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An Analysis of Changing Consumption Pattern in India: Pre and Post Reforms Period

Megha Thakur
Assistant Professor
Department of Commerce and Management
Government Mohindra College, Patiala, Punjab, India

Abstract:
The performance of any economy is measured in terms of the trends and pattern of macroeconomic variable which include national income, consumption, saving, investment and employment. Consumption is an important activity performed by the household sector is primarily of two types i.e. lifeline and lifestyle. Consumption in variably depends on income of a person and his assets. Economic reforms introduced by Government of India in 1991 have affected the per capita income to larger extent and also has influenced the consumption pattern of masses. The paper highlights the changing consumption pattern in India; Pre and Post Reforms Period and suggests the majors to be taken to improve the dietary intake of masses.

Keywords: Consumptions, Economic Reforms, Pre and Post Reforms Period, Structural change.

1. INTRODUCTION

The performance of any economy is measured in terms of the trends and pattern of macroeconomic variable which include national income, consumption, saving, investment and employment. Per capita income and food consumption both are the indicators of human development but food consumption is a better indicator of human welfare. India's republic reform in 1990s launched the country on a path where it can participate in the global economy and hence making the domestic market more consumer driven and competitive. Traditional development theory states that economic development leads to accumulation of capital. This accumulation happens through generation, realization and reinvestment of surplus created; by using fixed capital, with labour, which is transferred from the labour-surplus "traditional" sector. Capital formation generates employment which gives a boost to production. However, this path of development can be sustained only if adequate supply of food to the modern sector is guaranteed. This results in increase in food consumption. Such a process is supposed to transform the traditional sector into a modern one and thereby ensuring self-sustained growth of the less developed economy.
Keynesian psychological law of consumption states that increased income is distributed between consumption and saving. Whatever is not consumed is saved. The psychology of the community is such that when aggregate real income is increased aggregate consumption is also increased, but not in the same proportion of increase in income. Propensity to consume is not the mere desire to consume, but actually the consumption that takes place or is expected to take place, out of varying amounts in the change in disposable income. Economic growth is typically accompanied by improvements in a country's food supply both qualitative as well as quantitative and it also leads to gradual reduction in nutritional deficiency. It brings about changes in production, processing, distribution and marketing of food. India's faster economic growth after 1990s has raised per capita income (expenditure) and has significantly impacted its food consumption pattern by causing a change in the structure of food consumption. This raises the relevance of looking at the composition of India's food consumption basket.

2. LITERATURE REVIEW

Singh (1968) had analyzed data of the 15th round of NSSO and examined the role of occupational factors on consumption pattern including the rural and urban sections of western U.P. The major occupational categories were professionals, semi-professionals, clerks, storekeepers, cultivators, skilled and semi skilled workers with one category for unemployed and unidentified workers. The study pointed out that the difference in resource allocation to the various consumption items was due to the heterogeneity in socio-economic and cultural background. The study further revealed that urban households spent more food items like vegetables, meat, egg, fish etc. whereas rural households spent more of their income on inferior food items like cereals and rice. Papola (1992) had conducted a study on variations in Food Consumption Patterns of Population. The study highlighted that there were gross inequalities in the world related to the patterns of food consumption. On one hand food consumption requirement tell below minimum physiological needs for a major part of the population and on the other hand it exceeded considerably in a smaller proportion of population. Population at both these ends suffers considerably due to the ill health. The aim of the study was to analyse the relation between consumption of essential nutrients and income of different nations of the world. The data has been taken from the secondary sources like FAO, NNMB and WHO. The analysis of data revealed that while levels of food supply and per capita daily protein intake were marginally adequate in the relatively poor countries, they were far way from generally accepted nutritional requirements in case of the highly affluent countries. In countries like USA, calories intake was 3666 per capita/day whereas it was nearly 2603 percapita/day in India. The difference in the pattern of food consumption also had a great bearing on the reported causes of deaths in these countries. The degenerative heart diseases and neoplasms account for over 70 percent of all deaths in the developed countries as against less than 25 percent in developing countries. The study further analysed the

