

The pattern of consumption expenditure of rural households in Haryana: An engel ratio analyses

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Abstract

The present paper analyses the pattern of consumption expenditure of rural households to show the frequent changes in both food and non food expenditure due to changes in income. Consumption expenditure is increasing due to breaking up the traditional joint system and desire for quality life. This paper defines income elasticity of expenditure and food and non food expenditure of different items. The paper analyses the engel ratio of different food and non food items. This paper has been made an attempt to examine the impact of socio –economic features of rural households on consumption expenditure.

Keywords: consumption expenditure, MPCE, engel ratio, rural households, socio-economic

Introduction

Consumption plays a prominent role in economics as well as social life of any individual among the three basic activities namely production, distribution and consumption. An economy of consumption is as important from standpoint of human welfare as an economy of production. The mental and physical health of a person depends on his consumption pattern to a large extent.

The Indian economy has transformed into a vibrant rapidly growing consumer market, comprising over 300 million strong middle class with increasing purchasing power. India provides a large market for consumer goods, on the one hand and imports capital goods and technology to modernize its manufacturing base, on the other.

Consumption makes balance between incomes and saving consumption pattern of households indicates what improvements have occurred in the level of living and how any increase in real income is reflected in the family consumption pattern.

Consumption and households consumption expenditure pattern is very important as it is related to poverty and standard of living of our society. The analysis of changing consumption pattern over time would help in designing appropriate policies related to food production and distribution. It is an excellent indicator of economic well-being of people. If the society is wealthy proportionately high expenditure well is made on comfort and luxury products. On the other hand if the society is at subsistence level, people will spend proportionately more on food. The study of pattern of consumption expenditure provides an important indicator of economic development. It will help to study the change in both food and non food consumption in rural and urban areas. Precipitate income and food consumption both are the indicator of human development but food consumption is a better indicator of human welfare. Income and consumption pattern of households depend on many factors like assets, level of education, occupation and demographic characteristic. India is a developing country where low infrastructural

development coupled with high population growth has made the lives of many poor people very difficult. Still there are wide ranges of variation on educational expenditure in different income groups of the households. 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 rural households to show the frequent changes in both food and non-food consumption expenditure due to the changes of 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. Day-by-day the income elasticity of demand is increasing with the change in income. In other words the traditional Monthly Per capita Consumption Expenditure (MPCE) of the rural masses has been largely influenced and affected by the grip of modernity. The present study tries to analyze the changing pattern of rural household consumption expenditure under various changing situations of the society and its surroundings.

Human life is ultimately nourished and sustained by consumption. During the last few decades, the world consumption has expanded at an unprecedented pace. The benefit of consumption has spread far and wide and today, more people are better fed and housed than ever before. Consumption clearly contributes to human development when it enlarges the capabilities and enriches the life of people without adversely affecting the well-being of others. Wide economic disparities have been observed between the rich and poor especially due to the low rate of economic change among the poor section of the population who generally fail to make use of the development programs. The inequalities that persist between people, rich and poor, men and women, rural and urban and among different ethnic groups are seldom isolate, instead they are inter-related and overlapping. Consumption, in economic theory, means the final use of goods and services

to satisfy human wants, needs and desires. It is a process of deriving utility from goods and services. Consumption is defined as the total value of expenditures on goods and services for the current use by the household sector (Henderson and Poole, 1991). Consumption patterns provide the structure for everyday material life, and this structure creates economic distance across classes. People belonging to different classes of income have different structures of consumption. Rich people spend more for each class of items in absolute terms, but they spend low percentage of income for food and basic needs and poor people spend higher percentage of income on food and other basic needs. In short, the propensity to consume will be higher for poor and the propensity to save will be higher for rich (Glenn and Kenneth, 1987). Food being the foremost basic need gets priority in the patterns of expenditure of people, especially the poor classes. Access to food demands affordability which depends upon two factors, namely, income of the people and prices prevailing in the country. The dietary changes that characterize the “nutrition transaction” include both qualitative and quantitative changes in the diet. Income, prices, individual preferences and beliefs; cultural traditions as well as geographical, environmental, social, and economic factors all intersect in a complex manner to shape the dietary consumption pattern (WHO, 2003).

Justification of the study

The significance of the study is to ascertain the level and pattern of household consumer expenditure and also provide necessary data to the researchers for conducting further study on poverty line, nutritional status, sufficiency of food, unemployment etc. The result obtained from this study could be utilized in many ways. It will help the rural development planners in Haryana. It had significant contribution for promoting sustenance development. Consumption pattern relates relationship between income and consumption and consumption function will help policy maker not only micro level but macro level also. As per census 2011 of India, total population of Haryana is 2, 53, 51,462 and where 63.21 per cent population is rural. The state has its own agro-climatic conditions and hence, the sample selected also reveals these socio-economic features.

