

# CHAPTER 3

## CONSUMER EXPENDITURE

3.01 Monthly Per-capita Consumer Expenditure (MPCE) is one of the important indicators of economic level of a family. It is also one of the important components used for calculation of poverty ratio. Engel's ratio which speaks about the ratio of expenditure on food and non-food items is a well recognized indicator of the standard of living of people. The various rounds of National Sample Survey (NSS) throw light on consumer expenditure of families of different income levels separately for rural and urban areas. This is utilized for estimating the population Below Poverty Line (BPL). The percentage of population below poverty line for rural, urban and total for Orissa stands at 48.01, 42.83 and 47.15 respectively for the year 1999-2000, as against the corresponding values of 27.09, 23.62 and 26.10 at all-India level for the same year.

3.02 It is observed that the higher the level of income, lower is the percentage of income spent on food items and vice-versa. Data on average MPCE on different food and non-food items for Orissa and at all-India level based on the results of 60th Round of NSS (January –June'2004) are presented in Table 3.1. The data reveal that:

i. The average Monthly Per Capita Consumer Expenditure (MPCE) in Orissa, both in Rural and Urban sectors is lower than

all-India level. While the average MPCE of rural and urban Orissa stood at Rs.414.08 and Rs.872.09 respectively, the same were Rs.564.70 and Rs.1060.16 respectively at all India level. In rural Orissa, the average MPCE on food items constituted 58.44% of the total expenditure as against 53.93% at all India level. Similarly, in urban Orissa this percentage stood at 47.66% as against 41.64% at all India level. This indicates that the standard of living both in rural as well as urban Orissa is lower as compared to rural and urban India.

ii. Expenditure per person on cereals and cereal substitutes is not very different for rural and urban house holds. For other items, the urban figure has been higher than the rural figures. This difference is found to be highest for house rent followed by education and consumer services. The per-capita urban consumption is about double the per-capita consumption in rural areas. These findings are also observed between rural and urban India.

iii. The percentage of expenditure of Orissa under food and non-food items to total expenditure has been 47.66 and 52.34 respectively in urban areas against 58.44 and 41.56 in the rural areas. This indicates the quality of life in urban areas has been better than that in rural areas.

Table 3.1

*Average Monthly Per-Capita Expenditure on Groups of Items of Consumption  
for Rural and Urban Areas of Orissa and at all-India Level  
during January – June'2004.(60<sup>th</sup> Round NSS).*

Sl.No.	Item	ORISSA					
		Rural			Urban		
		Amount [Rs.]	% to expenditure on food/non-food	% to total expenditure	Amount [Rs.]	% to expenditure on food/non-food	% to total expenditure
1	2	3	4	5	6	7	8
<b>Food Items</b>							
1	Cereals	112.25	46.39	27.11	134.26	32.31	15.4
2	Gram	0.2	0.08	0.05	0.19	0.05	0.02
3	Cereal substitutes	0.01	0	0	0	0	0
4	Pulses and their products	11.04	4.56	2.67	19.62	4.72	2.25
5	Milk and milk products	12.34	5.1	2.98	36.49	8.78	4.18
6	Edible oil	16.32	6.74	3.94	28.31	6.81	3.25
7	Meat, fish and eggs	17.12	7.07	4.13	36.43	8.77	4.18
8	Vegetables	34.12	14.1	8.24	50.78	12.22	5.82
9	Fruits (fresh)	4.81	1.99	1.16	15.05	3.62	1.73
10	Fruits (dry)	0.24	0.1	0.06	0.75	0.18	0.09
11	Sugar	7.08	2.93	1.71	10.21	2.46	1.17
12	Salt	1.23	0.51	0.3	1.81	0.44	0.21
13	Spices	7.66	3.17	1.85	10.83	2.61	1.24
14	Beverage etc.	17.56	7.26	4.24	70.8	17.04	8.12
<b>Food Total</b>		<b>241.98</b>	<b>100</b>	<b>58.44</b>	<b>415.53</b>	<b>100</b>	<b>47.66</b>
<b>Non-food Items :</b>							
15	Pan	4.27	2.48	1.03	9.58	2.1	1.1
16	Tobacco	3.25	1.89	0.78	5.01	1.1	0.57
17	Intoxicants	3.43	1.99	0.83	11.52	2.52	1.32
18	Fuel and light	43.75	25.42	10.57	83.6	18.31	9.59
19	Clothing	31.68	18.41	7.65	52.26	11.45	5.99
20	Footwear	2.43	1.41	0.59	6.47	1.42	0.74
21	Education	6.94	4.03	1.68	41.64	9.12	4.77
22	Medical (institutional)	7.51	4.36	1.81	12.6	2.76	1.44
23	Medical(non-institutional)	15.82	9.19	3.82	20.48	4.49	2.35
24	Misc. Consumer goods	21.75	12.64	5.25	48.09	10.53	5.52
25	Consumer Services	14.71	8.55	3.55	69.97	15.33	8.02
26	Rent	0.24	0.14	0.06	46.07	10.09	5.28
27	Taxes & Cesses	0.03	0.02	0.01	1.7	0.37	0.2
28	Durable goods	16.29	9.47	3.93	47.58	10.42	5.46
<b>Non-food Total</b>		<b>172.1</b>	<b>100</b>	<b>41.56</b>	<b>456.56</b>	<b>100</b>	<b>52.34</b>
<b>Total consumer expenditure</b>		<b>414.08</b>		<b>100</b>	<b>872.09</b>		<b>100</b>

