

Changing Baskets of Consumption in Rural Areas

A Synthesis

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Introduction

The rural households in India contribute to around 46 per cent of the country's income and 57 per cent of the aggregate spending (ICE360°, 2016). The large population base in around 6 lakh villages of the country represents a dynamic and evolving consumer base. The rural areas are transitioning towards urbanisation wherein the households, as well as the markets, are adopting urban characteristics. The flow of information and products from urban areas to the rural areas plays a crucial role in this transition. The needs, preferences and choices of the rural consumers are driven by factors such as income, availability and access to markets, education, technology as well as the structural changes in the economy at the macro level. The socio-economic environment of the rural areas have evolved in the last few decades with the mechanisation of agriculture practices, shift from agriculture to the non-farm based economy, migration from rural areas to urban centres and increased women's participation in the socio-economic and political sphere. The rural markets are no longer secluded and with the penetration of almost all the major FMCG players are in the position to cater to the needs of the rural consumers. The rural markets fulfil the evolving demands of the consumers by providing a wide variety of products and services, which are very similar to those available in the bigger town markets.

It is important to understand the associations of rural societal factors and market forces, such that as to how the rural households are influenced by the markets and as to how the evolving consumers are shaping the rural markets.

Four fieldwork-based studies were conducted as a part of this exploration. These are (Banerjee, 2018) in Sundarbans, West Bengal, (Katakee, 2018) in Assam, (Sharma, 2018) in Haryana and (Chandola, 2018), in Uttarakhand. This paper is an attempt to make a synthesis of these studies. This synthesis paper interprets the findings on changing consumption baskets of rural households and evolving rural markets and attempts to draw implications of these changes on broader aspects of consumption, livelihoods and markets.

Consumption as a concept

In economics, consumption is defined as a process in which consumers use goods and services from the market. In the view of neoclassical economists, consumption is the final purpose of the economy where it drives the production activities. Consumption is a major component of the Gross Domestic Product (GDP), which is an indicator of the economic performance of a country. Thus, from a macroeconomic perspective, consumption is important as it drives total savings, productivity and long-term output of the country. However, from a micro-economic perspective, consumption is a measure of the overall well-being of the households, a measure of the distribution of wealth and also drives the retail markets. Sociologists study consumption primarily as a cultural phenomenon, focusing on its role as a marker of social identity (Holt, 1997).

According to the traditional economic theory, capital generation and accumulation happen when economic development takes place. The capital generation in the economic development leads to the increase in disposable income at the household level. The Keynesian psychological law of consumption states that increased income is distributed between consumption and saving. The psychology of the community is such that when aggregate real income is increased aggregate consumption is increased, but not to the proportion of the increase in income (<http://econowmics.com/keynesian-school-economic-thought/>). Consumer money drives the economy, and retail is where consumers spend that money.

Apart from being an economic process, consumption is also a social process and is governed by social structures, constructs and other complexities of the society (Shergill, 2017) and considered playing an important role in defining an individual by theorists such as (Belk, 1988) and (Featherstone, 1987). The perspective of consumption as a social process becomes more important when the rural households become the consumers. The rural society, as studied by various sociologists, are closely knitted, clustered according to the criteria of social/caste status, display similar characteristics of socio-economic and political affiliations. Thus, consumption here becomes a marker of social distinction, fuelled with the changing fabric of rural areas, the influence of urbanisation, changing aspirations.

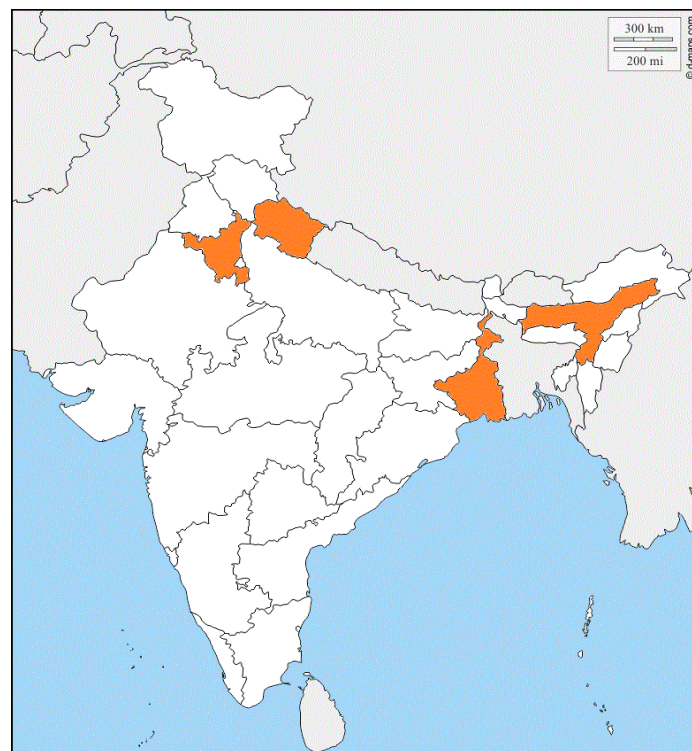
Consumption patterns and consumption expenditure is thus also a primary indicator for the well-being and standard of living of the rural households. The consumption expenditure serves as a proxy indicator for income at the household level. Consumption at a household level is generally categorised into durables, non-durables and services The National Survey of Indian

Consumers 2014 conducted by ICE 360 categorises the consumption expenditure as necessary and discretionary.

