Changing Consumption expenditure pattern of Haryana: A case study of Ambala District, India.

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Abstract

Consumption expenditure is increasing due to increase in urbanization, breaking up of the traditional joint family system, desire for quality food, lack of time which translates in to an increased need for convenience. The study analyses the pattern of consumption expenditure of urban households to show the frequent changes in both food and non-food consumption expenditure due to the changes in income and occupation of the people. The study examines the impact, the actual distribution of monthly per capita incomes and other selected characteristics of different income classes. In this context the present study attempts to analyze the consumption pattern of the households in rural and urban areas of Haryana to understand the changes that is taking place in the consumption habits among the population through different rounds of NSS. Also an attempt has been made to study the impact of income, occupation and education in the urban areas of Ambala city .The required data was collected by administering a pre-tested questionnaire to 200 households in the city. The study revealed that the factors such as advertisement, packaging and nutritive values has influenced the consumption behavior of the households to a greater extend.

Keywords: consumption, expenditure, consumer,ambala

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1. Introduction

A vast majority of Indian population depends on agriculture for its income and employment. To measure the performance of any economy, it is necessary to see the trend and pattern of macro economic variable such as national income, consumption, saving, investment and employment.

Per capita income, the standard of living, the level of consumption etc are some of the important determinants of the economic status of the society. The standard of living of a household can be understood from the consumption pattern, and the quality of consumption budget clearly indicates the level of welfare of the household. Consumption clearly contributes to human development when it enlarges the capabilities and enriches the lives of people without adversely affecting the well-being of others

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 observed earlier during pre-reforms period. This raises the relevance of looking at the composition of India's food consumption basket. They provide estimates of how food consumption is affected by changes in prices, income, and taxation policies (Dunne and Edkins, 2005).

The benefits of knowledge and education go to higher income groups of rural households. Similarly in case of medical expenses and other necessary expenses are far away from these deprived masses which show a direct relationship with level of income. The present study relates the consumption patterns of households to show the frequent changes in both food and non-food consumption expenditure due to the changes in standard of living, income of the people and modernity of the society, especially due to the impact of Liberalization, Privatization Globalization (LPG) plans and policies.

2. Review of literature:

Froeder (1955) in his study **"Influence of age on saving and spending pattern"** investigated the influence of age on the saving and spending pattern. The study revealed that the younger and older families tended to incur debtor to liquidate other assets to satisfy their needs.

In his study **"Structure and Pattern of Food Consumption of farm families in Eastern Nigeria" Mann (1963)** had studied the structure and pattern of food consumption in eastern Nigeria. The study revealed that total annual expenditure per family kept a parallel trend upward with an increase in family members.

Krishnamurthy (1965) conducted a study **"Consumption function for India: A macro time series study",** in order to obtain the regional pattern in consumption covering four broad regions of India. He found that the per capita level of the total consumption did not vary significantly whereas a distinct regional variation was being observed in the consumption pattern of the commodities.

Kwang (1972) in his study **"Consumption pattern among different age groups: An econometric study of family budget",** had revealed that the age of family member showed a statistically significant influence on household allocation of expenditure among broad categories of consumption items such as food, clothing etc.

Cank (1975) have revealed the effect of income instability on consumption behaviour in his study "**Income instability and consumption behaviour: A study of Taiwanese farm households"**. The study found that the income from farm was more stable than income from non-farm and there was a faster rate of growth in income among larger farmers with highly unstable income.

In their study **"Gender Effects in Indian Consumption Patterns", Subramanian and Deaton (1991)** examined the effects of gender discrimination on household consumption pattern using the household expenditure data from the NSS.

Burney (1992) in his study, **"Household Size, its Composition and Consumption Patterns in Pakistan: An Empirical Analysis Using Micro Data"** examined household consumption

patterns in Pakistan by estimating three different functional forms of the Engel curve, namely linear, double logarithmic, and Working-Leser, for six different income groups. Using household level data for the year 1984-85, the study focused on the impact of household-size and household composition on expenditure patterns

3. Objectives:
1. To identify the consumption pattern and their changes over the time in rural and urban areas of Haryana.
2. To study the impact of income and occupation on consumption in the urban area of Ambala city.
3. To explore the factors that determine the consumption of food and non food items in urban area of Ambala city.

4. Research Area:
Relevance of selecting Ambala District as a Sample Area:

According to the 2011 census Ambala district had a population of 10,14,411 The district has a population density of 720 inhabitants per square kilometre (1,900 /sq mi) . Its population growth rate over the decade 2001-2011 was 11.23%. Ambala had a sex ratio of 885 females for every 1000 males, and a literacy rate of 81.75%.
The selection of Ambala district was purposively done as it represents the highest Human development index.