Table 3.1 (Contd.)

Sl.No.	Item	ALL- INDIA					
		Rural			Urban		
		Amount [Rs.]	% to expenditure on food/ non-food	% to total expenditure	Amount [Rs.]	% to expenditure on food/ non-food	% to total expenditure
1	2	9	10	11	12	13	14
<b>Food Items</b>							
1	Cereals	102.19	33.5	18.10	105.61	23.92	9.96
2	Gram	0.68	0.22	0.12	0.98	0.22	0.09
3	Cereal substitutes	0.37	0.12	0.07	0.58	0.13	0.05
4	Pulses and their products	16.85	5.53	2.98	22.24	5.04	2.10
5	Milk and milk products	47.6	15.63	8.43	82.98	18.80	7.83
6	Edible oil	25.97	8.53	4.60	37.53	8.50	3.54
7	Meat, fish and eggs	18.6	6.11	3.29	27.84	6.31	2.63
8	Vegetables	32.89	10.80	5.82	44.35	10.05	4.18
9	Fruits (fresh)	8.06	2.65	1.43	18.73	4.24	1.77
10	Fruits (dry)	1.77	0.58	0.31	4.65	1.05	0.44
11	Sugar	12.12	3.98	2.15	14.15	3.21	1.33
12	Salt	1.08	0.35	0.19	1.36	0.31	0.13
13	Spices	12.05	3.96	2.13	15.47	3.50	1.46
14	Beverage etc.	24.36	8.00	4.31	65.01	14.73	6.13
<b>Food Total</b>		<b>304.6</b>	<b>100</b>	<b>53.93</b>	<b>441.48</b>	<b>100</b>	<b>41.64</b>
<b>Non-food Items :</b>							
15	Pan	2.35	0.90	0.42	3.32	0.54	0.31
16	Tobacco	7.41	2.85	1.31	8.34	1.35	0.79
17	Intoxicants	4.41	1.70	0.78	4.76	0.77	0.45
18	Fuel and light	54.15	20.82	9.59	95.62	15.46	9.02
19	Clothing	39.8	15.30	7.05	63.2	10.22	5.96
20	Footwear	5.6	2.15	0.99	11.26	1.82	1.06
21	Education	16.14	6.21	2.86	69.1	11.17	6.52
22	Medical (institutional)	9.3	3.58	1.65	18.78	3.04	1.77
23	Medical (non-institutional)	25.76	9.90	4.56	39.31	6.35	3.71
24	Misc. consumer goods	31.97	12.29	5.66	70.53	11.40	6.65
25	Consumer Services	40.35	15.51	7.15	132.33	21.39	12.48
26	Rent	2.52	0.97	0.45	54.66	8.83	5.16
27	Taxes and Cesses	1.1	0.42	0.19	9.73	1.57	0.92
28	Durable goods	19.25	7.40	3.41	37.73	6.10	3.56
<b>Non-food Total</b>		<b>260.1</b>	<b>100</b>	<b>46.07</b>	<b>618.68</b>	<b>100</b>	<b>58.36</b>
<b>Total consumer expenditure</b>		<b>564.7</b>		<b>100</b>	<b>1060.16</b>		<b>100</b>

3.03 Table 3.2 presents the MPCE on food and non-food items of Orissa as well as for all-India over different rounds of N.S.S. It is observed from the table that while the MPCE on food items in urban Orissa remains lower than the non-food items since 56<sup>th</sup> round of N.S.S. conducted during July 2000 to June 2001, it is quite reverse in rural Orissa. The

same result is also reflected at all-India level. Further, it also reveals that while the share of food items show a declining trend; non-food items exhibit an increasing trend in Orissa.

