

Chapter - I

Introduction

1.1 Consumption in Economics

“Economics is a study of mankind in the ordinary business of life....” (Marshall, 1890, p.6). The ordinary business of mankind is production and consumption. Therefore, what is consumed by an individual or household depends on what is produced within the economy. The production and consumption is a part of individuals’ actions. It is very closely connected with the accessibility of resources in hand and accordingly with the use of goods and services for maximizing utility or satisfaction of individuals or households.

Thus, in economics, consumer is a buyer of goods and services for their own use or for others i.e., the consumers are sometimes individuals, they may be households, institutions or otherwise. Therefore, consumption refers to the final use of goods and services for the satisfaction of individuals or households wants and needs. It is a process of deriving utility from different goods and services and this forms an indispensable part to sustaining life. The consumption of food and non-food items was present for ages ever since human beings appeared on this earth. But the consumption of human beings is quite dynamic. Consumption varies within the individuals and the households as needs and desires of human beings are always subject to continuous change depending on the nature of the society and the economy. Variations in consumption are visible in different societies due to the differences in socio-economic, psychological, religious, cultural and environmental factors. The consumption pattern of foods and non-foods items of a country is an important indicator of standard of living and economic development of that country.

The pattern in consumption expenditure refers to the distribution of funds by the households on the purchase of different food and non-food items. It is influenced by the earnings made by the members of the family of a household as well as by

other socio-economic factors. The expenditures on food refers to the expenditure on basic food items consumed by the families such as cereals, pulses, meat, fish, egg, vegetables, milk etc and non-food expenditures are the expenditures made on clothing, fuel and lighting, medicine, education and shelter etc. The overall expenditure on food and non-food items is an indicator of economic well being of the people. It provides the structure for everyday material life of the household and this structure creates economic distances across the people of a nation. People having higher amount of income very often spends more on non-foods items such as for comfort and luxury commodities and the people with lower level of income spends more on food or basic needs rather than on non-food items providing comfort and luxury.

The study in pattern of consumption is the study of consumption of a particular commodity which varies from one consumer to another or household to household. It describes how consumers act, how they allocate income among various alternatives, how loyal they are to various brands and how they react to new products and services. Thus, the consumption is a pointer of attitudes, values, beliefs and motives of a consumer which varies from one consumer to another or household to household due to difference in environment with different family.

There has been a rapid change in the hierarchy of economic status among the different social groups or communities. The key determinants of the economic status of a community are the per capita income on which the standard of living and the level of consumption depend. While the increase in per capita income and per capita consumption expenditure are some of the macro level indicators of economic development for a country, the distribution of household consumption expenditure is a micro level indicator for the same. Every household is a distinct unit of consumption of various goods and services and the measure of household consumption expenditure is the most significant indicator the level of living and economic well-being, as well as an indicator of disparities in economics. Household Consumption Expenditure (HCE) is the expenditure incurred by households on consumption goods and services that is the expenditure made on goods and services for the satisfaction of individual needs or the collective needs of members of the households and not for further transformation in production.

There is a significant rise in the level of consumption expenditure of among the different economic categories of households for both food and non food commodities in Assam. With the phases of economic growth the state Assam has also been experiencing a considerable increase in the level of consumption and improving the standard of living. But the consumption pattern among the different social groups is quite uneven within the state and between states of the countries. The growth in consumption expenditure has been slow or stagnant among the scheduled castes and scheduled tribes in India and Assam and more particularly among the Bodos. The consumption expenditure among the Bodos is seen more on traditional food items.

The tribal people basically have their shelters in the rural areas of the country. Since the tribal people live in rural areas generally they carry out agricultural operations and their consumption expenditure depends on the amount of output they can produce from their farm lands or by selling their labour in the agriculture sector. Therefore, their level of consumption expenditure is generally low as the capacity that they can generate income from their subsistent agricultural production is low. But, now-a-days due to the development of transport and communication in rural areas also it is observed that even in the rural areas a lot of changes have been found in consumption basket which is a result of people mobility and divergence from subsistence low paying agricultural sector to other non-agricultural sectors where people accrue more income.

