
An Analysis of Consumption Expenditure in India

Dr. M. S. DESHMUKH

Professor, Department of Economics
Shivaji University, Kolhapur, India

S. S. VYAVAHARE

Research Scholar, Department of Economics
Shivaji University, Kolhapur, India

Abstract:

Consumption is an important activity performed by the household sector. Post Globalisation has raised India's per capita income (expenditure) and that has significantly impacted its food consumption patterns by causing a change in the structure of food consumption baskets. The monthly per capita consumption expenditure (MPCE) on food items has declined from 72.83% to 52.76% and on non food items has increased from 27.15% to 47.24% in the rural India during 1972-73 to 2011-12. While in the urban India the expenditure on food items has decline from 64.45% to 42.46% whereas expenditure on non-food items has shown a steady increase from 35.55% to 57.54% during 1972-73 to 2011-12. Monthly per capita consumption of major cereals (in quantity k.g) has decreased in both rural and urban area in Maharashtra and India during 1972-73 to 2011-12. The volume of change in pre reform to post reform period in food items has declined from -13.76% in rural India and -22.34% in urban India, while in the non-food items has increased from 27.52% in rural India and 33.17% in urban India. The above discussion on consumption expenditure indicated that there is a significant difference in the pre and post reform period.

Key words: Food and Non-food consumption expenditure, Pre and Post Reform

I. INTRODUCTION:

India is the second most populous country in the world with an estimated population of more than 1.2 billion. India's market potential is greater than that of many countries in Western Europe with more middleclass consumers and increasing local purchasing power. Since the liberalization bandwagon began to roll during the early nineties, India made a remarkable transition from being a supply controlled to a demand driven economy. With a large middle class population and their rising level of affluence, the country has one of the largest consumer markets across the world and is reckoned to be at par with the other Asian countries like China. India today offers tremendous market potential with a rapid growth rate in a wide range of products. It is one of the largest economies in the world in terms of purchasing power. India's faster economic growth since 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.

Consumption is an important activity performed by the household sector. Whatever personal income we obtain, from one source or the other, is spent either on consumption or is saved. Presently, consumption is exacerbating inequalities. The consumption pattern in India is defined with the reference to the consumer expenditure survey by the NSSO. These surveys divide rural and urban population into different expenditure groups. The distribution of household/person and the per capita monthly expenditure on food and non food items is given for each group.

The Government of India introduced economic reforms in various sectors of the economy in July, 1991. The economic reforms were expected to influence the national income and the

standard of living of the people. There by the consumption expenditure was expected to change after the reform. Generally economic reforms refer to the special efforts aimed at the removal of economic imperfection in an economy. The consumer goods market has undergone a sea transform over the last 20 years with large numbers of competing international brands and Indian manufactures offering a wide choice of goods like air conditioners, refrigerators, TV, car, clothing, two wheelers, four wheelers, food and cosmetics. Competition, however, also means attractive prices and bigger value to the consumer. In Indian automobile industry, one of India's largest and fastest growing consumer sectors, the depth of penetration of global brands and the level of competition in the market is very high.

This paper deals with the analysis of consumption expenditure pattern (in amount and quantity/physical term), both in the level and type of commodities of consumption that happened in India during the recent years. It examines whether there is change in the pattern of consumption expenditure over a period of time. Large differences in the pattern of food and non-food consumption over the regions of the country is also analyzed.

II. RESEARCH METHODOLOGY AND DATA BASE:

This paper is based on the secondary data collected from various sources, such as National Accounts Statistics, Central Statistical Organization (CSO), Government of Indi, Reports of National Sample Survey organization (NSSO), Government of India, various websites, published and unpublished reports and journals etc.

➤ Objectives:

1. To analyze the commodity wise trends in monthly per capita consumption expenditure (MPCE) pattern in rural and urban area of Maharashtra and India.

2. To study the pre and post reform food and non-food consumption pattern.

➤ **Statistical Tools:**

1. Compound Annual Growth Rate (CAGR)

$$= \left(\left(\frac{F}{P} \right)^{\left(\frac{1}{n} \right)} - 1 \right)$$

Where,

F = the ending value,

P = beginning value,

n = the number of years.