Specific objective of the study

- 1 To study the socio economic characteristics of sample households.
- 2 To study per capita expenditure on food and non-food items by different expenditure class.

Limitation of the study

The present study has some operative limitations. First of all, the study was conducting in shortage of time that represents the sample household of Fatehabad District in Haryana. The second limitation of the study is that it is related to only rural area. The third limitation of the study is that it is mainly based on primary data. There are many problems for collecting primary data in which illiteracy of respondents is main problem. Lack of awareness in the population about the consumption pattern has been provide big constraints in obtaining the accurate information about the study. The major

limitations of the study OF consumption pattern of rural households is that the quality of the estimates depends on the reliability of the data collected on each item of expenditure may have errors due to memory lapses of the respondents. Besides errors arising out of lack of co-operation of the respondents, deliberate understatement, overstatement or evasion of information etc. may affect the result.

Review of literature

A brief review of literature studied in the present study is given here. In India the systematic work on consumption pattern started with the setting up of N.S.S.O. (National Sample survey Organization) in 1950, which collected household consumption data on national level. There after many studies have come to light.

Jridi *et al.* (2015) conducted a survey of Tunisian company of electricity and Gas. In the survey the determining factors are classified in three categories. Socio-economic characteristic of households, building characteristic and the technical and economic characteristics equipment. The study shows that 14.06 percent population was rural. Primary educators were 21.4 percent and secondary educators were 21.66 percent.

Himansu *et al.* (2015) conducted a study in keonjhar district of Orissa. The data for the present study has been collected using structured questionnaire from 10 villages comprising 300 household and 1204 individuals. What has been overlooked in the study is that there is a dire need for development of the socio-economic condition of the villagers. The socio-economic and nutritional status of women is directly connected with their economic position, which in turn depends on opportunity for participation in economic activities.

Singh (2016) States that regression outcome shows that there is a significant relationship between household income and household consumption expenditure and there is also a significant relationship between household income and household investment in rural Haryana.

Area of the study

The present study has been conducted in the Fatimabad district. Fatehabad is one of the twenty two district of Haryana state. It is located at 29.31 N and 75.21 E. It has three tehsil-Fatehabad, Ratia, Tohana. Three sub tehsil-Bhuna, Jakhhal, Bhattu Kalan. Six blocks-Fatehabad, Ratia, Tohana, Bhuna, Bhattu kalan, Jakhhal. Fatehabad district has a population of 9, 41, 522 as per census 2011. District has a population density of 371 inhabitants per square kilometer. Its population growth rate over the decade 2001-2011 was 16.79 per cent. It has sex ratio of 903 females for every 1000 males and literacy rate of 69.10 per cent.

Source of the data: There are two main sources through which data can be collected

- Primary data
- Secondary data
- In the present study, primary and secondary data have been collected for analyzing “the consumption pattern of rural household”. For collecting primary data a structured questioner was used. For secondary data various sources as census, regional documents and NSSO report were used.

Methodology and Sampling Design

In Haryana out of twenty two districts, Fatehabad district has been selected by random sampling for the study. Multistage purposive sampling technique has been used to select the primary sampling unit's viz. sample households in order to achieve the specific objectives. There are six blocks in Fatehabad district: - Fatehabad, Ratia, Tohana, Bhuna, Bhattu kalan, Jakhal. Block-1 named Fatehabad and block-2 named Bhattu kalan have been selected purposely. In block-1, village

Bangaon and in block-2 village Khabra Kalan have been selected purposely.

Results and Discussion

This section deals with the main findings of the study. Section deals with the socio-economic features of the rural household of Fatehabad of Haryana and consumption pattern of food and non-food items of the households of Fatehabad district.

Table 1: Socio- Economic Features of the Sample Villages

Features	Bangaon	Khabra kalan
District	Fatehabad	Fatehabad
Block	Fatehabad	Bhattu kalan
Population	5519	4209
Literacy in Per centage	75	70
Main occupation	Agriculture	Agriculture
Main crop	Wheat	Paddy

Source: Gram panchayat (Census 2011)

The samples selected included 90 households. The villages selected were Bangaon belonging to the Fatehabad block of Fatehabad district, Khabra Kalan belonging to Bhattu kalan block of Fatehabad district. Each of these villages has its own agro climatic and socio- economic features. The specification of these villages was given in table 4.1.1. Bangaon has 75 per cent literacy and Khabra Kalan has 70 per cent literacy. Main occupation of both villages was agriculture. Main crop of Bangaon was wheat and Khabra Kalan was paddy.