“World consumption has expanded at an unprecedented pace over the 20th century with private and public consumption expenditures reaching \$24 trillion in 1998, twice the level of 1975 and six times that of 1950. In 1900 real consumption expenditure was barely \$1.5 trillion” (HDR,1998, p.1). The changes in consumption can be witnessed across the world as a result of change in technology and business administration. There is an unprecedented raise in consumption of different goods and services. The rise in consumption spending is found more on food, education, transportation, communication and entertainment. The Human Development Report (1998) finds that the globalisation has increased accessibility of markets for worlds’ communities and exploding the demand for luxury items and services even in poor countries and traditionally poor communities. However there is a wide disparity in the level of consumption between the two sections of country i.e., developed and

developing countries. The consumption per capita increased in industrialised countries over the past years and the developing countries are not able to reach the consumption levels of these countries. The gap in per capita consumption between developed and developing countries have been increasing. The growth in consumption has been slow or stagnant in developing countries and the standard of living of the people in developing countries is low. The inequalities in consumption are very severe in developing countries. In many developing countries the section of people living with bare subsistence level of living is found to increasing in number day by day. According to Human Development Report (1998), globally the 20% of the worlds people in the highest income countries account for 86% of total private consumption expenditures and the poorest 20% a minuscule 1.3%.

1.2 Categories of consumption expenditure

In present study, the consumption items of the households are broadly categorised into food, non-food and semi-durable. The consumption which gratifies the immediate needs of the individuals like hunger and thirst is called food which includes cereals and substitutes, milk and milk products, pulses, edible oil, vegetables, egg, fish and meat, salt and spices, sugar and sugar products, fruits and nuts and beverages etc. On the other hand, the consumption which are not related to the hunger and thirst rather very much relevant or concern with the satisfaction of individuals life like the expenditure incurred on housing, education, electricity, mobile, firewood, kerosene, petrol and diesel, health care, hygienic and toilet items, entertainment (pan, tobacco, intoxicant and recreations), cosmetics, transportation, newspaper & periodicals, social obligations and miscellaneous goods and services are categorised as non-food items. Likewise, basing on the nature of non-food items some items like clothing, footwear, furniture, utensils, ornaments, bicycle or motorcycle or car and audio-video equipments expected for one year or more duration are categorised into semi-durable goods.

But in reality the distribution of consumption into food and non-food is inconclusive because human needs are of varied nature and very much subjective. On the basis of subjectivity, the consumption of an individual can be again categorised into primary consumption and secondary consumption. The primary consumption is the basic needs or psychological needs of an individual like fooding,

clothing, housing etc. whereas the secondary consumption are the sophisticated structure of psychological needs which are related to social, cultural and intellectual interests of an individual.

1.3 Consumption in Indian Context

The consumption pattern of Indian household has undergone a structural change. Indian economy registered a growth of 7.2 per cent in 2014-15 and 7.6 per cent in 2015-16 decelerated to 7.1 percent in 2016-17 and again decelerated to 6.5 percent in 2017-18 which is attributed to the lingering impact of demonetisation in the last quarter of the year 2016 and introduction of goods and service tax (GST) in the beginning of 3rd quarter of 2017. However, the implementation of GST has improved the overall revenues for the country and it is hoped that it will bring a significant improvement in future and help the country in reducing its' fiscal deficits. With low per capita income expenditure on food and beverages constitute the major part of household expenditure in India. However, as the educated member of the households is increased they have now better exposed to global life style. Their aspirations of consumption towards different goods and services are growing constantly. The expenditure on non food items both in urban and rural area in the country is increasing, conversely the expenditure on food items has been declining slowly.

The percentage composition of consumer expenditure in urban area shows a changing trend over the different periods on different food and non-food items. According to different National Sample Survey reports (51th, 55th, 66th and 68th round) the percentage share of consumer expenditure over the period on food items showed a declining trend. The percentage share of consumer expenditure was 53.44% in 1994-95 and 48.1% in 1999-2000, 42.5% in 2004-05, 40.7% in 2009-10 and 38.5% in 2011-12. This showed a decline in percentage in total food expenditure from 5.34% to 5.6%, 1.8% to 2.2% over the period of 1994-95 to 2011-12. Whereas the percentage shares of consumer expenditure in non-food items were 46.56% in 1994-95, 51.9% in 1999-2000, 57.5% in 2004-05, 59.3% in 2009 – 10 and 61.5% in 2011-12. These indicated an increased in the percentage share of consumer expenditure from 4.4% to 5.6% and 1.8% to 2.2% over the period from 1994-95 to 2011-12 in the country in rural areas as a whole.