2. Correlation of Coefficient

$$r = \frac{n(\sum XY) - (\sum X)(\sum Y)}{[n\sum X^2 - (\sum X)^2][n\sum Y^2 - (\sum Y)^2]}$$

3. Average Propensity to Consume (APC)

$$APC = \frac{\text{Monthly Per Capita Consumption Expenditure}}{\text{Monthly Per Capita Income}}$$

III. RESULT AND DISCUSSION:

1. State Wise Monthly per Capita Expenditure of Cereals in India during 1993-94 to 2011-12:

The table-1 (and figure-1) shows that the changes in average monthly per capita cereal consumption in physical terms since 1993-94 in the major states of India. The Compound Annual Growth Rate (CAGR) of Monthly per Capita Expenditure of Cereals in rural and urban Maharashtra was -2.70 and -2.18 respectively during 1993-93 to 2011-12. Moreover the CAGR of Monthly per Capita expenditure of Cereals of rural and urban India was -3.47 and -2.54 respectively during the same period. It indicates that reduction in Monthly per Capita Expenditure of Cereals was more in rural area as compared to urban area. Moreover expenditure on cereals has declined in India as well as Maharashtra but reduction rate of India is higher than Maharashtra during the same period. It is clear that there is

negative growth of Monthly per Capita Expenditure of Cereals all the states of India during 1993-94 to 2011-12.

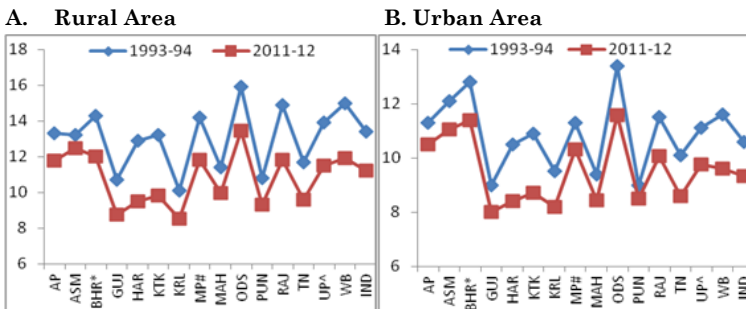
Table No: 1 State Wise Monthly per Capita Expenditure of Cereals in India (Quantity in Kg)

Sr	State	50 th round (Jul.1993-Jun.1994)		68 th round (Jul.2011-Jun.2012)		CAGR (%)	
		Rural	Urban	Rural	Urban	Rural	Urban
1	Andhra Pradesh	13.3	11.3	11.79	10.49	-2.38	-1.48
2	Assam	13.2	12.1	12.46	11.04	-1.15	-1.82
3	Bihar	14.3	12.8	12.02	11.38	-3.41	-2.32
4	Gujarat	10.7	9	8.74	7.99	-3.97	-2.35
5	Haryana	12.9	10.5	9.49	8.39	-5.96	-4.39
6	Karnataka	13.2	10.9	9.84	8.7	-5.71	-4.41
7	Kerala	10.1	9.5	8.53	8.19	-3.32	-2.92
8	Madhya Pradesh	14.2	11.3	11.8	10.31	-3.64	-1.82
9	Maharashtra	11.4	9.4	9.94	8.42	-2.7	-2.18
11	Orissa	15.9	13.4	13.47	11.58	-3.26	-2.88
12	Punjab	10.8	9	9.29	8.5	-2.97	-1.14
13	Rajasthan	14.9	11.5	11.84	10.08	-4.49	-2.6
14	Tamil Nadu	11.7	10.1	9.59	8.6	-3.9	-3.16
15	Uttar Pradesh	13.9	11.1	11.5	9.77	-3.72	-2.52
16	West Bengal	15	11.6	11.93	9.6	-4.48	-3.71
17	India	13.4	10.6	11.23	9.32	-3.47	-2.54

Source: NSSO different rounds

Note: *includes Jharkhand #includes Chhattisgarh ^includes Uttaranchal

Figure No: 1 Changes in MPCE (Cereal) of Major States in India during 1993-94 to 2011-12



The MPCE of cereals in rural Maharashtra have declined from 11.4 kg to 9.94 kg and urban Maharashtra was 9.4 kg to 8.42 kg respectively during 1993-94 to 2011-12.

The MPCE of cereals in rural India have declined from 13.4 kg to 11.23 kg and urban India was 10.6 kg to 9.32 kg respectively during 1993-94 to 2011-12.

