

SBI Research

Consumer Expenditure Survey shows...Nearly equivalent increase, over the decade, across fractile classes in MPCE spanning both rural as also urban areas with a sharp reduction in gap between top and bottom fractiles in urban areas in particular.... There is a marked change in food habits.... North-East exhibiting the largest decline in rice consumption in both rural and urban areas, Wheat consumption has declined in both North and Central regions.....Declining Rural and Urban Poverty and Inequality reveals sharp gains though catch up is required across select states...

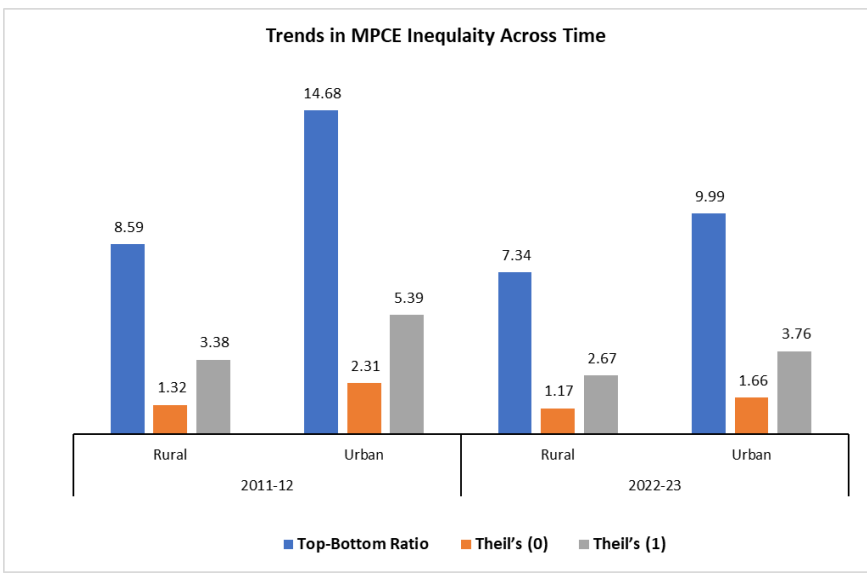
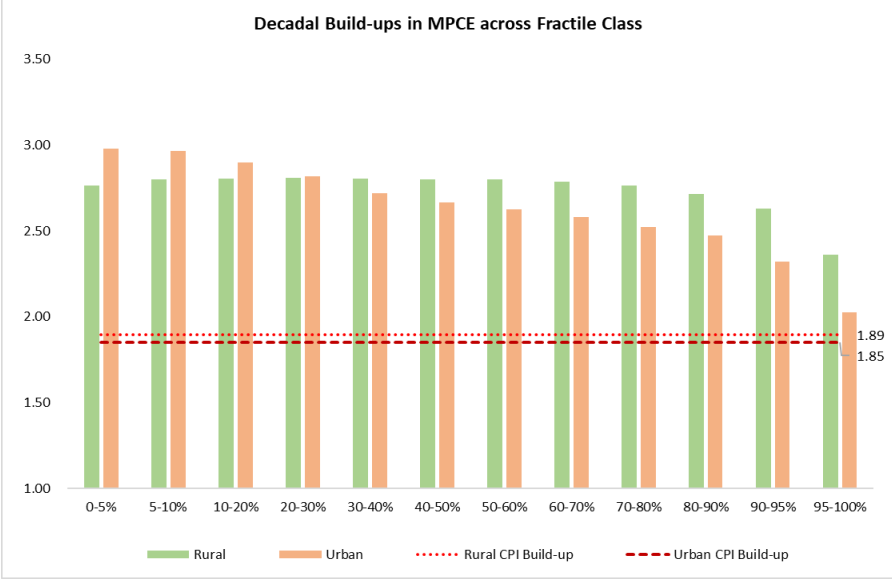
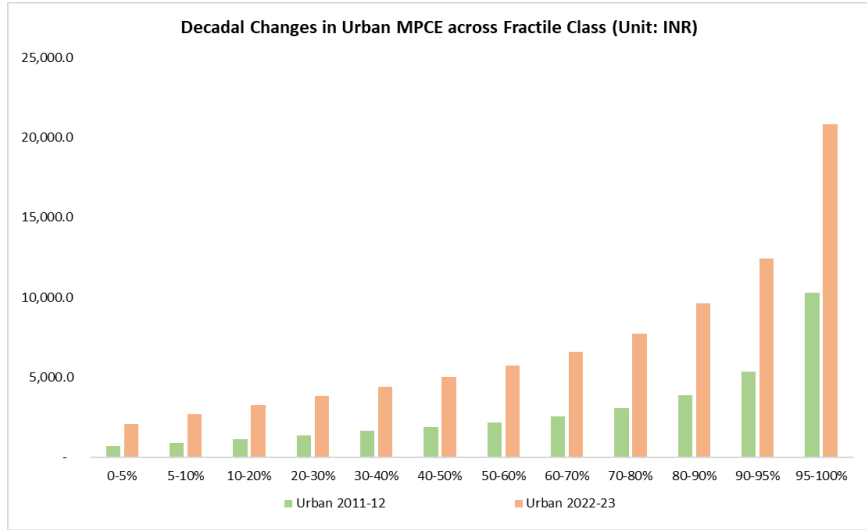
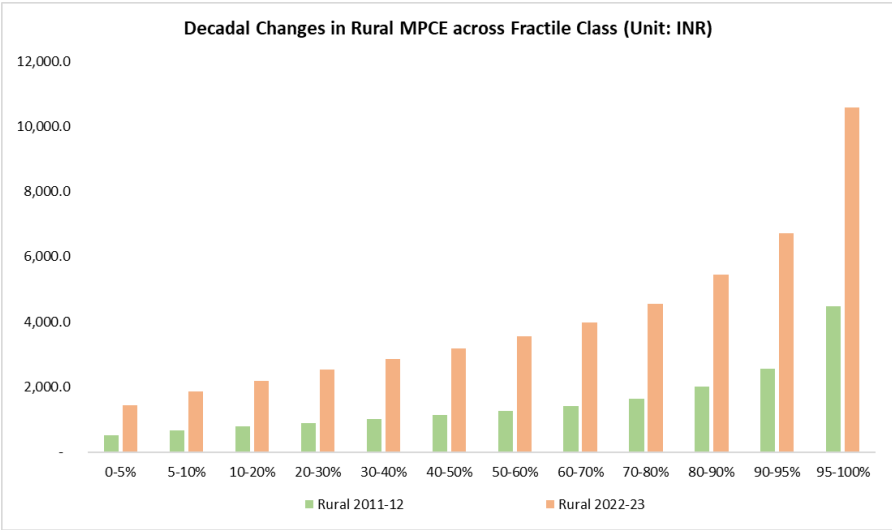
Issue # 7, FY25 12-June-2024

- ❑ The Survey on Household Consumption Expenditure: 2022-23 (HCES) by NSSO, released in quick succession of earlier released Factsheet in Feb'2024, brings forth insights on changing facades of per capita consumption, across rural and urban landscapes buoyed by a rapidly changing demography, elevated Phy-gital infrastructure, growing income avenues in sync with rapid urbanization
- ❑ There appears a nearly equivalent increase, over the decade, across fractile classes in MPCE spanning both rural as also urban areas with a sharp reduction in gap between top and bottom fractiles in urban areas in particular (as judged by Theil's Inequality Index)
- ❑ Enhanced "Ease of Living" for rural households is on the cards enabling seamless connectivity with improved transportation upending consumption, in turn altering buying & selling / consumption patterns deeply. Incremental length of rural (Grameen area) roads built under PMGSY converging with National Highways is improving "Loops of connectivity" facilitating real-time 2-way access for rural populace as horizontal integration kicks in as a key differentiator
- ❑ Consequently, difference between rural and urban MPCE to rural MPCE is embracing deep decline, vouching for around 30% of rural MPCE now propelled by endogenous factors as government fortifies the ecosystem through transformative measures like DBT transfers, PM-KISAN, Ujjwala, MSP, eNAM, AIF all strengthening the rural infrastructure
- ❑ However, the journey is only halfway complete with significant gap between top and bottom echelons; average MPCE (Rs. 10,501) of the top 5% of the population remains about 7.6 times (X) of the average MPCE (Rs. 1,373) of bottom 5% of India's rural population, still more pronounced in urban areas (10.4X).