5. Significance of the study
There are a number of studies made on changing pattern of rural and urban by economists, agricultural scientists. These studies, by and large, highlighted economic and technical aspects and neglected the important socio-cultural dimensions. There is a need now to look at the problem more comprehensively, in a holistic way, from a sociological prospective. The outcome of the study will help in understanding the socio-economic aspects and environmental dynamic of rural and urban Haryana.

Sampling Procedure:
Sampling is concerned with the selection of a subset of individuals from within a population to estimate characteristics of the whole population.
Researchers rarely survey the entire population because the cost of a census is too high. The three main advantages of sampling are that the cost is lower, data collection is faster, and since the data set is smaller it is possible to ensure homogeneity and to improve the accuracy and quality of the data.
Sampling is the process of selecting units likes people, organizations from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen.

For the selection of the study area **AMBALA** district was purposively selected for the study area using circular random sampling method around 200 households was selected for study.

Source of data collection:

1. Primary data collection

Structured and semi-structured interviews were conducted. Interviewed were regarding their perceptions towards the present source of livelihoods. At the time of Interviews special emphasis was given to include agricultural laborers, landless people, and women. The scope of the interviews was wide-ranging covering different cultural practices and indigenous knowledge related to resource management. Some special interviews were also held with agricultural laborers and non-agriculture laborers. Separate and joint focused group interviews were conducted for the old people and beneficiaries of the developmental scheme. Separate and mixed interview were also conducted both for men and women.

2.   **Secondary data collection**

The sources of secondary data are the published and unpublished reports. Data from secondary sources were gathered from books, articles, journals, published reports, Census reports, and Government documents. The secondary sources like books, journals, articles, etc., also provided a picture of traditional source of livelihoods and their management system of Haryana

6. Data Analysis and Interpretations:

Trends in Private Final Consumption Expenditure (PFCE)

✓ Process of development of the economy gained momentum during the nineties with the initiation of major economic reforms in 1991.

✓ The pattern of PFCE shows significant changes during the last several years. PFCE classification showed that there has been substantial fall in the proportion of expenditure on food while expenditure on non-food items depicted a steady rising trend.

✓ Among the non-food category expenditure on clothing, education, recreation and cultural services indicate high growth rate.

✓ Haryana is better off compared to the National level, but also is found to be spending a great deal more on non-food items and better off food items. There is a general tendency to consume things of non-essential kind. Such things are never meant to satisfy basic needs.

Table 1. Share of food and non food items in different NSS rounds

HARYANA	43RD ROUND	50th ROUND	61st ROUND	66th ROUND

RURAL				
FOOD ITEMS	64 %	63.2 %	55.0%	53.6%
NON FOOD ITEMS	36	36.8	45	46.4
HARYANA URBAN	43RD ROUND	50th ROUND	61st ROUND	66th ROUND
FOOD ITEMS	56.4	54.7	42.5	40.7
NON FOOD ITEMS	43.6	45.3	57.5	59.3

Source: NSS Report No 538(66/1.0/1)

Disparity in household consumption expenditure in Haryana

Average per capita monthly consumer expenditure was worked out to Rs. 1510 for rural sector and Rs 2321 for urban sector. Out of this Rs. 809.36(53.6%) was spent on food items and Rs. 700.64(46.4%) on non-food items in rural sector.

➢ For urban sector, average MPCE of Rs. 2321 comprised Rs. 944.65 for food and Rs. 1376.35 for non-food articles.

➢ Lesser number of households (both urban and rural) in Haryana belonged to lower MPCE classes and large number of households' belonged to upper MPCE classes when compared to all India.

➢ Looking at the consumption expenditure on different food and non-food items for different rounds of NSS it is found that the expenditures have increased significantly, changing the consumption basket itself.

➢ Significant changes have taken place in the consumption pattern. During seventies, in Haryana the share of food in total expenditure

➢ Even with in food there have been major changes .The share of cereals in total consumption expenditure has come down and the share of better off food has increased.