. There is negative CAGR in rural area of almost all the states in India i.e. Haryana-5.96%, Karnataka-5.71%, Rajasthan-4.49%, West Bengal-4.48%, similarly there is negative CAGR of urban area of all the states i.e. Haryana -4.39%, Karnataka -4.41%, Rajasthan -2.60%, Tamil Nadu -3.16%, West Bengal -3.71% during 1993-94 to 2011-12.

The main conclusion from NSSO data reveals that, it is by richer people diversifying their diets, not by eating more cereals, that richer people eat better (non-food items) both in terms of quantity (e.g., calorie intake) and in terms of quality (e.g., intake of animal protein, vitamins, minerals and so on).

2. Growth of Major commodity wise Monthly Per Capita Cereal Consumption Expenditure in Maharashtra and India during 1993-94 to 2011-12:

The table-2 shows the monthly per capita consumption expenditure of different commodities in Maharashtra and India during 1993-94 to 2011-12. The consumption of rice in rural India has declined from 6.79 kg to 6.13 kg per month where as urban India from 5.13 kg to 4.66 kg per month during 1993-94 to 2011-12. There is slight rise in monthly per capita consumption of wheat in rural India from 4.32 kg to 4.43 kg during same period. However the consumption of wheat in urban India has reduced from 4.44 kg per month to 4.32 kg per month during reference period.

There is fall in major proportion in consumption of other cereals both rural (2.29 kg to 0.66 kg) and urban (1.03 kg to 0.3 kg) per month in India during 1993-94 to 2011-12. Monthly Per capita consumption of Rice, Wheat and other cereals has shown a negative CAGR of both rural and urban area of India (except wheat in rural India) during 50th round to 68th round of NSSO.

The Monthly per capita consumption of rice in rural area of Maharashtra has declined from 3.03 kg to 2.92 kg and urban area from 3.25 kg to 3.03 kg during 50th round to 68th round of NSSO. However the Monthly per capita consumption of wheat

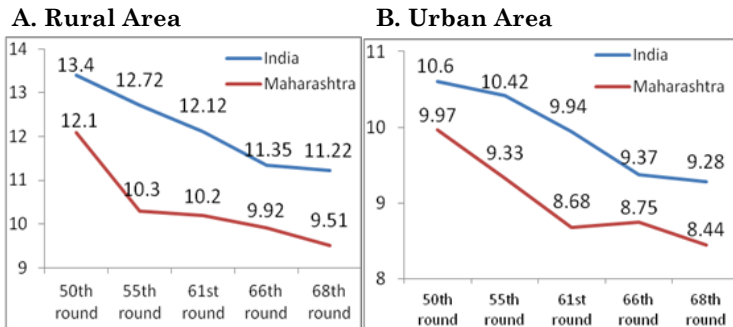
in rural and urban area of Maharashtra has shown an increased trend from 2.81 kg to 4.77 kg and 4.69 kg and 4.73 kg respectively 50th round to 68th round of NSSO. Monthly Per capita consumption of Rice, Wheat and other cereals has shown a negative CAGR of both rural and urban area of Maharashtra (except rice and rural wheat) during 50th round to 68th round of NSSO.

Table No: 2 - Per Capita Cereal Consumption in Maharashtra and India during 1993-94 to 2011-12 (Quantity in Kg)

Sr.	NSS Round	State	Rice and Its Products		Wheat Atta and Its Products		Other cereals		All cereals	
			rural	Urban	Rural	urban	Rural	urban	rural	urban
1	50 th round	Maharashtra	3.03	3.25	2.81	4.69	6.07	2.03	12.1	9.97
		India	6.79	5.13	4.32	4.44	2.29	1.03	13.4	10.6
2	55 th round	Maharashtra	2.84	3.09	3.63	5.07	3.79	1.17	10.3	9.33
		India	6.59	5.1	4.45	4.45	1.68	0.87	12.72	10.42
3	61 st round	Maharashtra	3.01	2.97	3.62	4.57	3.49	1.14	10.2	8.68
		India	6.38	4.71	4.19	4.36	1.55	0.87	12.12	9.94
4	66 th round	Maharashtra	3.13	3.14	4.32	4.69	2.4	0.9	9.92	8.75
		India	6.14	4.66	4.36	4.34	0.85	0.38	11.35	9.37
5	68 th round	Maharashtra	2.92	3.03	4.77	4.73	1.77	0.65	9.51	8.44
		India	6.13	4.66	4.43	4.32	0.66	0.3	11.22	9.28
6	CAGR	Maharashtra	2.94	6.99	6.01	-3.62	-19.73	-22.26	-3.66	-2.50
		India	-2.02	-1.90	0.50	-0.55	-22.03	-21.86	-3.49	-2.62