This indicates that there has been significant change in the pattern of consumption among the people.

**Table 3.2**  
**Value (Rs.) of Consumption of Food and non-Food Items of a Person for a Period of 30 Days in Rural and Urban Areas over different Rounds of NSS for Orissa and all-India level.**

NSS Round & Period	ORISSA					
	Rural			Urban		
	Food	Non food	Total	Food	Non food	Total
1	2	3	4	5	6	7
55th Round (July,1999 -June, 2000)	239.25	133.92	373.17	352.24	266.25	618.49
%	64.11	35.89	100	56.95	43.05	100
56th Round (July,2000 -June, 2001)	246.66	145.82	392.48	372.67	400	772.67
%	62.85	37.15	100	48.23	51.77	100
57th Round (July,2001 -June, 2002)	193.98	113.71	307.69	359.47	376.64	736.11
%	63.04	36.96	100	48.83	51.17	100
58th Round (July,2002 –Dec., 2002)	229.27	161.21	390.48	385.47	483.21	868.68
%	58.71	41.29	100	44.37	55.63	100
59 <sup>th</sup> Round (January,2003-Dec.,2003)	230.93	166.96	397.89	392.24	439.4	831.64
%	58.04	41.96	100	47.16	52.84	100
60 <sup>th</sup> Round (January – June, 2004)	241.98	172.11	414.08	415.53	456.56	872.09
%	58.44	41.56	100	47.65	52.35	100

Contd.

**Table 3.2 (Contd.)**

NSS Round & period	ALL-INDIA							
	Rural			Urban			Per capita expenditure for Orissa as percentage to all-India average	
	Food	Nonfood	Total	Food	Nonfood	Total	Rural	Urban
1	8	9	10	11	12	13	14	15
55th Round (July,1999 -June, 2000)	288.8	197.36	486.16	410.84	444.08	854.92	76.76	72.34
%	59.4	40.6	100	48.06	51.94	100		
56th Round (July,2000 -June, 2001)	278.6	216.33	494.9	400.57	514	914.57	79.3	84.48
%	56.29	43.71	100	43.8	56.2	100		
57th Round (July,2001 -June, 2002)	276.4	221.92	498.27	402.31	530.48	932.79	61.75	78.91
%	55.46	44.54	100	43.13	56.87	100		
58th Round (July,2002 –Dec., 2002)	292.3	239.2	531.49	429.79	582.18	1012	73.47	85.84
%	54.99	45.01	100	42.47	57.53	100		
59 <sup>th</sup> Round (January,2003-Dec.,2003)	298.6	255.59	554.15	429.01	592.88	1021.9	71.8	81.38
%	53.88	46.12	100	41.98	58.02	100		
60 <sup>th</sup> Round (January – June, 2004)	304.6	260.1	564.7	441.48	618.68	1060.2	73.32	82.26
%	53.94	46.06	100	41.64	58.36	100		

3.04 Table 3.3 given below reflects the Monthly Per Capita Expenditure of Orissa vis-a-vis other fifteen major States of the country for the 55<sup>th</sup> Round and 58<sup>th</sup> Round to 60<sup>th</sup> Round of NSS. It reveals that in all the above Rounds of NSS the average MPCE in rural Kerala is the highest among all the State, while in urban Kerala it is all time highest except 55<sup>th</sup> round. In 55<sup>th</sup> Round Kerala occupied the 3<sup>rd</sup> highest position. The average MPCE in rural Orissa is being the lowest among all the States in all rounds of NSS, while in urban Orissa, it was 2<sup>nd</sup> lowest

in 55<sup>th</sup> Round and in 58<sup>th</sup> round to 60<sup>th</sup> round it is fluctuating between 3<sup>rd</sup> to 4<sup>th</sup> lowest rank.