- ❑ **Despite progress made pan-India, regional disparities linger. Average MPCE in Southern and Northern states remain close to twice as high as those of Eastern counterparts. On the brighter side, however, the growth rate embraced by Eastern states in rural areas (2022-23 over 2011-12) is a tad higher than peer states in higher buckets, augmenting their propensity to bridge the gap despite a higher population size. Interestingly, the North-East states have exhibited the highest percentage decadal growth, an offshoot of the 'Look North-East' policy adopted in the last decade that has ensured enhanced 'Ease of Business & Living' for once lagging states**
- ❑ There is a marked change in food habits, reflective of the changing lifestyle across the country. For example, **NE region exhibited the largest decline in rice consumption in both rural and urban areas, Wheat consumption has declined by more than 1 kg per person per month in both North and Central regions (both rural and urban) while Cereals consumption (in all regions in both rice and wheat) has declined in 2022-23**

- ❑ State wise Rural and Urban Poverty shows select states like Chhattisgarh, Odisha, Jharkhand and Bihar need to do catch up. State wise Rural and Urban Inequality shows states with contrasting patterns along Poverty metrics
- ❑ Across occupations, MPCE in North/South region is almost double as compared to East region across both Rural and Urban areas. Regular wage/salaried in North-East India (both rural and urban) have higher monthly per capita expenditure, comparable to that in North/South region
- ❑ **Analyzing Urban and Rural consumption inequality across States, Kerala is the only state where inequality in both rural and urban is greater than the all-India level while Maharashtra and Rajasthan show inequality above the national average in rural areas and Odisha and Haryana figure higher than national average in urban areas**
- ❑ Consumption inequality declined in urban areas across most States when compared to 2011-12, while in rural areas it shows mixed trend.... Gini coefficient in rural areas declined in overall India