Source: NSSO Different Rounds

Figure No: 2 Monthly Per Capita Consumption of Cereals in India and Maharashtra during 1993-94 to 2011-12 (in Kg)



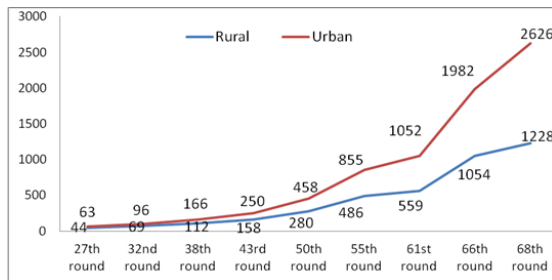
The CAGR of monthly per capita quantity consumption of total cereals of both rural and urban area in Maharashtra and India

has shown a declining trend during 50th round to 68th round of NSSO (see fig-2).

3. Growth of MPCE of Food and Non-Food Items (in Rupees) in Rural and Urban India for a period of 1972-73 and 2011-12:

The monthly per capita consumption expenditure of food and Non-food items in urban and rural areas for nine different rounds of NSSO are shown in fig-3.

Figure No: 3 - Trends in Rural and Urban food and Non-food consumption (MPCE) in India during 1972-73 to 2011-12 (In Rs)



It reveals that the gap between rural and urban MPCE of food and non food items is widening. However the rural consumption expenditure is lower than urban consumption expenditure during reference period

Table No: 3 - MPCE on Broad Groups of Food and Non-Food Items of Rural and Urban Area in India (Rs)

Items	27 th round (Sept.1972 Oct.1973)		68 th round (Jul.2011-Jun.2012)		CAGR (27 th to 68 th)	
	Rural	Urban	Rural	Urban	Rural	Urban
A. Food items						
1.Cereals	18.3(41.47)	14.8(23.38)	153.82(10.75)	173.82(6.61)	0.27	0.31
2.Pulses & pulse products	1.9(4.43)	2.2(3.48)	39.51(2.76)	50.76(1.93)	0.4	0.42
3.Milk & Milk Products	3.2(7.3)	5.9(9.32)	114.9(8.04)	184.31(7.01)	0.49	0.47
4.Edible Oil	1.6(3.5)	3.1(4.9)	53.44(3.74)	70.03(2.66)	0.48	0.41
5.Meat, Eggs & Fish	1.1(2.5)	2.1(3.32)	68.46(4.79)	95.99(3.65)	0.58	0.53
6.Vegetables	1.6(3.6)	2.8(4.42)	94.62(6.62)	121.7(4.63)	0.57	0.52
7.Fruits and Nuts	0.5(1)	1.3(2.05)	40.52(2.83)	90.12(3.42)	0.63	0.6
8.Sugar	1.7(3.8)	2.3(3.63)	23.69(1.66)	27.35(1.04)	0.34	0.32
9.Salt and Spices	1.2(2.8)	1.5(2.37)	52.52(3.67)	66.49(2.52)	0.52	0.52

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10. Beverages etc.	1.1(2.4)	4.8(7.58)	112.94(7.9)	236.18(8.98)	0.67	0.54
11. Food Sub Total	32.2(72.85)	40.8(64.45)	754.42(52.76)	1116.75(42.46)	0.42	0.44
B. Non-food items						
12. Pan, Tobacco & Intoxicants	1.4(3.1)	1.8(2.84)	45.93(3.21)	42.3(1.61)	0.47	0.42
13. Fuel & Light	2.5(5.6)	3.6(5.69)	114.11(7.98)	175.86(6.69)	0.53	0.54
14. Clothing and Foot wear	3.3(7.5)	3.6(5.69)	100.29(7.01)	167.43(6.37)	0.46	0.53
15. Miscellaneous and Services	3.9(8.8)	12.17(19.23)	348.51(24.36)	983.84(37.42)	0.65	0.63
16. Durable Goods	0.9(2.2)	1.33(2.1)	64.64(4.52)	139.36(5.3)	0.61	0.68
17. Non-Food Sub Total	12(27.15)	22.5(35.55)	473.48(47.24)	1508.8(57.54)	0.5	0.6
18. Food and Non-Food Consumption	44.2(100)	63.3(100)	1227.9(100)	2625.55(100)	0.45	0.51

