



## ALL INDIA HOUSEHOLD CONSUMPTION EXPENDITURE SURVEY - GS III MAINS

**Q.** An accurate, transparent, and comprehensive consumption expenditure survey data will help in shaping a more inclusive and equitable society. Examine the findings of the All India Household Consumption Survey in the above backdrop. (15 marks, 250 words)

**News:** *Consumption Expenditure Released After 11-Year Gap Highlights Persisting Inequality*

### What's in the news?

- **The poorest 5% of India spend merely an average of Rs 46 daily in rural areas and Rs 67 in urban areas, as against the richest 5% whose daily consumption is Rs 350 in rural areas and Rs 700 in urban parts, indicating a huge inequality in incomes,** the All India Household Consumption Expenditure Survey 2022-23 that the Union government released after a gap of 11 years revealed.

### Key takeaways:

- The latest report showed that although the average MPCE in urban households rose to Rs 3,510 – an increase by 33.5% since 2011-12 – and rural households to Rs 2008 that is a 40-42% uptick, the jump is more owing to steep inflationary trends than any real rise in incomes.

### All India Household Consumption Survey:

- The Household Consumption Expenditure Survey (HCES) is conducted to gauge household spending habits.
- It provides crucial insights into household consumption patterns, their living standards and overall well-being.

### Conducted by:

- It is conducted by the National Sample Survey Office (NSSO), (which now comes under the **National Statistical Office** in the MoSPI).
- It is a quinquennial survey (recurring every five years).

### Backdrop:

- The survey has been conducted every five years, since 1972-73.
- The survey results were junked in 2017-18 due to 'data quality issues'.
- Now, new surveys are being conducted in 2022-23 and 2023-24, according to new methodology.



## Methodology:

1. **Segregation of the consumption basket into three broad categories** - food items, consumables and services, and durable goods.
2. **Inclusion of questions seeking inputs** on free items and subsidies under welfare schemes, such as foodgrains.

## Findings of the All India Household Consumption Survey:

### 1. Increase in Average Monthly per capita Consumption Expenditure (MPCE):

- An increase in the per capita expenditure of households indicates rising disposable incomes of households, narrowing inequality between rural and Urban areas, and declining poverty levels.
- Rural per capita consumption expenditure has increased more sharply as compared to urban expenditure in the period from 2011-12 to 2022-23.
- Rural per capita consumption expenditure has increased by 164%. It has increased to Rs 3,773 in 2022-23 from Rs 1,430 in 2011-12.
- Urban per capita consumption expenditure has increased by 146%. It has increased to Rs 6,459 in 2022-23 from Rs 2,630 in 2011-12.

### 2. Decline in the Share of Expenditure on Food in both Rural and Urban Households:

- The decline in share of food expenditure indicates the aspirational spending of households in consumer durables, clothing and footwear, and entertainment.

### 3. Share of Expenditure on Different Food Items in the Food Expenditure:

- It helps to ascertain the amount of money spent for better nutrition (eggs, fish, meat, fruits and vegetables), beyond just cereals (rice, wheat).
- The spending on high-value nutritional items (eggs, fish, meat, fruits and vegetables) has increased more in rural households as compared to urban households over the last two decades.

### 4. Imputed Average Monthly per capita Consumption Expenditure (Imputed MPCE):

- It helps to ascertain the impact on expenditure by adding the imputed value free items received by households through various social welfare programmes.
- This data also helps to highlight the socio-economic disparities between different income groups.
- The imputed MPCE of both rural and urban households is higher as compared with the average MPCE which does not include the free items.

### 5. State wise Consumption Expenditures:

- It compiles and compares the state wise consumption expenditures and presents a picture on the economic-well being of households in a particular state.
- Sikkim has the highest MPCE for both rural (Rs. 7,731) and urban households (Rs. 12,105).
- Chhattisgarh has the lowest MPCE for rural (Rs. 2,466) and urban households (Rs 4,483).

### 6. Decline in the Real Growth Rate of Rural Spending:

- While the gap between rural and urban per capita consumption is reducing, however, in real terms the rural per capita expenditure growth has registered a decline.
- In both nominal and real terms, these growth rates are lower than in the period between the two earlier surveys.



## Significance of the Survey Data:

### 1. Changing the Weightage of Components to Accurately Capture Inflation:

- The consumption expenditure survey serves as a benchmark for assigning and changing the weightage for different components of Consumer Price Index (CPI).
- For example, Lowering the weightage for food in CPI in accordance with the survey data.

### 2. Macro Analysis of the Economy:

- The Household consumption expenditure survey data is used by the economists to analyse the structural shifts in the Indian economy and take further measures, like rebasing the GDP and the poverty levels.

### 3. Assessment of Economic Growth Trends and Inequalities:

- The Household consumption expenditure survey indicates a narrowing gap in per capita spending between rural and urban India.
- However, it also highlights the wide income gaps within households, with the top 5% of households spending significantly more than the bottom 5%.

### 4. Fine-tuning Tool for Policymakers:

- The Imputed MPCE provides critical insights for policymakers to fine-tune social schemes by understanding evolving consumer's expenditure behaviour.

### 5. Compass for the State Governments:

- State governments can use the survey to reorient their budgetary strategies to increase disposable incomes in the hands of people by learning from states like Tamil Nadu and Kerala.

### 6. Fore-casting Tool for the Industry:

- The survey provides the industries an insight into the changing consumer behaviour, which helps them to refine their strategies and tap into emerging markets.

## Challenges with the Survey:

### 1. Robustness of the Revised Methodology:

- The latest survey of 2022-23 has been done according to the revised methodology.
- Next set of Consumer expenditure survey for 2023-24 is necessary to confirm the robustness of the revised methodology.

### 2. Small Data Set:

- The survey has covered 2.62 lakh households (1.55 lakh - Rural areas and 1.07 lakh- Urban areas).
- This is a small sample size for a large and diverse country like India.

### 3. Temporal and Regional Variations:

- Incorporating accurate seasonal variations and regional disparities in household expenditure is another major challenge to obtain accurate survey results.

### 4. Risks of Pent-up Demands:

- The survey has been conducted after two long years of COVID in 2020 and 2021.
- The year 2022 in which the survey was conducted has been a year of pent-up demand, as the last two COVID years had witnessed suppressed demands.



## WAY FORWARD:

### 1. Putting the Data to Fine-tune the Social Programs:

- The All India consumption expenditure survey data must be used to fine tune various social security schemes like PM Garib Kalyan Anna Yojana, being run by the Govt by measuring their impact.

### 2. Finalising the Survey for 2023-24:

- The survey results for 2023-24 must be finalised at the earliest to confirm the robustness of the methodology.

### 3. Regularisation of the Survey:

- The new survey methodology must be institutionalised at the earliest to establish the usual quinquennial survey cycle (recurring every five years).

### 4. Changes in the Bases of Inflation Indices need to be Awaited:

- Since the survey was conducted in a year of Pent-up demand, any changes to the weights of different parameters in the inflation indices based on the survey results will introduce significant bias.

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