difference in consumption pattern within various classes of people in the country itself taking the case of India. The food consumption patterns of nearly one third of its poor population were markedly different from that of upper class as diet of 17 percent of poorest income group visibly did not include any visible fat whereas 5 percent of population comprising of rich class consume 40 percent of fat available in the country. The study further stressed that the kind of fat consumption in these countries also affected the kind of diseases these people have like heart diseases and diabetes. The study suggested that national nutritional policies must ensure avoidance of both deficiency and excessive food consumption. There should be proper guidelines about food intake pattern and their effect on health. Sinha (1994) conducted a study on food consumption in India and in the world. The study highlighted that food consumption was a complex phenomenon and hence human beings eat variety of foods and thus comparisons of average food consumption across different countries and regions was not much fruitful, but such comparisons were perhaps a good base to initiate exploration into the food situation in any particular region or country. The study hence aimed at comparing the food consumption statistics of per capital daily consumption of calories, proteins and fats of different parts of the world. The study used the data of FAO agricultural and food statistics of 1990. The study found striking difference in the consumption of essential food components in India and developed regions of the world like Europe, the United States of America, USSR and Australia. The analysis revealed that compared to an average person in these region and countries of the world, an Indian consumes only about 2/3rd of the calories, 1/2 of the proteins and around 1/4th of the fats. The reason might be either the Indian are grossly undernourished, or citizens of the currently affluent regions of the world, perhaps were involved in overeating. The study further analysed that from the point of view of consumption of essential food components the Indian sub-continent, consisting of India, Pakistan, Bangladesh, Sri Lanka and Nepal seem to form the poorest region of the world. In the African continent, Morocco, Algeria, Tunisia and Libya in the North had improved. Average availability of calories per day in these countries has increased from around 2000 calories in the sixties to above 3000 calories. The consumption of cereals, wheat and rice in India has improved over the period of time. The average consumption of non-staple food i.e. sweeteners, fats, eggs and milk was less in India in comparison to the world for e.g. sweeteners consumption per kg per capita/year was 24.4 kg. in the world whereas it was 22.4 kg. per kg per capita / year in India. The study concluded that most of our Indian people were un-fed. The situation of serious hunger problem could be met only by atleast doubling the per capita availability of cereals, pulses and roots in India. Prabhu (2004) conducted a study on the changing pattern of household consumption expenditure. The aim of the study was to identify some important estimates of how household behave. The data had been taken from the National Sample Survey and three kind of exercises had been done on the data namely, driving of empirical distributions of consumption over the four time points i.e. 1983, 88, 94 and 2000. Then the proportions of expenditure on various commodities has been constructed by various sectors and the state and then total expenditure for each of the commodity groups had been calculated and then to compare them with National Account Statistics. The data for various states has been further divided into two categories, per capita total expenditure of top 10 percent of the total population below the poverty line and the bottom 10 percent of the population above the poverty line. For the urban sector, commodities like food, fuel, intoxicants, rent and miscellaneous services had been taken into consideration. The results of the study revealed that in urban areas, the proportion spent on food had fallen from 63 percent in 1987-88 to 54 percent in 1999-00. In rural areas the drop was from 69 to 62 percent during the same period. The expenditure on miscellaneous services has risen from 18 percent per year to 25 percent in the urban sector while in the rural sector it went up from 14 percent to 19 percent per year. The study also arranged the states according to their food weights and Assam had the highest rural weight on food expenditure and Delhi had the least. The study concluded that policies needed to be directed towards the group of miscellaneous services much of which is dependent on the available infrastructure

3. CONSUMPTION

Consumption is an important activity performed by the household sector is primarily of two types i.e. lifeline and lifestyle. Lifeline may further be divided into food and non-food items like medical, education, clothing etc. Life style may include entertainment processed foods and white goods etc.

4. ECONOMIC REFORMS

The term economic reform broadly indicates necessary structural adjustments to external events. It includes the function of country's spending to the level parallel to its income and thereby reducing fiscal deficits. This requires gradual reduction in import and increase in export. These adjustments also require market change in order to make economy flexible. In other words economic reforms refer to the short term changes for better economic environment and have to refrain from operations. India is one of the fastest growing economies in the world. In the past decade (2000-2010), India's gross domestic product (GDP) has grown at an average rate of 7.27 percent. According to the Planning Commission estimates, the economy is projected to grow at the rate of 9-9.5 percent during the 12th Five Year Plan period (2012-2017): GDP growth has been accompanied by a rise in per capita income..

5. STRUCTURAL CHANGES

Structural changes in an economy could be studied in respect of different outcomes like output, employment, capital investment and consumption. Various dimensions in which their structure can be analysed include sectors and product groups, space wise rural and urban and interregional, distribution across size of production units, income groups and consumption expenditure classes of households, technological and productivity variations across sectors and activities in terms of different sizes and locations and emerging differences across activities, skills, gender and social groups. In other words, an analysis of structural changes accompanying economic growth brings out various manifestations of the composition and distribution of growth.

5.1 Private Final Consumption Expenditure on Food Items in the Pre-Reform Period:

The total private final consumption expenditure was classified 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 Private Final Consumption Expenditure. The expenditure on food items include expenditure on cereals and

bread, pulses, sugar and gur, oil and oil seeds, fruits and vegetables, potato and tubers, milk and milk products, meat, egg and fish, coffee, tea and cocoa and spices. The changes in the economic indicators due to new economic reform were expected to change the consumption pattern of households. Hence, the expenditure pattern of the households was classified as pre and post reform period.