Source: NSSO Different Rounds, Note: Figures in parentheses denoted the percentage

During 68th round (July 2011- June 2012) of NSSO, All India MPCE of food and non-food items was Rs 2625.55 and Rs 1227.9 in urban and rural area respectively. On the contrary, MPCE of food and non-food items was Rs.63.3 and Rs.44.2 in urban and rural areas respectively during 27th round (*October 1972 to September 1973*). It is found that expenditures have increased over the years on all the items for both in the urban and rural areas as may be expected due to the price rise in general. However MPCE in urban area of India has increased from Rs.63 in the 27th round to Rs.2625.55 in the 68th round whereas rural area has risen from Rs.44 in the 27th round to Rs.1227.9 in the 68th round. Food items have shown a remarkable change in MPCE of food and non-food items, both in rural and urban area of India.

Monthly per capita consumption expenditure (MPCE) of urban area in India on food items has increased from Rs.41 to Rs.1116.75, while non-food items from Rs.22.5 to Rs.1508.8 during 27th round to 68th round of NSSO. The corresponding estimates for rural area in all India, the monthly per capita consumption expenditure on food items have increased from Rs.32 to Rs.754.42, while on non-food items from Rs.12 to Rs.473.48. Moreover the share of food items in total all India monthly per capita consumer expenditure has fallen from 73 percent to 52.76 percent in rural areas and from 64.45 percent

to 42.46 percent in urban areas during 27th round to 68th round of NSSO. Similarly the share of cereals has fallen from 41.47 percent to 10.75 percent in rural India and from 23 percent to 6.61 percent in urban India during the same period. The shares of better off food items have not changed much. Fall in the shares of milk and milk products, vegetables, beverages and sugar is a noticeable change in the urban sector. In the rural sector share of certain better off food items showed a marginal change. In the rural sector share of milk and milk products increased from 7.3 percent to 8.04 percent, edible oil from 3.5 percent to 3.74 percent, vegetables 3.6 percent to 6.62 percent during reference period. However, for the entire period the relative importance of some items especially beverages among the group of food items have shown a remarkable change. There have been significant shift in consumption pattern in the urban and rural areas. Non-food expenditure steadily increased over time. Share of non-food expenditure to total expenditure increased from 35.55 percent in the 27th round to 57.54 percent in 68th round recorded a change of 22 percent points and 20 percent points in urban and rural areas respectively. Miscellaneous goods command the largest share of expenditure in both rural and urban areas in total non-food consumption expenditure. In the urban sector, the share of this category has increased from 19.23 percent to 37.42 percent and in the rural sector the share has increased from 8.8 percent to 24.36 percent. It has more than doubled over the period. The share of fuel and light in total consumer expenditure has risen from 6 percent to 8 percent in both rural and urban areas between 1972-73 and 2011-12. The share of clothing in total consumer expenditure over the last four decades has fallen from 7.50 percent to 7.1 percent in rural India and from 5.69 percent to 6.37 percent in urban India. More than half of the expenditure on non-food items was on education, medical care, transport and the like both in urban and rural areas. In NSSO data separate figures are not available for education, health and

conveyance even though these items are assuming increasing importance.

Figure No: 4 - Trends in MPCE of Food and Non-Food items in Rural and Urban area in India during 1972-73 to 2011-12:

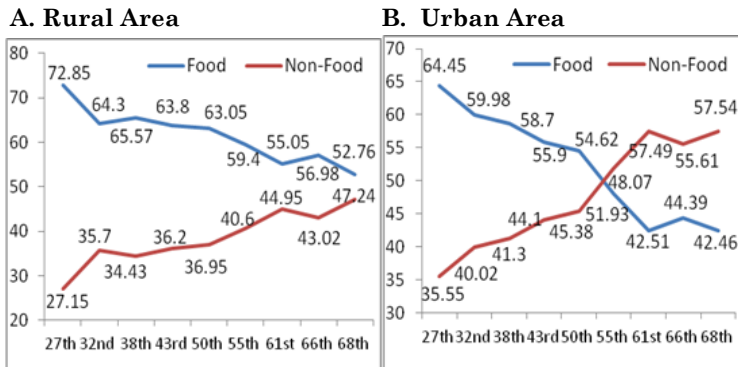


Fig-4 reveals that MPCE of food items has shown declining trend where as non-food items expenditure is rising in rural India, however expenditure on food items is still higher than non-food items during 1972-73 to 2011-12. On the contrary MPCE of food items has shown more declining trend where as non-food items expenditure is rising in urban India, however expenditure on non- food items has increased faster after 55th round of NSSO and it has overtook food items and presently continued to do so since 55th round to 2011-12.