Similarly, it is acknowledged that the percentage composition of consumer expenditure in rural area over the different periods on food and non-food items has declined considerably. The percentage share of consumer expenditure on food which was 61.04% in 1994-95 and 59.4% in 1999-2000, 55% in 2004-05, 53.6% in 2009-10 and 48.6% in 2011-12. This showed a decline in percentage in total food expenditure from 3.8% to 4.4%, 1.4% to 5% over the period of 1993-94 to 2011-12. Whereas, the percentage share of consumer expenditure in non-food items were 38.96% in 1993-94, 40.6% in 1999-2000, 45% in 2004-05, 46.4% in 2009 – 10 and 51.4% in 2011-12. These indicated an increased in the percentage share of consumer expenditure from 1.64% to 4.4% and 1.4% to 5% over the period from 1994-95 to 2011-12 in the country in rural areas as a whole.

1.4 Consumption in the context of Assam

While the increase in per capita income and per capita consumption expenditure are some of the macro level indicators of development, the distribution of household expenditure is a micro level indicator. There is a continuous increase in the per capita income and per capita consumption expenditure in Assam. The per capita income of Assam at current prices is worked out at Rs, 44263.00 during 2013-14 as against Rs 38945.00 in 2012-13 and Rs, 36320.00 in 2011-12 registering a growth rate of 13.66 percent, 7.23percent and 9.77 percent respectively. The consumption of people of a state is marked by a significant increase in the level of consumption of both food and non-food commodities. People of the state of Assam living in urban as well as rural area allocate a considerable part of their income for the consumption of different food and non-food items.

The consumer expenditure in urban area of Assam shows a changing trend over the different periods on goods and services. According to the different round of National sample Survey Reports (51th, 55th, 66th and 68th round) the percentage share of consumer expenditure over the period on food items declined reasonably. This shared 60.27% in 1994-95 and 55.38% in 1999-2000, 49.50% in 2004-05, 52.94% in 2009-10 and 47.67% in 2011-12. This showed a decline in percentage in total food expenditure from 4.89% to 5.88%, -3.44% to 5.27% over the period of 1994-95 to 2011-12. Whereas the percentage shares of consumer expenditure in non-food items were 39.73% in 1994-95, 44.62% in 1999-2000, 50.50% in 2004-05, 47.06% in

2009 – 10 and 52.33% in 2011-12. These indicated an increased in the percentage share of consumer expenditure from 4.89% to 5.88% and 1.83% over the period from 1994-95 to 2011-12 in urban areas of Assam.

The consumer expenditure in rural area of Assam shows a changing trend over the periods on different goods and services. The percentage share of consumer expenditure over the period on food items declined slowly. It shared 65.73% in 1994-95 and 67.63% in 1999-2000, 65.99% in 2004-05, 64.43% in 2009-10 and 61.34% in 2011-12. This showed that expenditure in food increased to 1.9% during 1994-95 to 1999-2000 and after that it decreased gradually from 1.64% to 1.56% and then 3.09% in 2004-05 to 2011-12. Whereas the percentages share of consumer expenditure in non-food items were 34.27% in 1994-95, 32.37% in 1999-2000, 34.01% in 2004-05, 35.57% in 2009 – 10 and 38.66 % in 2011-12. These indicated an increase in the percentage share of consumer expenditure from 1.64% to 1.56% and 3.09% over the period from 1994-95 to 2011-12 in rural Assam.

1.5 Factors affecting pattern in consumption

Individual consumers play a significant role in the overall selection of goods and services for their own consumption. Consumers engaged in the process of consumption use different goods and services to derive satisfaction or utility by adjusting with all the environmental factors such as social, cultural, economic and physical factors in which he lives. Likewise, a consumer establishes his or her hierarchy of needs for goods and services. This definitely reveals that a consumer with limited amount of resources available in hand first concerned with his basic needs and then with his trivial want. The change in the choice of consumers demand for goods and services is powerful weapon which lead to fundamental changes in the occupation and the spatial structure of an economy.

There are different economic, social and geographical factors influencing the consumption pattern of goods and services. These are:

1.5.1 Income

The consumption pattern of an individual and standard of living is determined by per capita income. Income is a proxy means of measuring the range

of one's consumption pattern. As per capita income increases, the affordability of a consumer to buy diverse nutritious foods increases instead of consuming their own crops only. It enables the people to pay for transportations, health care services, education for children of families and to pay for other facilities. Thus increase in income raises consumption but when incomes decline consumption falls as a result standard of living goes down.

