.8	Meghalaya	785.68	Meghalaya	689.12
20	All-India	1430	Tripura	766.71	All-India	673.47
21	Tripura	1334.4	All-India	756.49	Tripura	567.68
22	West Bengal	1290.7	West Bengal	751.75	Uttar Pradesh	543.75
23	Assam	1218.6	Assam	747.51	Madhya Pradesh	542.79
24	Uttar Pradesh	1156	Bihar	667.64	West Bengal	538.93
25	Madhya Pradesh	1152.4	Uttar Pradesh	612.28	Chhattisgarh	485.26
26	Bihar	1126.8	Madhya Pradesh	609.61	Assam	471.08
27	Chhattisgarh	1026.7	Jharkhand	587.12	Bihar	459.1
28	Jharkhand	1005.6	Odisha	573.05	Odisha	429.57
29	Odisha	1002.6	Chhattisgarh	541.47	Jharkhand	418.4

Source: Author's Calculation using database from Level and Pattern of Consumer Expenditure, 2011-12, NSSO Report 555[6].

Notes: TE – Total Expenditure/Consumption

To sum up, the following are the observations in terms of the state wise monthly per capita expenditure. Firstly, in both urban and rural areas states that have overall high per-capita consumption expenditure are also the ones that high in ranking in terms of food and non-food expenditure. Secondly, the consumption expenditure is higher in urban areas vs. the rural areas. Thirdly, there are fewer states being above the all-India average in urban areas than rural areas. Finally, findings show that non-food consumption expenditure carries higher weightage in urban areas compared to rural areas.

V. CONCLUSION

Over the last four decades private final consumption expenditure has been a significant contributor to the Indian GDP. Since India was among the less developed countries at the time of independence and the major expenditure was towards sustenance thus the expenditure was classified into two broad categories i.e. food and non-food. NSSO as an institution of excellence has conducted regular surveys to bring out the dynamics of consumer expenditure in both urban and rural areas.

During the period 1972-73 to 2011-12, the share of food items in total consumer expenditure has been on a constant decline and the proportion of non-food expenditure has risen steadily. This trend of rising non-food expenditure was evident in both the urban and rural areas, though the pace of rise was higher in the urban areas. In terms of trend in food expenditure, for both rural and urban areas major decline has been seen in the expenditure on cereals, correspondingly there has been a substantial rise in the expenditure on milk & milk products, fruits & nuts and beverages.

Regarding non-food expenditure the most significant change over the years has been that of the contribution of miscellaneous goods & services and durable goods which has increased significantly in both urban and rural areas. On the other hand, the share of fuel & light and pan and tobacco & intoxicants have also decreased in both the urban and rural areas.

The state-wise analysis of monthly per-capita consumption expenditure revealed three aspects; firstly, that in both urban and rural areas, the states that have overall high per-capita expenditures, are also the ones that are high in ranking in terms of food and non-food expenditure. Secondly, the consumption expenditure is higher in urban areas versus rural areas and there are fewer states being above the all-India average in urban areas than rural areas. Finally, findings showed that the non-food consumption expenditure carries higher weightage in urban areas as compared to rural areas.

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APPENDIX

Table A-1. Components of Gross Domestic Product (1980-81 to 2014-15)(Base Year: 2004-05) (Rs Billion)

Year	PFCE	GFCE	GDCF	Trade Deficit (negative)	GDP at market price
1980-81	1180.68	151.79	270.03	45.67	1496.42
1981-82	1356.76	177.85	384.03	45.53	1758.05
1982-83	1497.73	210.22	433.56	41.73	1966.44
1983-84	1753.57	242.88	457.92	45.36	2290.21
1984-85	1940.37	279.27	552.69	36.38	2566.11
1985-86	2141.54	332.57	679.54	68.03	2895.24
1986-87	2402.09	393.22	760.08	58.16	3239.49
1987-88	2666.49	461.6	832.23	49.78	3682.11
1988-89	3104.97	532.8	1041.6	60.97	4368.93
1989-90	3468.07	609.97	1200.07	56.03	5019.29
1990-91	3985.29	695.25	1460.18	80.63	5862.12
1991-92	4577.35	784.58	1515.63	-0.05	6738.74
1992-93	5161.18	888.46	1877.68	56.88	7745.45
1993-94	5913.08	1030.66	1897.37	-1.48	8913.54
1994-95	6871.54	1146.72	2425.14	31.03	10455.9
1995-96	7920.15	1358.83	3196.03	142.2	12267.3
1996-97	9286.29	1540.89	3130.55	161.68	14192.8
1997-98	10185.6	1822.45	3854.45	191.3	15723.9
1998-99	11663	2257.16	4240.46	294.65	18033.8
1999-00	13125.4	2588.68	5426.82	380.05	20122
2000-01	14066.6	2734	5250.78	193.97	21686.5
2001-02	15316.7	2911.89	6024.56	202.93	23483.3
2002-03	16202.9	3015.73	6332.77	244.25	25306.6
2003-04	17713.1	3247.83	7427.17	194.53	28379
2004-05	19175.1	3545.18	10522.3	568.94	32422.1
2005-06	21527	4016.19	12660.7	1013.79	36933.7
2006-07	24766.7	4434.77	15405.8	1356.63	42947.1
2007-08	28407.3	5130.21	18968	2002.02	49870.9
2008-09	32492.8	6153.33	20001	2852.76	56300.6
2009-10	37075.7	7711.51	23512.6	3483.6	64778.3
2010-11	43603.2	8901.36	28434.1	3399.89	77841.1
2011-12	51419	10259	32783.3	5716.21	90097.2
2012-13	57720.6	11891.3	35092.1	6816.23	101133
2013-14	64850.4	13413.4	35684.6	4083.15	113551
2014-15	33640.9	7241.4	17906.4	2313.43	57701.9

Source: Handbook of Statistics on Indian Economy, 2014-15, Reserve Bank of India.