➢ The other change has been the increasing share of non-food consumption

**Table 2   Trends In % Comparison Of Consumption Expenditure**

	RURAL	URBAN

ITEMS	1987 -88	1993 -94	1999 - 2000	2004 -05	2009 -10	1987 -88	1993 -94	1999 - 2000	2004 -05	2009 -10	
Cereals	26.6	24.5	22.4	18.2	15.9	15.3	14.3	12.5	10.2	9.2	
Pulses	4.0	3.8	3.8	3.1	3.7	3.4	3.0	2.8	2.1	2.7	
Milk & its product	8.6	9.5	8.8	8.5	8.6	9.5	9.8	8.7	7.9	7.8	
Egg, meat and fish	3.3	3.3	3.3	3.3	3.5	3.6	3.4	3.1	2.7	2.7	
Other	21.5	22.1	21.1	21.9	21.9	24.6	24.2	21	19.6	18.3	
Total food expenditure	64	63.2	59.4	55.0	53.6	56.4	54.7	48.1	42.5	40.7	
Pan & tobacco	3.2	3.2	2.9	2.7	2.2	2.6	2.3	1.9	1.6	1.2	
Clothing and footwear	6.7	5.4	6.9	4.5	4.9	5.9	4.7	6.1	4.0	4.7	
Other	26.1	28.2	30.8	37.8	39.3	35.1	38.3	43.6	51.9	53.4	
Total non food expenditure	36	36.8	40.6	45	46.4	43.6	45.3	51.6	57.5	59.3	
Total consumptio n expenditure	100	100	100	100	100	100	100	100	100	100	

Source: NSS Report No 538(66/1.0/1)

Table 2 shows changes in percentage composition of MPCEURP (or in aggregate consumer expenditure) as shown by the 5 quinquennial surveys beginning with 1987-88. The share of food is seen to have declined by about 10 percentage points to 53.6% in the rural sector and by about 16 percentage points to 40.7% in the urban sector over a 22-year period.

Graph 1
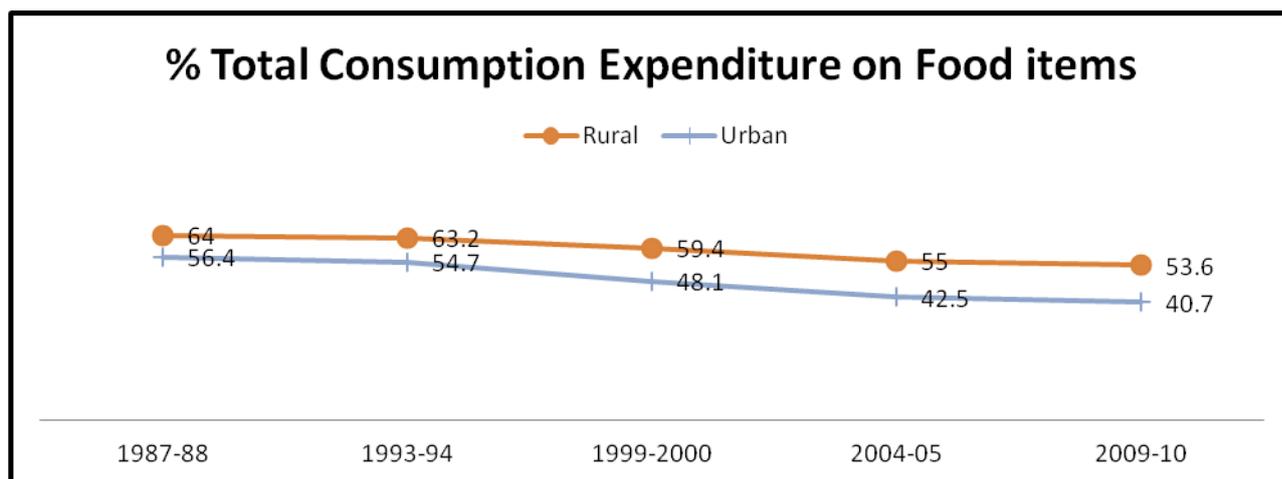
Source: NSS Report No 538(66/1.0/1)

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Table 3 Trend analysis of Total Consumption Expenditure & Food Items –Urban Sectors

ANOVA

	df	SS	MS	F	Significance F
Regression	1	26.83421	26.83421	356.5334	0.000324
Residual	3	0.225793	0.075264		
Total	4	27.06			

Note: ** Significant at 5 percent level.

