Abstract for "Growth, Inequality and Diversification in Consumption Pattern in India – An Empirical Analysis"

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This paper examines the nature of growth, inequality and the diversification in the consumption pattern in India and also the impact of growth and inequality on the diversification of consumption in a panel data framework using the National sample Survey Organization's large sample quinquennial data during the period from 1972-73 to 2009-10. The empirical analysis is done separately for rural and urban areas.

We find a positive correlation between growth rates of NSDP and that of real monthly per-capita consumption expenditure (MPCE) across states. All the states are found to have experienced increasing trends in real MPCE in varying degrees with increasing inter-state variations in rural areas but not in urban areas. However, although the growth rates of per-capita NSDP across the states reveal a divergent trend, the same for MPCE is found to be convergent over the period. Further, both the overall inequality and the relative inequality reveal an increasing trend in urban areas coupled with a marginal declining trend in rural areas across the states. Moreover, we find tremendous diversification in the consumption pattern favoring the non-food components both in rural and urban areas of the states. In addition, we find an inverse relation between consumption size class and the proportion of expenditure on food.

Our panel data exercise provides a very robust result such that in case of rural India growth rate is found to be the significant explanatory factor with its expected sign for the cross-state and cross-time variability in the diversification of consumption, inequality remaining an insignificant factor. However, in case of urban India both the relative inequality and growth rate are found to be highly significant factors with their expected signs.

Key Words

Inequality, Consumption, Growth, Diversification, India, Panel Data

JEL Classification

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