Demographic Characteristics

The demographics characteristic have an important bearing on the level of income and consumption expenditure of the society. Features like educational standard of the head of the households and other members, the age of the household, the size of the family are some of the factors which have a direct effect on the consumption of the community especially in the rural areas.

Table 2: Distribution of Family by Family Structure

Family structure	Bangaon		Khabra Kalan		Overall	
	No. of families	Percentage	No. of families	Percentage	No. of families	Percentage
Nuclear	25	55.56	27	60	52	57.78
Joint	20	44.44	18	40	38	42.22
Total	45	100	45	100	90	100

Sources: Field Survey

The table 2 shows that number of families which were nuclear, was 25 in Bangaon and 27 in Khabra Kalan and 52 were overall. Number of families which were joint, 20 in

Bangaon and 18 in Khabra Kalan and 38 were in overall. The percentage of nuclear and joint families was 57.78 per cent and 42.22 per cent respectively.

Table 3: Distribution of Families According to Size

Family Size	Bangaon			Khabra Kalan			Overall		
	No. of household	No. of family members	Average size of family	No. of household	No. of family members	Average size of family	No. of household	No. of family members	Average size of family
Up to 3	22	141	6.4	18	120	6.67	40	261	6.25
4 – 6	17	101	6.94	19	115	6.05	36	216	6
7 – 9	6	41	6.83	8	52	6.5	14	93	6.64
Total	45			45			90		

Source: Primary Survey

Table 3 shows that size of the households is important factor in determining the division of income between consumption and saving. The table shows that Number of households which have up to 3 members were 22 in Bangoan and 18 in Khabra Kalan and 48 were overall. Households which have 4-6 members were 17 in Bangaon, 19 in Khabra

Kalan and 36 were overall. Families which have 7-9 members were 6 in Bangoan and 8 in Khabra Kalan and 14 were overall. Average size of familys up to 3 members, 4-6 members and 7-9 members is 6.25, 6 and 6.64 respectively. Average size of family in different family size was 6 or more than 6.

Table 4: Average Income and Average Consumption Expenditure of Households According to Size of the Households.

Size of households	Average income	Average consumption Expenditure	APC
Up to 3	53518.73	37421.6	0.69
4-6	71989.97	57263.58	.79
7-9	13414	5572.02	0.41

Source: Primary Survey

Table 4 shows that when we classified according to the size of the households the consumption expenditure steadily raised as

the size of the family increased. When the size of family was up to 3, APC was 0.69.

Table 5: Distribution of Household according to the Number of Adult in the Household

No. of adult in the household	Bangaon		Khabra Kalan		Overall	
	No. of household	Percentage	No. of household	Percentage	No. of household	Percentage
2	9	20	10	22.22	19	21.11
3	18	40	17	37.78	35	38.89
4	10	22.22	8	17.78	18	20.01
5	6	13.33	7	15.55	13	14.44
6 and above	2	4.45	3	6.67	5	5.56
Total	45	100	45	100	90	100

Source: Primary Survey

The table 5 shows that percentage of households which have 2 adults, were 21.11 per cent of the total households and percentage of households which have 3 adults was 38.89 Per cent, Percentage of households which have 4 adults was 20.01 Per cent. Households which have 5 adults were 14.44 in the

percentage in total households. Households which have 6 and above adults were 5.56 in the percentage in total households. Number of adults in households has an important role in consumption pattern. As number of adult increased the consumption expenditure also increased.

Table 6: Distribution of Families According to Income Level

Income groups	Bangaon		Khabra Kalan		Overall	
	No. of families	Percentage	No. of families	Percentage	No. of families	Percentage
Up to 20000	22	48.89	20	44.44	42	46.66
20000 – 50000	17	37.78	18	40	35	38.89
50000 onwards	6	13.38	7	15.56	13	14.45
Total	45	100	45	100	90	100

Source: Primary Survey

The table 6 shows that the Number of households that have up to Rs. 20000 income per month were 42 overall and have 46.66 per cent of the total households. Number of households that have Rs. 20,000-40,000 per month are 35 in overall and have 38.89 Per cent of the total. The Numbers of households

that have Rs. 40,000 and above income per month were 13 in overall and have 14.45 per cent of the total households. The percentage of families has decreased as we tend to high income group

Table 7: Distribution of Sample Households According to the Occupation of Head of the Family

Occupation	Bangaon		Khabra Kalan		Overall	
	No. of families	Percentage	No. of families	Percentage	No. of families	Percentage
Servicemen	8	17.78	10	22.22	18	20
Businessmen	15	33.33	16	35.56	31	34.45
Agri-based	22	48.89	19	42.22	41	45.55
Income total	45	100	45	100	90	100

Source: Primary Survey

The table 7 shows that the number of households in which head of the family was serviceman, were 18 and have 20 Per cent of the total households. Number of households in which head of the family was businessman, were 31 and have 34.45

Per cent of the total households. Numbers of households in which head of the family was Agri. based, were 41 in overall and has 45.55 Per cent of the total households. It shows that percentage of serviceman was lowest.