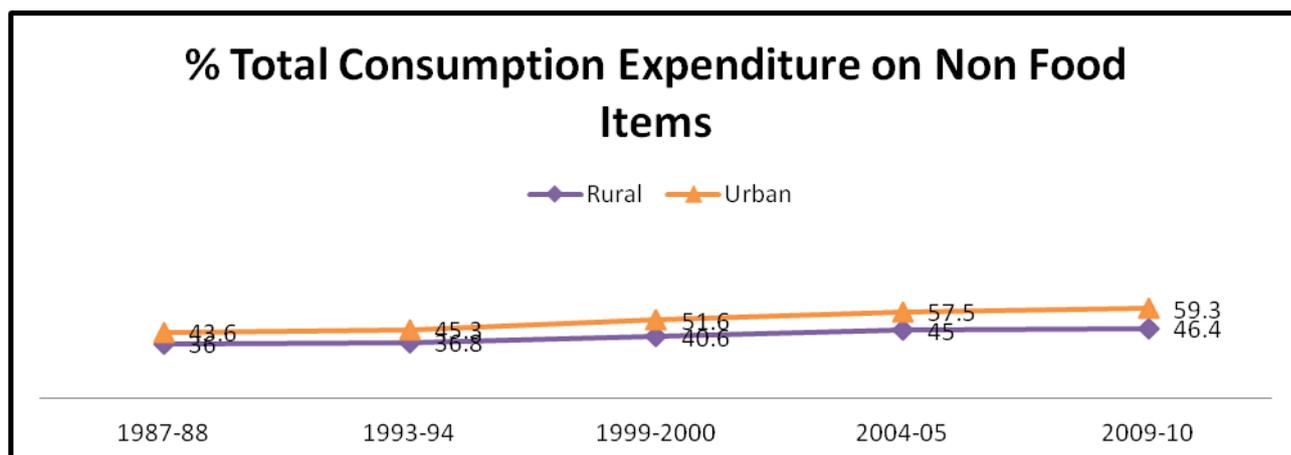**Table 4 Trend analysis of Total Consumption Expenditure & Food Items –Rural Sectors**

ANOVA

	df	SS	MS	F	Significance F
Regression	1	84.1	84.1	65.49844	0.003942
Residual	3	3.852	1.284		
Total	4	87.952			

Note: ** Significant at 5 percent level.

While the share on non food has shown a rise by more than 15 % percentage in the urban sector and by about 10.4 % in the urban sector over a 22-year period.

Graph 2

Source: NSS Report No 538(66/1.0/1)

Table 5 Trend analysis of Total Consumption Expenditure & Non Food Items –Rural Sectors

ANOVA

	df	SS	MS	F	Significance F
Regression	1	84.1	84.1	65.49844	0.003942
Residual	3	3.852	1.284		
Total	4	87.952			

Note: ** Significant at 5 percent level.

Table 6   Trend analysis of Total Consumption Expenditure & Non Food Items –Urban Sectors

ANOVA

	df	SS	MS	F	Significance F
Regression	1	190.096	190.096	75.07741	0.003234
Residual	3	7.596	2.532		
Total	4	197.692			

Note: ** Significant at 5 percent level.

Significant Anova value indicates that the trend of consumption expenditure has changed for rural and urban household. In the case of food consumption, there was a slight significant difference in the average monthly per capita consumption between the two groups (rural and urban). The average monthly per capita non-food expenditure and total expenditure was higher in urban households compared to rural households. The f value was also found to be significant in the case of both total expenditure and non-food expenditure.

7. Empirical Findings:

Consumption is one of the most important activities of any household / individual. Given the level of development there is a significant differences in the consumption pattern across the region and the differences comes from various economic, social, political and natural factors.

❖ **To examine the consumption pattern among the rural and urban households on food expenditure / non-food expenditure / total expenditure:**

To examine association between the consumption pattern among the rural and urban households on food expenditure / non-food expenditure / total expenditure, t test was carried out. The null hypothesis framed was:

H0 : There is no significant difference among the rural and urban households on food expenditure / non-food expenditure / total expenditure.

H1 : There is a significant difference.

The results are given in Table 12.

TABLE 7   RESULTS OF 't' TEST

Variable	Group	Mean expenditure	T value
Total food expenditure	Rural	948.00	0.588
	Urban	1007.3	
Total non-food expenditure	Rural	1071.6	2.846*
	Urban	1484.5	
Total expenditure	Rural	2019.6	2.283**
	Urban	2491.9	

Source: Estimation based on Field Survey, 2014.

Note: * Significant at 1 percent level

** Significant at 5 percent level.

Significant t value indicates that the mean consumption was different for rural and urban household. In the case of food consumption, there was no significant difference in the average monthly per capita consumption between the two groups (rural and urban). The average monthly per capita non-food expenditure and total expenditure was higher in urban households compared to rural households. The t value was also found to be significant in the case of both total expenditure and non-food expenditure. Hence there was no significant difference between the rural and urban households as far as food expenditure was concerned but a significant difference was seen in the case of non-food expenditure and total expenditure.