1.5.2 Household size

The structures of the number of people living in a particular household affect the consumption expenditure pattern of that household. The household with more number of family members tend to spend more on different food and non-food items and semi-durable items. It is generally observed that the household with more number of family members with working age group play a significant role in influencing the decision of the households, so far buying of high value products and choosing of brand is concerned. Thus, the size of a household of a particular family affects the consumption expenditure pattern.

1.5.3 Indebtedness

The levels of availability of credit also affect the willingness of the consumer to consume. In rural areas the consumers or the households are indebted due to high dependency rate, low wages, increasing prices and other social obligations. The households borrow funds from different sources. During repayments certain portion of their current income is being diverted for the payment of instalment on previous purchase. Under such situation, the consumers are compelled to economise in their current consumption and even to meet their current minimum level of consumption the consumer again go to money lenders in search of loan. They become indebted. This generally happens in rural area where majority of households depends on agriculture and allied services.

1.5.4 Locational distance of the household

The locational distance of the household includes the site and distance of the household from the market centre or town. The availability of services like market for buying goods, education, health care facilities, transport and good electricity

service of the household depend on the site or distance from the urban centre of the village. Now-a-days, along with the state provisioning of goods and services, many facilities are also provisioned by the private sector. The disparity in the availabilities of such basic infrastructural facilities caused by the remoteness of the region not only brings inequalities in consumption pattern but also lead to social inequality.

For the households, located far from the urban centres, time stands as a bar in front of each of individuals to make choice of consumption freely due to busyness in duties or functions. The opportunities to consume are seemed to be limited by lack of time. Besides the availability of infrastructural facilities the long working hours with insufficient leave facilities severely affects the consumption choices. This generally happens in case of women living in rural areas because of their domestic obligation on top of their responsibilities. They rear children, care for the aged and the sick, toil on farm for sowing paddy during summer and for harvest during winter. Besides performing many economic and non-economic activities they are also the custodian of piggery and poultry within the family. Thus, they are left with little time to do other works of their own choice. Indeed, due to lack of locational advantage opportunities to go outside home become limited. This also hinders them from getting information regarding the choices of brands available for consumption.

Besides this, the remoteness of the household impairs the educational achievements of the members of a household. The level of education of the members a household has significant influence on the occupational and consumption expenditure pattern. In rural areas most of the people get involved in low paying activities like agriculture and allied activities due to low level of educational achievements and as a result their monthly income is seemed to be lower than the persons engaged in other occupations.

1.6 Need and importance of the study

The pattern in consumption expenditure in India has undergone a structural change. Although food and beverages still continue to be the larger share of household consumption expenditure in majority of Indian households yet with increase in urbanization, income and explosion of middle class households in the country there is continued shift in the pattern of consumption from food to non-food

items. With growing urbanization and increase in the number of educated members of the family, more and more people are now exposed to global lifestyles. This has increased their consumption expenditure. The expenditure on consumption of non-food items has been found increasing in the field of such items which confer social status. In both the urban and rural areas expenditure non-food items such as education, clothing, clothing, and modern household appliances like furniture, TVs, refrigerators, cars, washing machines and expenditures other durables continuously increasing whereas expenditures on food items like cereals, vegetables, meat, egg, edible oil etc. are declining continuously in comparison to non-food items in the country as a whole.

The consumption expenditure data of NSSO reveals transformation in the pattern of consumption of food and non-food both in urban and rural areas of Assam and India. Now, how these changes are taking place among the different communities living in Assam is indeed very important to know. In Baksa district only 1.29% of populations live in urban areas. The Bodos comprise the largest scheduled tribe in Assam and majority of them reside in rural areas. The majority of Bodo people in the district are agriculture labourers. The study on the consumption expenditure pattern among the Bodo households is important to identify the level of economic development attained by them.

The consumption habits and pattern are determined by a complex set of socio-economic, cultural, religious, psychological, ethical and environmental factors. Therefore, such studies enrich the understanding of important aspects of human life, behaviour of consumption and society. Secondly, studies on consumption pattern of different items among inhabitants of a country are highly important to understand the financial position as well as standard of living, poverty level and human development. These are useful for making efficient allocation of resources and help in formulating polices at micro level. Thirdly, present study assumes importance because most of the earlier studies were concentrated on the socio-economic and occupational structure of the scheduled tribe. The changes in the pattern of consumption as well as the rate of change of this phenomenon among Bodo of the state deserve serious attention

1.7 Objectives of the study

The objectives of the study are to investigate the pattern of consumption expenditures among the Bodos in Baksa District of Assam. The specific objectives are:

- 1) To analyse the pattern of consumption expenditure in India and Assam.
- 2) To analyse the socio-economic background of the sample households.
- 3) To analyse the pattern of consumption expenditure of the sample households.
- 4) To analyse the impact of household income, household size, household indebtedness and locational distance of the household from market or urban centre in determining consumption expenditure pattern.