Table 8: Distribution of Families According to Earners In Family

No. of earners	Bangaon		Khabra Kalan		Overall	
	No. of families	Percentage	No. of families	Percentage	No. of families	Percentage
1	8	17.78	7	15.56	15	16.67
2	15	33.33	18	40	33	36.66
3	20	44.44	19	42.22	39	43.33
4 and above	2	4.45	1	2.22	3	3.34
Total	45	100	45	100	90	100

Source: Primary Survey

Table 8 shows that numbers of households which have 1 earner, were 15 and have 16.67 Per cent of the total. Numbers of households which have 2 earners, were 33 and have 36.66 Per cent of the total. Number of earners have important role in

income and consumption expenditure pattern. As number of earners increased income and expenditure also increased. Most of the households have 2 or 3 earners.

Table 9: Distribution of Families According to the Education Standard of The head of the Family

Education standard	Bangaon		Khabra Kalan		Overall	
	No. of families	Percentage	No. of families	Percentage	No. of families	Percentage
Matriculation	25	55.56	26	57.78	51	56.67
Undergraduate	14	31.11	14	31.11	28	34.44
Graduate postgraduate	3	6.67	2	4.44	5	5.56
Other (Eng.,B.ed.,Phd..)	3	6.66	3	6.67	6	13.33
Total	45	100	45	100	90	100

Source: Primary Survey

The table 9 shows that number of families in which head of the families were matriculation, were 51. There were 28 households in which head of the family were under graduate. There were 5 families in which head of the family were graduate / postgraduate. There were 6 families in which head

of the family were B.Ed., M. Phil., PhD. The table shows that the educational standard matriculation has maximum percentage. Graduate / postgraduate has the minimum percentage. The table shows that educational standard of the head of the family was not so good.

Table 10: Average Monthly Expenditure Per-Person on Different Food Items.

S. No	Items	Average MPCE (In Rs.)	Engel ratio
1	Cereals	458.12	25.82
2	Pulses	91.91	5.18
3	Milk & milk products	269.34	15.18
4	Edible oil	126.86	7.15
5	Meat, fish & egg	56.42	3.18
6	Vegetables	163.77	9.23
7	Fruits	106.81	6.02
8	Sugar	43.18	2.49
9	Beverages	18.38	1.06
10	Salts	83.003	4.68
11	Spices	165.19	9.31
12	Cooked food purchased	189.32	10.67
	Total food expenditure	1774.3	100

Source: Primary survey

Table 10 shows that total monthly expenditure on different food items was Rs. 1774.30 which was 42.43 Per cent of average MPCE. The Engel ratio shows that a person likes to spend more on cereals which was common for all population

groups. Milk and milk products have 15.18 Engel ratios. Beverages and cooked food purchased have Engel ratio 9.31 and 10.67 respectively.

Table 11: Items Average Monthly Expenditure Per – Person on Different Non-Food.

S. No	Items	Average MPCE (In Rs.)	Engel ratio
1	Pan, tobacco, khaini & other intoxicants	158.14	6.57
2	Household furnishings and equipment	158.14	6.57
3	Clothing	606.81	25.21
4	Footwear	58.97	2.45
5	Education	323.99	13.46
6	Medical	168.01	6.98
7	Entertainment	93.87	3.90
8	Personal care	133.35	5.54
9	Travel	115.78	4.81
10	Electric, electronics & communication	195.21	8.11
11	Agricultural	94.11	3.91
12	Durable goods	157.90	6.56
13	Miscellaneous goods and services	129.50	5.38
	Total non-food expenditure	2407.03	100

Source: Primary Survey

Table 11 Shows that total monthly expenditure on different non – food items was about to Rs. 2407.03. This was more than the monthly expenditure on food items. It is 57.57 Per cent of average MPCE. In table the Engel ratio shows that among the non-food items a person was highly addicted

towards consumption of clothing and education. On the other hand it has also been observed that the expenditure on medical service was less. Expenditure on entertainment is very less. It is only 2.19 of Engel ratio. It shows that people were not aware about non-food items such as entertainment.