❖ **Determinants Of Consumption Behaviour**

It is widely accepted in literature that various social, economic and demographic factors strongly influence the consumption behavior. The households covered in this study cannot be an exception to this phenomenon. To find out the association between income of the respondent with their consumption expenditure (rural / urban). Anova test was applied.

Table 8. The impact of income on consumption.

Data variables	F	Sig.
Expenditure on clothing	**15.249**	**0.0**
Expenditure on cereals	**3.193**	**0.01**
Expenditure on pulses	**11.607**	**0.0**
Expenditure on milk and its product	**24.425**	**0.0**
Expenditure on egg	1.99	0.087
Expenditure on meat	2.211	0.06
Expenditure on pan and tabacco	2.633	0.028
Expenditure on entertainment	**32.386**	**0.0**
Expenditure on education	2.874	0.019

Table 8 reveals that income effects the consumption of food and non food items while only items like cereals, egg, meat and education does not have any effect on the consumption pattern of the household. The variables which got influence by the income level were pulses, milk and its product, pan and tobacco, clothing and footwear and entertainment. Similar findings were reported by Cellinkutty (2003) who observed that higher MPCE was associated with higher income, higher levels of education, better occupational status and residents in urban areas.

Table 9. The impact of income on consumption

Data Variable	F	Sig.
Expenditure on clothing	**6.334**	**0.0**
Expenditure on cereals	**3.243**	**0.01**
Expenditure on pulses	**8.118**	**0.0**
Expenditure on milk and its product	**9.987**	**0.0**
Expenditure on egg	1.321	0.262
Expenditure on meat	**3.415**	**0.007**
Expenditure on pan and tobacco	1.813	0.118
Expenditure on entertainment	**10.412**	**0.0**
Expenditure on education	**4.038**	**0.002**

Table 9 reveals that occupation has a significant effect on the consumption of food and non food items while only items like cereals, egg, meat and pan show any significant association with occupation.

Table 10   **Summary of significant impact of income and occuaption**

		Sum of Squares	df	Mean Square	F	Sig.
INCOME	**Between Groups**	131.073	4	32.768	29.070	.000
	Within Groups	107.087	95	1.127		
	Total	238.160	99			
OCCUPA TION	**Between Groups**	143.439	4	35.860	25.058	.000
	Within Groups	135.951	95	1.431		
	Total	279.390	99			

Factors Influenced The Consumption Of Food & Non Food Items

Table 11 & 12 indicates the factors that influenced the consumer while purchasing/ consuming any food and non food items. The consumer tends to consume those food items which have a good packaging, which is liked by the family and which has a good nutritive value. Their consumption decision is not hampered by the traditional usage or the product is readily available or retailers influence.

Table 11 **Factors That Influenced The Consumption Of Food Items**

FACTORS	F	Sig.
Traditional usage	0.054	0.817
Liked by family	**9.102**	**0.004**
Readily available	**4.925**	**0.03**
Save time of preparation	0.26	0.612
Reasonable price	3.433	0.069
Packaging	**10.756**	**0.002**
Advertisement	**19.499**	**0.0**
Retailer influence	0.093	0.761
Nutritive value	**21.792**	**0.0**

For non food items like clothing, footwear etc the consumer have become more conscious about the design, trend and brand. Schemes and offer also influence the consumption pattern of food and non food items to a greater extend.

Table 12   Factors That Influenced The Consumption Of Non Food Items

	F	Sig.
Design	**85.585**	**0.0**
Trend	**18.795**	**0.0**
Brand	**24.711**	**0.0**
Schemes and offer	**10.708**	**0.002**

8. Conclusion

GDP in many countries including India is growing very rapidly. Despite the developed worlds recent slide into a severe and prolonged recession, China and India have registered a positive growth and stand alone among major economies (Dougherty and vallies , 2009). Major parts of the developing countries have experienced a transition from poverty to adequate food and clothing (Hubacek et al , 2007) due to economic growth and improvement in spending power of these countries.

To conclude, the consumption expenditure showed significant differentials not only between the groups (rural vs. urban) but also within the group. Low expenditure elasticity for cereals and high expenditure elasticity for other food items signifies a shifting food consumption pattern in both rural and urban areas as income increases. Education, income, occupation and location were significant determinants of consumption expenditure of the households.

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