In the studies synthesised here, drawing from the methodology followed by NSSO in its consumer expenditure survey, the consumption patterns and expenditure has been considered under food, non-food and processed products category, with a scope limited to certain sub-categories.

Methods

The study employed quantitative and qualitative methods for data collection, namely, household level questionnaire, focus group discussion (FGD) with villagers and shopkeepers in the market, participatory observation, unstructured conversations and secondary sources analysis. The studies were conducted in four states covering a sample of 268 households across 18 villages and 16 markets, both at the block level and village level.



Inferences from the studies

Sample characterisation

The sample households covered under the study were from a similar socio-economic background in case of Assam, Sundarbans and Uttarakhand whereas, in Haryana, the households were relatively well placed socially and economically. The sample had fair

representation from each caste category, with Scheduled Tribes communities present in Uttarakhand, West Bengal and Assam. The sample from Haryana was dominated by Backward communities also having representation from Special Backward Classes and Scheduled Class households. 60 shopkeepers (big, small, temporary thelas) were also covered as a part of market characterisation.

The landholding of the sample HH is fragmented, and the average size of landholding is less than 2 acre making the majority of households marginal landowners. In the case of Sundarbans, 32 households out of 60, i.e. more than 50 per cent were landless. 57 per cent in Uttarakhand were marginal, only 28 per cent in Assam had any landholding, and the majority of that was marginal and in 41 per cent had landholding in Haryana and all were marginal landowners.

Consumption and Production Patterns

Consumption of home-grown produce has decreased in the study areas. The decrease is major regarding local grain production and consumption. The production patterns have undergone changes owing to many factors such as scarcity of irrigation, low price realisation and reducing land size in Assam, availability of subsidised food grains provided by the government (as a part of relief work after Aila) in Sundarbans, shift towards cash crop and migration in Uttarakhand and realisation of Minimum Support Prices (MSP) and land mortgage by farmers in Haryana. The produce that is cultivated by the households is primarily for selling in the markets thus contributing a share in their income basket. Public distribution system (PDS) is active in these areas, thus providing the households with subsidised food grains thereby enabling them to utilise the income for other purposes.

Income and Consumption Basket

Income plays an important role in determining the consumption expenditure of the household. The respondents in the study areas reported an increase in the income of the household in the last ten years. Diversification of income source at the household level with major increase happening for households where at least one member is working outside the village. The income trends analysed over a period of ten years highlighted that remittances from migration had emerged as a major reason for the increase in the aggregate annual income of the households. The increase in income levels has been more in the last five years, i.e. from 2012-13 to 2017-18 as compared to 2007-08 to 2012-13. In Sundarbans, a 50 per cent increase has been reported in real income of households whereas in case of Assam 57 per cent increase has

taken place in the average income of households. The households have reported around 40 per cent increase in the income in case of Uttarakhand and 51 per cent in case of Haryana.

Increase in disposable income has a direct influence on the increase in consumption of goods and service. After fulfilling the essential needs of the households, i.e. food items, the households shift to utilise the disposable income in discretionary, i.e. non-food items. The sample households have reported the expansion of the consumption basket to include newer items given the increase in disposable income.

Consumption Expenditure Patterns

The consumption expenditure serves as an indicator for understanding the consumption basket and patterns adopted by the households. The aggregate expenditure of the respondent households has increased in the last ten years given the increase in income but also because of increased prices, inflation rates and other external factors. Within the expenditure basket of the households, the study focussed on assessing the changes in the share of food, non-food and processed items in the total expenditure.

In each of the study locations, a shift from food towards non-food has been found with a marginal increase in expenditure on processed and packaged category, where the share of food expenditure has decreased over the ten-year period, and share of non-food has increased. The households are dependent on the market for the fulfilment of their food needs, as the production is primarily for sales and not for self-consumption. Consumption of processed and packaged food items and beverages is influenced by the socio-economic and educational status of the household in the case of Haryana whereas, in Assam, the consumption of these items has witnessed a decline owing to the awareness towards health through the penetration of mass media. In Uttarakhand, the mass media and technology has influenced the increased consumption of packaged items whereas, in Sundarbans, the expenditure under this category is consistent across the years.