Table 12: Average monthly Expenditure on Different Items (Both Food and Non-Food)

S. No	Items	Average MPEC (Rs)	Engel ratio
1	Cereals	688.25	16.46
2	Pulses	137.98	3.3
3	Milk & Milk Products	290.18	6.94
4	Edible Oil	164.74	3.94
5	Meat, Fish & Egg	279.31	6.68
6	Vegetables	245.86	5.88
7	Fruits	122.09	2.92
8	Sugar	66.48	1.59
9	Beverages	247.95	5.93
10	Salts	27.18	0.65
11	Spices	124.60	2.98
12	Cooked Food Purchased	284.33	6.8
13	Pan, Tobacco & Other Intoxicants	89.06	2.13
14	Household Furnishings & Equipment	99.51	2.38
15	Clothing	328.65	7.86
16	Footwear	36.79	0.88
17	Education	267.61	6.4
18	Entertainment	58.96	1.41
19	Personal Care	114.55	2.73
20	Travel	102.86	2.46
21	Electric, Electronics & Communication	122.51	2.93
22	Agriculture	112.48	2.69
23	Durable Goods	102.86	2.46
24	Miscellaneous Goods & Services	81.54	1.95
	Total Consumer Expenditure	4181.33	100

Source: Primary Survey

As the table 12 shows that per capita 30 days consumer expenditure of Rs. 4181.33 was split up into Rs. 1774.30 on the an average on food and Rs. 2407.03 for non-food. Food constituted 42.43 Per cent and non-food 57.57 Per cent of MPCE. Among food items cereals constituted 16.46 Per cent. The Engel ratio for cooked food purchased was 6.8 Per cent, for species 2.98Per cent and for milk and milk product 6.94 Per cent. Expenditure on clothing and footwear accounted

7.86 and 0.88 respectively. Entertainment constituted 1.41 Per cent, personal care 2.73 Per cent, travel 2.46 Per cent. Electronic and communication constituted 2.93 Per cent. Expenditure on education was peculiar 6.4 Per cent. This shows that people were being aware towards education.

Conclusion

In this context the present study made an attempt to analyses

the socio-economic background and the consumption pattern of rural households in Fatehabad district of Haryana.

Large percentage of the rural mass belongs to low income growth. This is due to their very low economic status and the consequent employment prospect in low paying occupations. Effective implementations of the schemes for their economic improvement is needed for improving their consumption standard. Educational concessions to rural people should be continued wherever necessary. For their economic improvement a change in occupational pattern is necessary.

The study reveals that the main occupation of the rural households was agriculture. Agri. based occupation has maximum percentage which is 45.55 per cent. According to educational standard of the head of the family, households have maximum percentage in the matriculation. Graduate and post graduate head are only 5.56 per cent.

Numbers of households in which age of the head of households is under 25, is 5.56 in percentage. As the age of the head has increased the percentage of the households also increased. According to sex of the head of the households 87. per cent households have male head while there are only 13 per cent households have female head. It shows that educational standard of the head of the households is not so much good and that highlights the social bias against female.

The study has found that the level of living of the rural households has improved. In the food consumption items cereals has highest expenditure. Engel ratio of this item was 25.82. Food item pulses have only 5.18 per cent Engel ratio to the total food consumption expenditure. Milk and milk product has second highest per capita expenditure in food items. Vegetable and fruits have monthly per capita expenditure of Rs. 163.77 and Rs. 106.81 respectively. It shows that people were aware about their health and nutrition. Expenditure on fish, meat and eggs is not so much. It is because of religious factor in this area.

Consumption pattern of different income groups on food and non-food items was different. Consumption on non-food items is more than food items. Consumption on non-food items has increased 51.39 per cent to 63.61 per cent as we tend to high income group. The percentage of food expenditure has decreased from 48.62 per cent to 36.39 per cent as we tend to high income group. It reveals that Engel law is applied on consumption pattern.

The study concludes that households were not aware for their health. There was very low expenditure on medical services. Pan, tobacco and intoxicants form the major consumption item for all households with 6.57 Engel ratios

The major findings of the study reveals poor consumption pattern of some items as education, health care and agriculture. Schemes for improving the health standard of households are necessary to improve their consumption pattern. Majority of households having low educational status either not aware or careless of the importance of better health standard. They were not interested in health checkup. Hence they were found to be addicted to alcoholic beverages, wine, pan, tobacco and intoxicants, which adversely affects not only their health but also hinders their economic progress. Government should implement some policy for agricultural development.

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