3.05 The 60<sup>th</sup> Round NSS also reveals that the average MPCE of rural Orissa was (Rs.414) and stood among the five lowest ranked major states viz. Jharkhanda (Rs.405), Chhatisgarh (Rs. 417), Madhya Pradesh (Rs.437) and Bihar (Rs.,422). Similarly, the average MPCE of urban Orissa (Rs.872) stood as 6<sup>th</sup> lowest rank followed by Bihar (Rs.784), Madhya Pradesh (Rs.793), Manipur (Rs.797), Chhatisgarh (Rs.812), Uttar Pradesh (Rs.827).

**Table 3.3**

***Average Monthly Per Capita Consumer Expenditure in Orissa vis-à-vis some Other Major States as per 55<sup>th</sup>, 58<sup>th</sup>, 59<sup>th</sup> and 60<sup>th</sup> Rounds of NSS in Rural and Urban Areas.***

State	Average Monthly Per capita Consumer Expenditure (Rs.)							
	55th Round		58 <sup>th</sup> Round		59th Round		60 <sup>th</sup> Round	
	(July 99 – June 2000)		(July,02-Dec,02)		(Jan.03-Dec.03)		(Jan.,04-June,04)	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
1	2	3	4	5	6	7	8	9
Punjab	742.82	898.82	788.18	1110.46	886.10	1250.20	946.86	1058.82
Haryana	714.38	912.08	702.62	1123.17	780.76	1140.95	878.68	1050.27
Maharashtra	496.77	973.33	544.57	1163.63	584.05	1166.30	568.85	1258.92
Tamil Nadu	514.07	971.63	542.12	1071.62	609.08	1086.95	603.40	1130.53
Karnataka	499.78	910.99	512.82	968.95	555.50	960.33	501.60	937.06
Andhra Pradesh	453.61	773.52	579.92	989.02	566.89	1064.86	557.11	1101.71
Kerala	765.71	932.62	880.57	1266.64	981.41	1299.67	990.22	1371.51
Uttar Pradesh	466.63	690.33	486.36	878.93	509.03	785.52	538.18	826.96
West Bengal	454.80	866.59	492.79	1065.50	538.06	990.90	580.18	1133.40
<b>ORISSA</b>	<b>373.17</b>	<b>618.49</b>	<b>390.48</b>	<b>868.68</b>	<b>397.89</b>	<b>831.64</b>	<b>414.08</b>	<b>872.09</b>
Rajasthan	548.88	795.81	574.32	830.03	569.59	911.74	580.47	994.81
Madhya Pradesh	401.50	693.56	436.27	708.58	454.58	1029.07	437.34	793.36
Gujarat	551.33	891.68	590.20	1229.16	626.02	1046.03	613.21	1092.00
Bihar	385.10	601.90	423.58	691.66	414.63	674.46	422.49	784.02
Assam	426.13	814.12	531.67	947.47	520.45	875.17	531.69	1019.47
<b>ALL- INDIA</b>	<b>486.16</b>	<b>854.92</b>	<b>531.49</b>	<b>1011.97</b>	<b>554.15</b>	<b>1021.89</b>	<b>564.70</b>	<b>1060.16</b>

3.06 Engel's ratio is an index of the standard of living of the people indicating the percentage of consumption expenditure incurred on food items to total Consumer Expenditure. The smaller the ratio, higher is the standard of living. Table 3.4 represents the Engel's ratio in respect of fifteen major states of the country in different rounds of NSS. Table 3.4 reveals that the Engel's ratio in respect of Orissa (both rural and urban areas) is always higher than all-India level. The table also reveals that, the Engel's ratio for rural Orissa was the fourth highest among the fifteen major States in all the rounds of NSS, while in urban Orissa, it is fluctuating

between 2<sup>nd</sup> to 6<sup>th</sup> highest rank. In 55<sup>th</sup> round of NSS, the urban Orissa occupied the 2<sup>nd</sup> highest rank, while it occupied 6<sup>th</sup> highest rank in 58<sup>th</sup> round and again 2<sup>nd</sup> rank in 60<sup>th</sup> round of NSS. In 60<sup>th</sup> round of NSS, Assam occupied the first position (62.40) followed by West Bengal (59.75), Bihar (58.89), and Orissa (58.44) in rural areas. Similarly, in urban areas, Orissa occupied 6<sup>th</sup> position in 58<sup>th</sup> round (44.37), 3<sup>rd</sup> position in 59<sup>th</sup> round (47.16) and 2<sup>nd</sup> position in 60<sup>th</sup> round (47.65) of NSS. In 60<sup>th</sup> round urban areas of Bihar occupied the first position with Engel's ratio of 47.89.