Notes: 1. Data for 2014-15 are Provisional Estimates.

2. The sum total of components may not equal the GDP on account of errors and omissions.

Table A-2. Percentage Share of Expenditure on Various Food and Non-Food Items in Urban Areas (1972-73 to 2011-12)

Items	Rounds								
	27th	32nd	38th	43rd	50th	55th	61st	66th	68th
Cereals & subst.	23.7	20.9	19.7	15.3	14.3	12.5	10.2	9.2	7.5
Pulses & prod.	3.4	3.6	3.2	3.4	3	2.8	2.1	2.7	2.1
Milk & prod.	9.3	9.5	9.2	9.5	9.8	8.7	7.9	7.8	7.8
Edible oil	4.9	4.6	4.8	5.3	4.4	3.1	3.5	2.6	2.7
Meat, Egg, Fish	3.3	3.5	3.6	3.6	3.4	3.1	2.7	2.7	2.8
Vegetables	4.4	4.4	5	5.3	5.5	5.1	4.5	4.3	3.4
Fruits & Nuts	2	2	2.1	2.5	2.7	2.4	2.2	2.1	2.3
Sugar	3.6	2.6	2.5	2.4	2.4	1.6	1.5	1.5	1.2
Salt & Spices	2.3	2.7	2.1	2.3	2	2.2	1.7	1.5	1.7
Beverages etc.	7.6	6.3	6.8	6.8	7.2	6.4	6.2	6.3	7.1
Food total	64.5	60	59.1	56.4	54.7	48.1	42.5	40.7	38.5

Pan, Tobacco & Intoxicants	2.8	2.4	2.4	2.6	2.3	1.9	1.6	1.2	1.4
Fuel & Light	5.6	6.4	6.9	6.8	6.6	7.8	9.9	8	7.6
Clothing & Footwear	5.7	7.7	8.7	7	5.6	7.3	4.7	5.6	6.5
Misc. Goods & services	19.2	14.6	20.5	23.2	27.5	31.3	37.2	37.8	39.7
Durable goods	2.2	8.9	2.3	4.1	3.3	3.6	4.1	6.7	6.3
Non-food total	35.5	40	40.9	43.6	45.3	51.9	57.5	59.3	61.5
Total expenditure	100	100	100	100	100	100	100	100	100

Source: NSSO Report 402, Level and pattern of Consumer Expenditure, 1993-94 and Key Indicators of Household Consumer Expenditure in India, 2011-12.

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

Items	Rounds								
	27th	32nd	38th	43rd	50th	55 th	61st	66th	68th
Cereals & subst.	41.7	33.5	32.8	26.6	24.5	22.4	18.2	15.9	12.3
Pulses & prod.	4.3	3.8	3.5	4	3.8	3.8	3.1	3.7	3.1
Milk & prod.	7.3	7.7	7.5	8.6	9.5	8.8	8.5	8.6	9.1
Edible oil	3.5	3.6	4	5	4.4	3.7	4.6	3.7	3.8
Meat, Egg, Fish	2.5	2.7	3	3.3	3.3	3.3	3.3	3.5	3.6
Vegetables	3.6	3.8	4.7	5.2	6	6.2	6.1	6.2	4.8
Fruits & Nuts	1.1	1.1	1.4	1.6	1.7	1.7	1.9	1.6	1.9
Sugar	3.8	2.6	2.8	2.9	3.1	2.4	2.4	2.4	1.8
Salt & Spices	2.8	3	2.5	2.9	2.7	3	2.5	2.4	2.4
Beverages etc.	2.4	2.5	3.3	3.9	4.2	4.2	4.5	5.6	5.8
Food total	72.9	64.3	65.6	64	63.2	59.4	55	53.6	48.6
Pan, Tobacco & Intoxicants	3.1	2.9	3	3.2	3.2	2.9	2.7	2.2	2.4
Fuel & Light	5.6	6	7	7.5	7.4	7.5	10.2	9.5	9.2
Clothing & Footwear	7.5	9.4	9.6	7.7	6.3	8	5.3	5.9	7.6
Misc. Goods & services	8.7	10.3	12.5	14.5	17.3	19.6	23.4	24	26.1
Durable goods	2.2	7	2.3	3.1	2.7	2.6	3.4	4.8	6.1
Non-food total	27.1	35.7	34.4	36	36.8	40.6	45	46.4	51.4
Total expenditure	100	100	100	100	100	100	100	100	100

Source: NSSO Report 402, Level and pattern of Consumer Expenditure, 1993-94 and Key Indicators of Household Consumer Expenditure in India, 2011-12.