1.8 Hypotheses

In order to investigate the differences, relationship between income, consumption and other variables, researcher concentrated on testing the following hypothesis:

- 1) There are differences in the pattern of consumption expenditure of food, non-food and semi-durable among the sample households.
- 2) Consumption expenditure is positively related to income, household size, household debt and locational distance of the household.
- 3) There is an association between the level of educational achievements and occupation.

1.9 Definition of the terms used

The operational definitions and the technical terms used in the present study are as follows:

Household

A household refers to the number of persons living together in a same dwelling unit, sharing income from different resources and making expenditures for all individuals or dwelling unit as well as sharing food from the same kitchen.

Household size

The household size is the sum total of number of person living in a household.

Household size elasticity

The household size elasticity is the percentage change in expenditure on a particular item due to one per change in household size.

Income elasticity

The income elasticity is the percentage change in expenditure of a particular item as a result of one percent changes in disposable income of the household.

Above Poverty Line (APL) and Below Poverty Line (BPL)

The APL and BPL is the socio-economic categories of household classified according to the C. Rangarajan Committee Report on Poverty on the basis of consumption expenditure and after making necessary adjustment of the rate of inflation.

Household Consumer Expenditure (HCE)

The household consumer expenditure is the expenditure made by the household for domestic consumption. It is the total of the monetary values of consumption of various types of food, non-food and semi-durable items.

Monthly Per Capita Consumer Expenditure (MPCE)

The per capita consumer expenditure is the monthly per-person consumption expenditure. It is obtained by dividing total monthly expenditure made by the household by the total number of person of a household.

Monthly Per Capita Consumption Expenditure Class

The monthly per capita consumption expenditure class is the classification of household on the basis of the monthly per capita expenditure level.

Housing facilities

The housing facilities are the type of houses and other facilities acquired by the households.

Food, Non-Food and Semi Durable

Food, non-food and semi durable are the broad group of consumption item on which household spend their disposable income. The *food* items include the expenditure made by the household on cereals and substitutes, pulses and pulse products, egg, fish & meat, vegetables, edible oil, milk and milk products, salt and spices, fruits and nuts, sugar and sugar products and beverages. The *non-food* items include the expenditures made by the household on housing (maintenance/rent), education, electricity bill, mobile bill, firewood, kerosene, petrol and diesel, health care, hygienic and toilet items, entertainment, cosmetic, transport, newspaper and periodical, social obligation and miscellaneous. The *semi-durable* items include the expenditures made by the household on clothing, footwear, furniture, utensils, ornaments, vehicle or motorcycle or bicycle and audio-video.

Major States

Major state is the term used to denote 15 states of India. These are- Andhra Pradesh, Assam, Bihar, Gujarat, Harayana, Karnataka, Kerela, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

1.10 Chapterisation

The research work has been organised into seven chapters:

Chapter-I, this chapter incorporates consumption and consumption expenditure pattern, categories of consumption as to the nature of consumption of goods, summarisation of consumption in the context of India and Assam and the social and economic factors determining consumption expenditure patterns.

Chapter- II contains the review of related literatures on consumption expenditure. It covers wide ranging reviews on available literatures on the study of consumption expenditure pattern in India and abroad, according to their socio-economic condition, cultural heritage and a brief history of the chronological development of the theory of consumption.

Chapter-III deals with objectives, hypothesis, method of data collection, sampling design along with the brief description of survey units, tools for data analysis and delimitations of the study.

Chapter – IV deals with the pattern of consumption expenditure of Assam and India as a whole. It also gives details about the rural-urban differences of pattern of consumption expenditures in Assam and in the country on the basis of the information collected from secondary sources.

Chapter – V presents the socio-economic profile of the sample household of the Baksa district of Assam collected from the field survey.

Chapter – VI deals with the consumption expenditure of sample households according to their socio-economic categories on different food and non-food and semi-durables items from the micro data collected from field survey. Moreover this chapter also gives details of the impact of income and the size of the household on the consumption expenditures.

Chapter – VII deals with the findings and policy recommendations.

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