The non-food category consists of expenditure on clothing, footwear, toiletry and cosmetics, medical, LPG, satellite television, mobile and internet, barber and private tuitions under education. Expenditure on clothing, footwear, toiletry and cosmetics are driven by the economic condition of the household and are influenced by the current trends in the market. Youth and children (less than 18 years of age) play a prominent role at the household level in the consumption of these items. Expenditure on mobile phones and recharge has been a major

head for the respondent households. In Haryana, usage of mobile increased from 35 per cent to 96 per cent in the last ten years.

Similarly, in Uttarakhand, Sundarbans and Assam, penetration of technology in the respondent households has increased in the last five years, contributing to an average of 6 to 7 per cent of share in the total expenditure. Though internet usage is limited in the respondent households, in the case of Haryana the usage is zero for the study villages. Private tuitions also have been a major focus of the respondent households, wherein Haryana in some households more than half of the total income was reported to be spent on education and private tuitions. The share of expenditure on private tuitions is 15 per cent for Sundarbans, 23 per cent for Uttarakhand and 20 per cent in Assam out of the total expenditure of the households.

Market Characterisation

The study covered rural markets; block level markets and markets in the vicinity of the villages; for the objective of market characterisation. The markets have expanded regarding some shops as well as the variety of products and services offered. The transition has come from shops operating in temporary shacks to opening up of multi-storey marts in the block level markets, over the period of ten years. In each of the village level and block level market studied, the number of shops functioning is between 50-3000, out of which 15 to 20 per cent are still temporary *thelas* and carts. The kind of shops that have been opened in the last five years include electronics, mobile sales, repairs and servicing along with increased number of fast food (Chinese, Indian) in these markets.

The increasing number of shops indicate the scope the market offers regarding the existing and potential consumer base. The typical investment in opening a small shop ranges anywhere between 5 to 10 lakhs where temporary *thelas* require an investment of 50,000 to 2 lakhs (fixed cost and working capital). Given the investment being put in the markets, the shopkeepers have been consistently earning profits which highlights the growing market economy of these rural areas. Another reason that has emerged behind the opening of these shops is that they are a source of employment for the youth given the limited employment opportunities in the areas. The primary customers for these food carts are the wage labourers and youth, for whom it is a convenient food option and also associated with the modern urban life.

Discussion

The field studies indicate that the landscape of the rural areas is transitioning regarding changes in the agriculture and productivity, migration, development of infrastructure (roads, bridges), with influences from urban areas transforming the culture of these villages as well. Awareness from televisions, mobiles, internet and advertisement is high for the villages, irrespective of their remotenesses as in the case of the villages of Sundarbans and Uttarakhand. Consumption patterns are a reflection of aspirations as well such as thrust on private tuitions for children and sending them to urban centres for pursuing higher studies. Villages that are closer to the market areas are adopting the “urban orientation” towards products and services, and their expenditure patterns are a reflection of this.

Migration has been a widely observed phenomenon. Out-migration is happening in Sundarbans, Uttarakhand and Haryana where first one member leaves the village for employment and soon the family follows. In the case of Uttarakhand, the villages are left only with the elderly and many villages have been declared as ghost villages. In case of Nalbari, Assam in-migration has been witnessed where people from other villages have settled there. On the one hand, migration provides an additional source of income for the households which are then routed towards consumption expenditure and influences the consumption regarding exposure received. On the other hand, migration is emptying the villages thus impacting the rural landscape, and the growth that is aspired goes into the basket of urban and semi-urban. It is possible given the large-scale out-migration happening in the country, the rural per se may cease to exist, and new definitions may be required.

Introduction of new products in the consumption basket of the households reflect the inclination to experiment and adopt newer trends from the market. This is the reflection of the modern consumer who is willing to take risks and plays an active role in the supply chain of these products as the demand maker.

The market forces in the rural areas are in full swing in response to the demand of the rural consumers. Purchase decisions are no longer dependent on the principle of basic need fulfilment but are influenced by various factors such as availability of a variety of products and aspirations of possession to match the social status. Penetration of FMCG products in the remotest of villages indicate the potential that the households have to drive the rural economy. Availability of regular electricity supply is a deterrent for consumption of electronics items in certain villages, where households do have the purchasing power and willingness to buy. These

markets are becoming a replica of the bigger town markets thus meeting the demands of the rural consumers.

Conclusion

Rural areas are changing, and these changes are not happening in isolation. Even at a household level, consumption changes are driven by multiple factors and in turn influence many other aspects of the household. Urbanization has increased the pace of these changes and also influenced the rural households. With the landscape shifting towards urban, the development activities tailored for addressing the challenges of the rural areas may also need to evolve. The livelihood opportunities available to the rural households have been limited, and with increased migration, it becomes important to generate such opportunities at the local level. The development of the rural areas cannot be only regarding increased infrastructure and developed markets. The well-being of the households also requires improvement in employment, education, health and nutrition. The exploratory studies captured the changes happening in the rural context of households and markets and to explore deep into the livelihood opportunities may require a separate study and methodology.

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