**Table 3.4**  
**State wise Engel's Ratio of major States as per 55<sup>th</sup>, 58<sup>th</sup>, 59<sup>th</sup> and 60<sup>th</sup> Rounds of NSS in Rural and Urban Areas.**

State	55th Round		58th Round		59th Round		60th Round	
	(July 99 - June,00)		(July,02-Dec.,02)		(Jan 03-Dec.,03)		(Jan-June,2004)	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
1	2	3	4	5	6	7	8	9
Punjab	52.27	47.12	47.27	39.23	45.43	36.75	45.6	39.44
Haryana	55.51	45.87	52.86	40.05	49.76	39.53	49.98	41.71
Maharashtra	54.71	45.31	51.63	40.25	49.61	40.44	50.97	39.26
Tamil Nadu	58.73	45.61	55.17	40.67	51.70	41.56	52.42	38.67
Karnataka	59.08	46.32	53.48	42.45	52.57	43.13	54.39	43.47
Andhra Pradesh	60.5	47.44	53.48	41.66	52.8	39.4	55.89	37.81
Kerala	53.7	49.04	50.26	40.25	44.92	38.36	46.54	40.76
Uttar Pradesh	57.42	50.49	54.14	42.73	53.95	45.23	52.07	44.05
West Bengal	65.86	52.28	60.90	45.73	60.44	45.68	59.75	45.51
<b>ORISSA</b>	<b>64.11</b>	<b>56.95</b>	<b>58.71</b>	<b>44.37</b>	<b>58.04</b>	<b>47.16</b>	<b>58.44</b>	<b>47.65</b>
Rajasthan	59.5	50.85	55.97	45.42	54.18	43.70	54.42	43.34
Madhya Pradesh	58.09	47.60	53.69	45.69	53.25	36.45	43.6	42.36
Gujarat	59.82	49.58	55.10	42.28	54.6	43.8	54.48	43.65
Bihar	66.47	57.24	61.52	49.21	60.82	50.16	58.89	47.89
Assam	67.63	55.38	64.13	49.21	63.33	48.53	62.40	46.80
<b>ALL- INDIA</b>	<b>59.40</b>	<b>48.06</b>	<b>54.99</b>	<b>42.47</b>	<b>53.88</b>	<b>41.98</b>	<b>53.94</b>	<b>41.64</b>

3.07 Table 3.4 indicates that, while the standard of living in rural Orissa shows an increasing trend, except 59<sup>th</sup> Round, it is declining in urban Orissa as compared to other major States. 60<sup>th</sup> round survey of NSS shows that the standard of living in rural Orissa is better than Assam, West Bengal and Bihar, while in urban Orissa, it is better than only Bihar. Further the standard of living in Orissa, both in rural and urban areas, is lower than the all-India level.

3.08 Distribution of rural and urban population by MPCE classes indicates the standard of living of the people and magnitude of poverty. A higher percentage of population in the lower MPCE group means lower standard of living and vice-versa. Distribution of rural and urban population by MPCE classes in Orissa and India based on 60<sup>th</sup> NSS Round is presented in Table 3.5.

**Table 3.5**  
**Percentage Distribution of**  
**Population by MPCE Classes**  
**(NSS 60<sup>th</sup> Round, January-June, 2004).**

MPCE Class	Percentage of Population			
	Rural		Urban	
	ORISSA	ALL-INDIA	ORISSA	ALL-INDIA
1	2	3	4	5
Less than Rs.300	35.5	11.5	9.5	2.0
Rs. 300-775	60.1	73.1	34.3	45.6
Rs. 775 & above	4.4	15.4	56.2	52.4
<b>All Classes</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

3.09 The preceding table reflects the concentration of rural and urban population in different MPCE classes. The percentage of population in the MPCE class of less than Rs.300 in both rural and urban areas of Orissa was much higher than the corresponding all-India figures. For the MPCE class of Rs.300 to Rs.775, the proportion of population both in rural and urban areas of Orissa was lower than the all-India figure. The total percentage of population in these two lower MPCE classes comes to 95.6 in rural areas and 43.8 in urban areas of Orissa as compared to 84.6 and 47.6 respectively at the all-India level which indicates a higher concentration of population in Orissa in the lower consumption expenditure classes. The concentration of population in the highest MPCE class i.e. Rs.775 and above is higher for all-India in rural and lower in urban areas in comparison to Orissa. It indicates lower standard of living in Orissa in comparison to all-India average.