4. Change in MPCE on Broad Groups of Food and Non-Food Items in Pre and Post Reforms Period in India:

The total monthly per capita consumption expenditure was classified as expenditure on food items and non-food items.

Table No: 4 - Changes in MPCE of Food and Non-Food Items in Pre and Post Reforms Period in India: (Rs)

Items	Pre Reforms*		Post Reforms**		Volume of Change	
	Rural	Urban	Rural	Urban	Rural	Urban
Food Items						
1.Cereals	30.08(33.65)	26.12(19.65)	115.96(17.99)	123.79(10.50)	285.56(-46.55)	373.93(-46.55)
2.Pulses & pulse products	3.70(3.93)	4.91(3.45)	23.90(3.33)	31.06(2.46)	545.89(-15.26)	532.18(-28.71)
3.Milk & Milk Products	7.63(7.77)	13.54(9.40)	62.40(8.40)	101.10(8.06)	718.41(9.10)	646.52(-14.26)
4.Edible Oil	4.38(4.18)	7.20(4.92)	29.73(4.03)	39.69(3.26)	579.50(-3.55)	451.66(-33.62)
5.Meat, Eggs & Fish	2.85(2.83)	5.06(3.47)	32.50(3.90)	46.52(3.30)	1040.28(37.79)	819.90(-4.85)
6.Vegetables	4.43(4.32)	7.07(4.74)	52.60(6.64)	68.38(5.08)	1088.70(53.70)	867.47(7.09)
7.Fruits and Nuts	1.38(1.29)	3.25(2.16)	17.77(2.05)	40.44(2.69)	1192.65(58.60)	1146.29(24.49)
8.Sugar	2.80(3.05)	3.56(2.68)	15.94(2.31)	18.60(1.59)	469.43(-24.26)	422.05(-40.65)
9.Salt and Spices	2.85(3.07)	3.47(2.44)	25.13(3.07)	31.37(2.15)	781.75(0.29)	805.28(-11.62)
10.Beverages etc.	3.18(3.02)	9.74(6.86)	49.66(5.65)	105.37(7.35)	1464.16(87.11)	981.81(7.24)
11.Food Sub Total	62.75(66.63)	83.91(59.76)	425.60(57.45)	606.31(46.41)	578.24(-13.78)	622.60(-22.34)
Non-food items						
12.Pan, Tobacco & Intoxicants	2.95(3.05)	3.66(2.57)	23.01(2.99)	23.34(1.80)	679.86(-2.10)	537.32(-29.81)
13.Fuel & Light	6.58(6.49)	9.48(6.42)	62.56(8.22)	102.93(7.58)	851.51(26.71)	986.35(18.10)
14.Clothing and Foot wear	8.33(8.78)	10.84(7.32)	50.32(6.55)	83.87(5.94)	504.42(-25.31)	674.08(-18.93)
15.Miscellaneous and Services	12.08(11.63)	30.64(20.43)	163.96(19.62)	485.71(32.05)	1257.85(68.81)	1485.21(56.86)
16.Durable Goods	3.23(3.45)	5.06(3.49)	28.22(3.38)	64.03(4.69)	774.91(-1.96)	1165.38(34.44)
17.Non-Food Sub Total	33.15(33.37)	59.92(40.24)	295.78(42.55)	773.83(53.59)	792.26(27.52)	1191.39(33.17)
18.Food and Non-Food Sub Total	95.90(100)	143.81(100)	721.38(100)	1394.65(100)	652.22(00)	869.82(00)

Source: NSSO different rounds Note: Figures in parentheses denoted the percentage

Pre Reforms* average value of 4 rounds of NSSO i.e. 27th round – October 1972 to September 1973, 32nd round – July 1977 to June 1978, 38th round – January 1983 to Dec. 1983, 43rd round – July 1987 to June 1988

post Reforms** average value of 5 rounds of NSSO i.e 50th round – July 1993 to June 1994, 55th round- July 1999 to June 2000, 61st round – July 2004 to June 2005, 66th round- July 2009 to June 2010, 68th round- July 2011 to June 2012.