According to Table 5.1, in the year 1987-88 for food expenditure amounted to INR 213613 whereas at the end of pre reform period it amount to INR 147305 giving a decline of INR 66308 (3.3 percent) whereas non food expenditure for the year 1987-88 amounted to INR 199344 and at the end of the reform that is in the year 1990-91 it fluctuated and steadily increased to 51.6 percent, an amount of INR 156878.

Table.5.1. Private Final Consumption Expenditure on Food and Non-food items in Pre-Reform period (1987-88 to 1990-91) (At 1999-2000 prices)

Sr.	**Items**	**1987-88**		**1988-89**		**1989-90**		**1990-91**	
1	Food items	213613	51.7	226228	51.6	236254	51.3	147305	48.4
2.	Non-Food items	199344	48.3	212504	48.4	224250	48.7	156878	51.6
3.	Total Private Final Consumption Expenditure	412957	100	438732	100	460504	100	304183	100
4.	Z-Value		0.566		0.566		0.283		0.566
5.	P Value		0.572		0.572		0.777		0.572

Note:

- *Compared the proportions i.e. Z test to compare the proportions.*
- *>.05, proportions are not significantly different.*
- *p<.05, proportions are significantly different.*
- *Figures in parantheses denote the percentage to the-total Private Final Consumption Expenditure.*

Source: *National Accounts Statistics, Government of India, New Delhi, various years.*

For the table No. 5.1, Z-values and P-values were calculated. The values are not showing any significant difference between food and non-food items before the pre-reform period.

5.2 Private final consumption expenditure on non food items in the Post-reform period:

The expenditure on non-food items comprises of expenses of beverages, pan, intoxicants, tobacco and its products, 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. The table no. 5.2 shows that total expenditure on non-food items showed a fluctuating trend and it was found to be 50.1 per cent in 1991-92 and reached 64.6 per cent in 2004-2005. On the whole, in the pre reform period, gross rent, fuel and power was the major non food component in the total private final consumption expenses. But in the post reform period, the emphasis was shifted to transport and communication expenses. It shows that Indians were shifting their expenses towards transport and communication in the post-reform period.

Table.5. 2. Private Final Consumption Expenditure on Food and Non-food Items in Post-reform period (1990-91 to 2004) (at 1999-2000 prices)

Sr.	**Items**	**1991-92**		**1996-97**		**2001-02**		**2004-05**	
1.	Food items	175767	49.9	422134	51	595259	43.6	611949	35.4
2.	Non-Food items	176727	50.1	404899	49	771054	56.4	1118367	64.6
3.	Total Private Final Consumption Expenditure	352494	100	827033	100	1366313	100	1730316	100
4.	Z-Value		0.000		0.283		1.697		4.243
5.	P Value		1		0.777		0.0897		0.000

Note:

- *Compared the proportions i.e Z test to compare the proportions.*
- *>.05, proportions are not significantly different*
- *p<.05, proportions are significantly different*
- *Figures in parantheses denote the percentage to the-total Private Final Consumption Expenditure.*

Source: *National Accounts Statistics, Government of India, New Delhi, various years.*

The table No. 5.2 shows that in the year 1991-92, there is no difference between the Z-value and P-value and by the time it is highly non-significant in 1996-97. The values of Z and P were significant at 10 percent in the year 2001-02 and they are highly significant in 2004-05. The calculations revealed that after the post-reform period, the difference between consumption expenditure on food and non-food items varies from no difference at all the highly significant difference. The change can be attributed to the food culture which has been brought up by the forces of globalisation. Indian diet pattern is showing a transformational trend where the consumption of milk, animal proteins and fruits and vegetables has increased showing improvement in nutritional level but on the other hand, consumption of high calories and fatty food has given birth to diet related diseases like diabetes and coronary heart diseases.

6. CONCLUSION

Despite of rapid economic growth during the past decades, India's average per capita calorie and protein intake had grown slightly, although the per capita fat consumption has registered a higher growth. Calorie and protein source in the Indian diet is diversifying with fruit/vegetable and animal-based food share increasing and cereal and pulses declining. The implication is

that the implementation of the cereal-based National Food Security Act will have only a limited impact in achieving the goal of providing nutritional security to the vulnerable section of the population. There is need to include higher protein food such as pulses or protein-enriched cereals or cereal flours in the program. It is worth mentioning that at present India is exporting a major share of its high protein soybean meal while the country is facing a protein-deficiency. Technology to incorporate soybean products in the diet should be encouraged. Despite large imports, the overall decline in per capita pulse consumption is also of concern. There is need to increase pulse production in the country as international availability of pulses is limited. With the rising level of income, per capita fat consumption is growing rapidly and the share of vegetable oil in the overall calorie intake is increasing necessitating large imports. Unless domestic production increases the import requirement will continue to grow with rising per capita income.

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