The changes in the economic indicators due to new economic reforms have changed the consumption pattern of households. Hence, the expenditure pattern of the households was classified as pre and 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. Table-4 states that the volume of change in cereals consumption has shown -46.55% negative change in both rural and urban consumption of India during pre reform to post reform period. Similarly pulses have shown -15.26% negative change in rural area and -28.71 negative change in urban area respectively during pre reform to post reform period. The volume of change in pre reform to post reform period in food items of urban consumption expenditure has declined in higher percentage as compared to rural consumption expenditure in India, where as the consumption expenditure on non-food items has increased more proportionately in urban area as compared to rural area in India.

The volume of change in consumption expenditure of food items had declined to -13.76% in rural area and -22.34% in urban area where as the consumption expenditure on non-food items has increased to 27.52% in rural area and 33.17% in urban area during pre reform to post reform period in India. The above discussion on consumption expenditure reveals that there was a significant difference in the monthly per capita consumption expenditure of pre and post reform period.

5. Estimation of Average Propensity to Consume (APC) on the Basis of MPCE and MPI (NNP_{FC}) in India during 1972-73 to 2011-12:

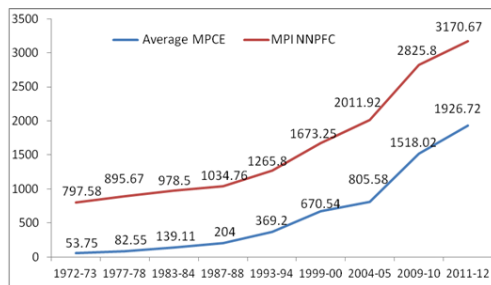
The table-5 shows the changes in monthly per capita consumption expenditure and monthly per capita income in India during 1972-73 to 2011-12. Average MPCE and monthly per capita income of net national product at factor cost has been increased over the period of time. In the year 1972-73 the average MPCE was Rs. 53.75 and MPI was Rs.797.58 and APC was 0.067.

Table No: 5 - Estimation of APC on the Basis of Average MPCE and MPI (NNP_{FC}) in India during 1972-73 to 2011-12 (Rs)

Sr.	Year	Average MPCE	MPI NNP _{FC}	APC
1	1972-73	53.75	797.58	0.067
2	1977-78	82.55	895.67	0.092
3	1983-84	139.11	978.50	0.14
4	1987-88	204.00	1034.76	0.19
5	1993-94	369.20	1265.8	0.29
6	1999-00	670.54	1673.25	0.40
7	2004-05	805.58	2011.92	0.40
8	2009-10	1518.02	2825.8	0.53
9	2011-12	1926.72	3170.67	0.60
	Correlation	0.99		

Source: NSSO Different Rounds and CSO

Figure No: 5: Trends in Average MPCE and MPI (NNP_{FC}) in India during 1972-73 to 2011-12 (Rs)



In the year 1999-2000 average MPCE was Rs.670.54 and MPI was Rs. 1673.25 and APC was 0.40. Moreover in the year 2011-12 average MPCE was become Rs.1926.72 and MPI was Rs.

3170.67 and APC was 0.60. It is clear that there is rising trend in APC during the year 1972-73 to 2011-12. There is a positive correlation between average MPCE and MPI i.e. 0.99. It means the average MPCE and MPI was highly correlated.

IV.CONCLUSION AND POLICY IMPLICATIONS:

In India monthly per capita consumption expenditure has increased in both rural and urban areas over the years. It is seen that increase in expenditure has been greater in urban areas compared to rural areas. This shows a wide rural-urban disparity in the monthly per capita expenditure. The share of expenditure on food items in total expenditure has shown a declining trend in both rural and urban areas on the contrary monthly per capita expenditure on non-food items has increased. Moreover the amount and quantity (monthly per capita consumption in physical terms) consumed on cereals has shown a declining trend where as fuel, light, durable goods, miscellaneous goods and services, etc. have an increasing trend in both rural and urban Maharashtra and India. The average monthly per capita consumption expenditure between pre and post economic reform period indicates that there was significant difference in them. The consumption of cereals which still form the largest components of household consumption budget has significantly declined since 1972-73 to 2011-12. The purchasing power of people is highly influenced by the changing life styles, standard of living, modernization and growing employment opportunities etc,

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