but it has increased for certain major states in 2022-23 compared to 2011-12, indicating increase in inequality for these states....For urban areas, inequality has declined across all major states except for Odisha, Tamil Nadu and Himachal Pradesh
- ❑ Urban rural gap as a % of rural consumption is on a declining trend...It has declined from 90.8% in 2004-05 to 71.2% in 2022-23 and is projected to further decrease to 65.1% in 2029-30
- ❑ India is becoming more aspirational as indicated by the increasing share of discretionary consumption (like spending on beverages, intoxicants, entertainment, durable goods, etc.) in rural and urban areas....**The speed of aspiration is swifter in rural areas as compared to urban areas**
- ❑ Though the HCES survey endeavours to capture the changing patterns, assembling the seasonal variations in expenditure and regional disparities pose additional challenges

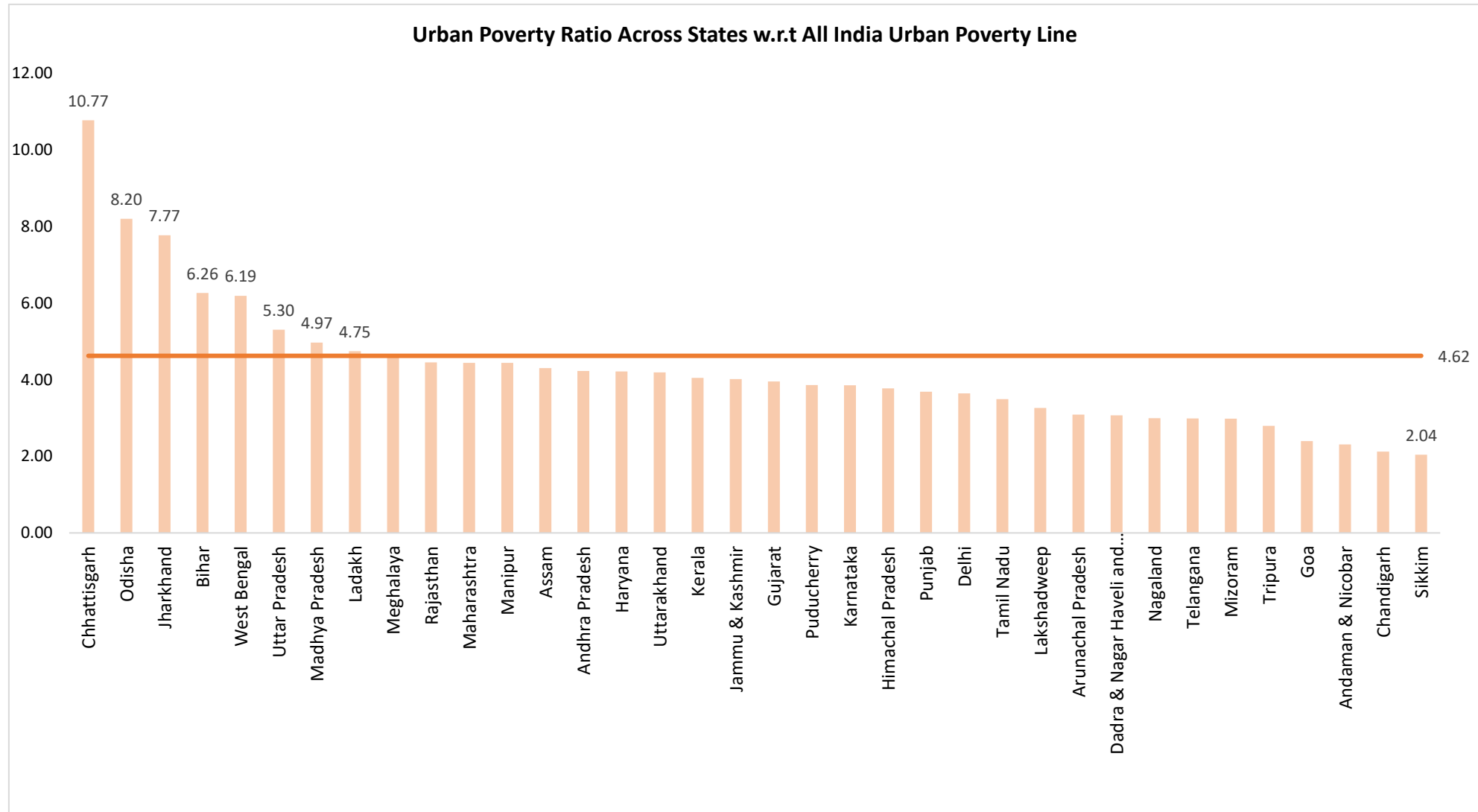
Impact on Poverty & Inequality

Decadal changes in MPCE show decline in consumption inequality: Decadal Build-ups in MPCE show a nearly equivalent increase across fractile classes spanning across Rural & Urban... The gap between Top to Bottom Fractiles for both Rural & Urban has declined sharply

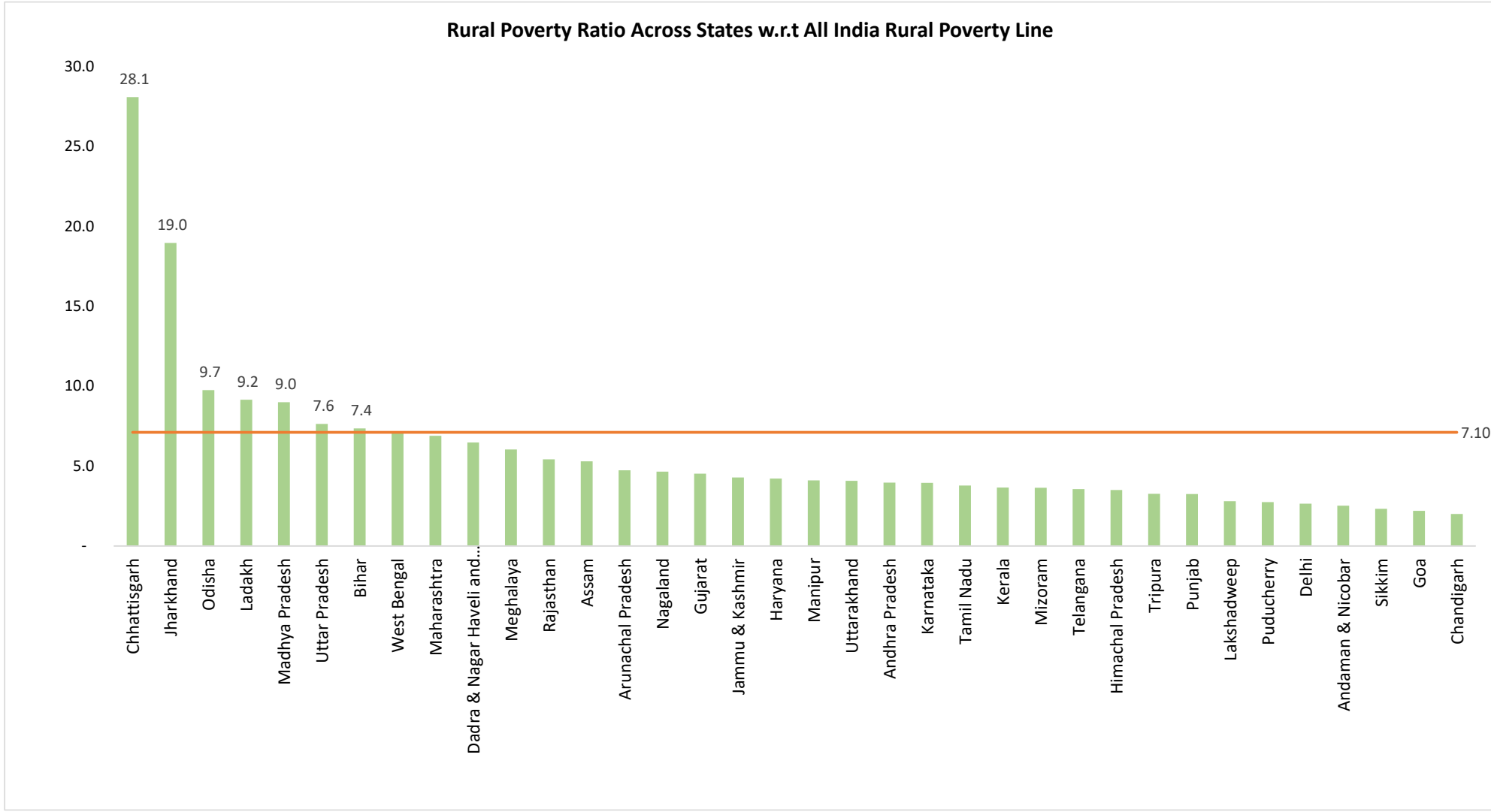


* Theil's inequality measures are entropy class of inequality indexes. Both indices start from zero, point of full equality. Theil's (0) measures are most sensitive to inequality in the bottom range of the distribution and Thiel's (1) to top of distribution. [0, 1] are parameters of generalized inequality index

State wise Urban poverty ratio estimates with respect to national poverty line

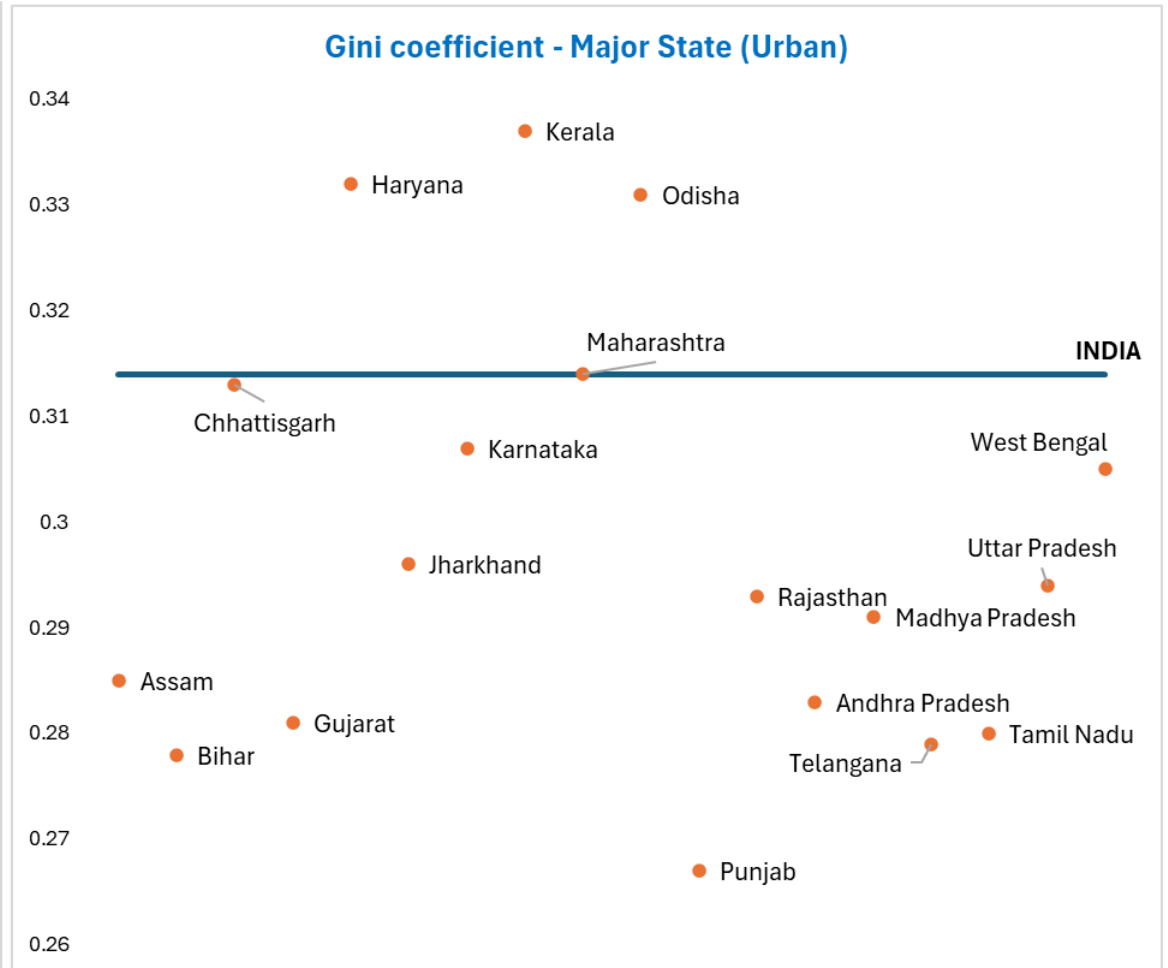
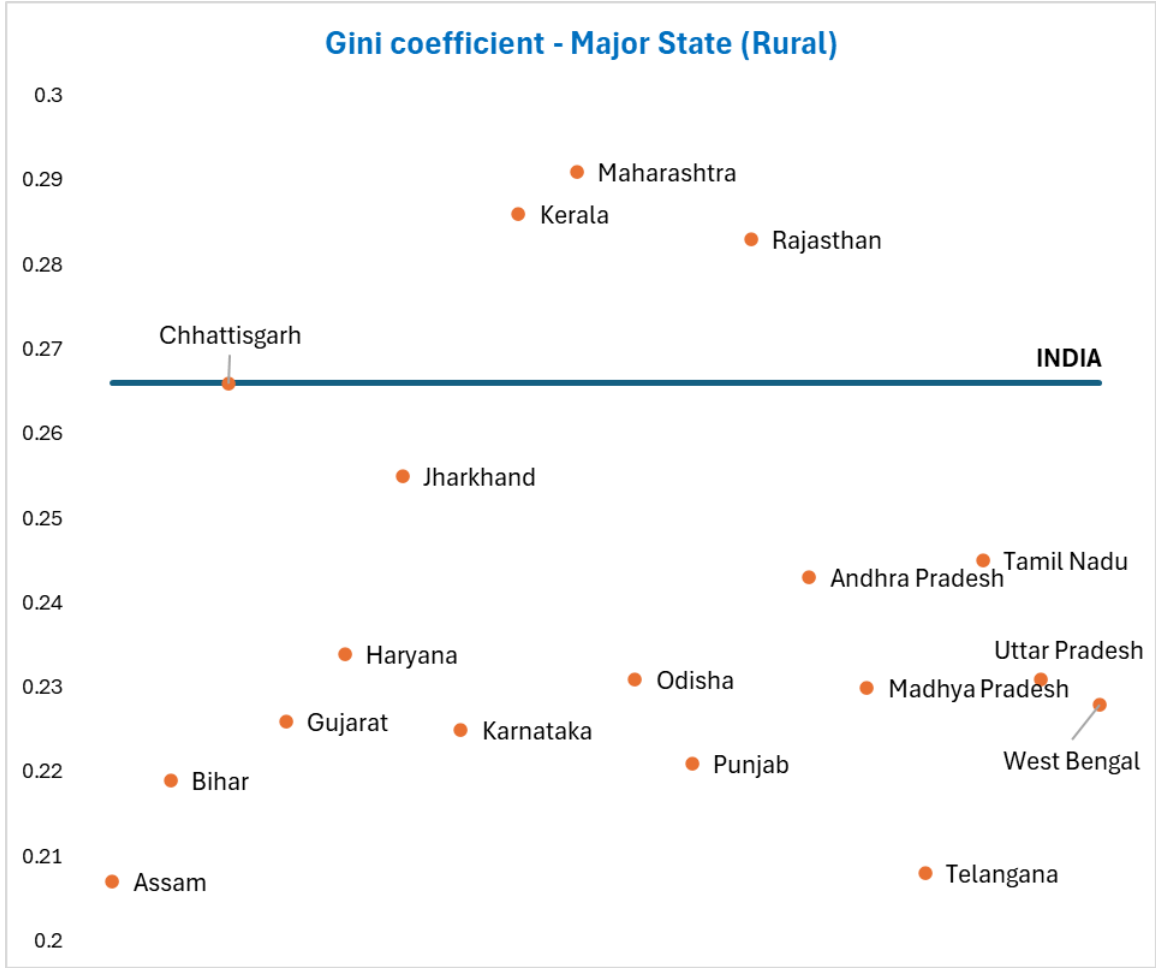


State wise Rural poverty ratio estimates with respect to national poverty line



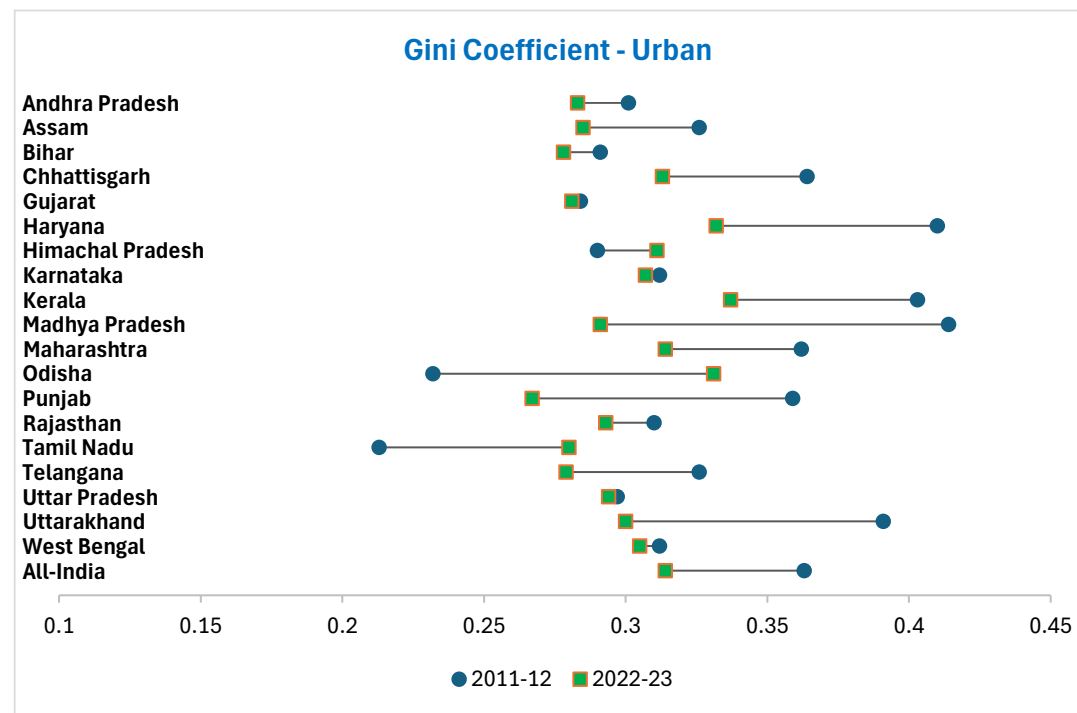
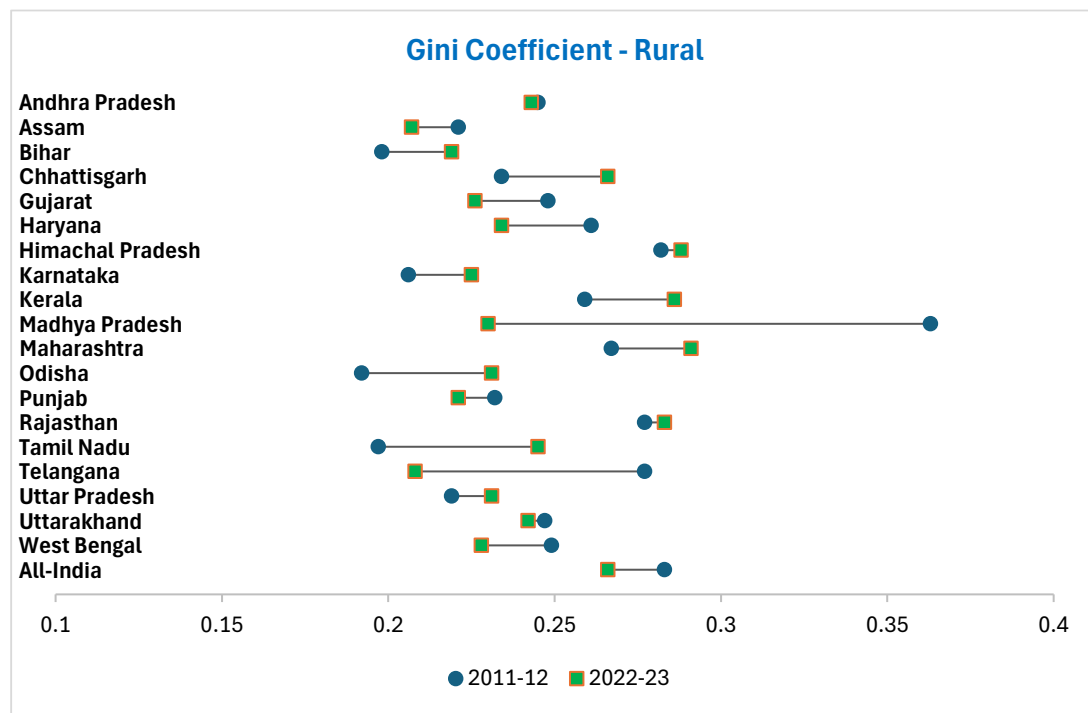
Urban and Rural consumption inequality across States

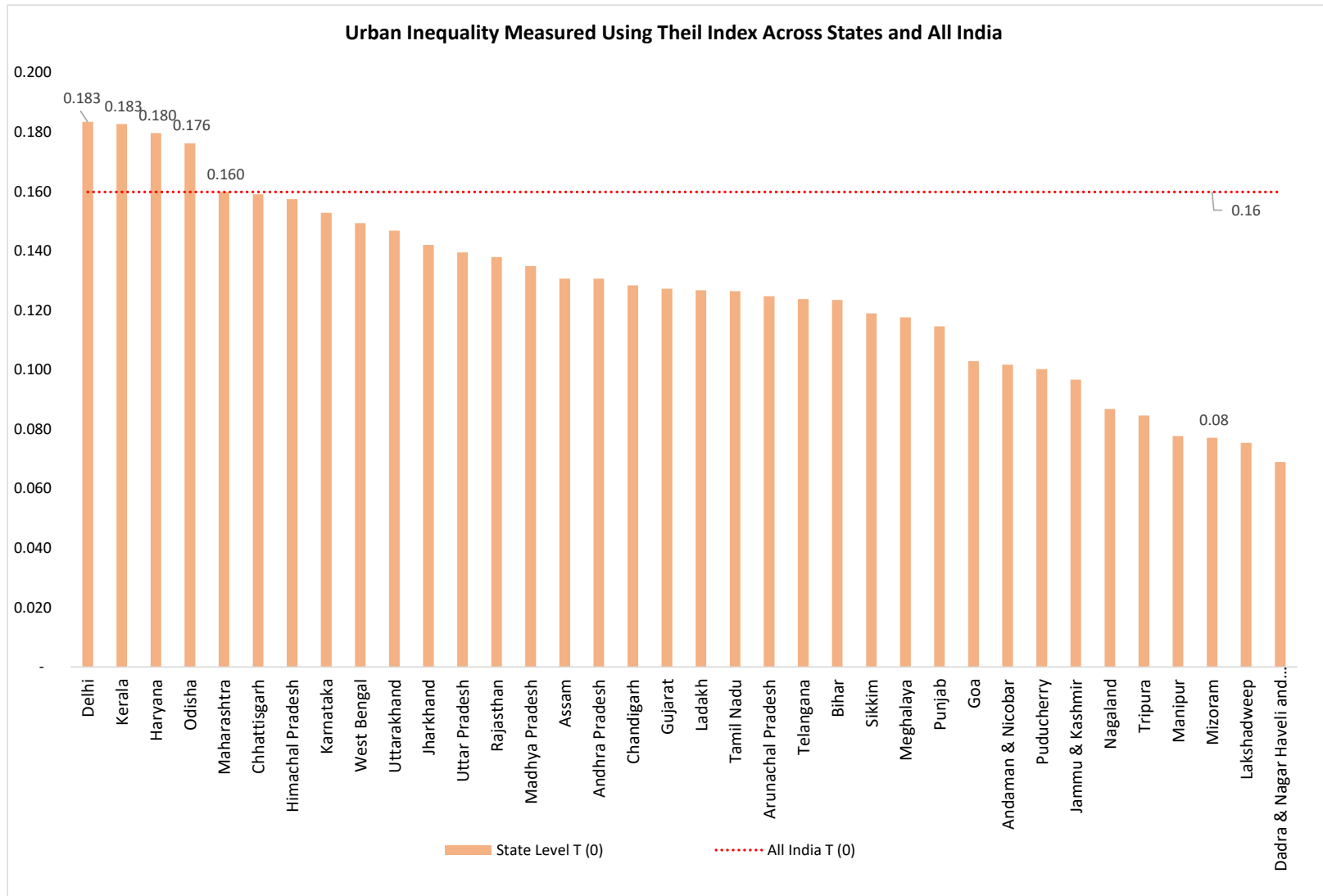
- ❑ Kerala is the only state where inequality in both rural and urban is greater than the all-India level



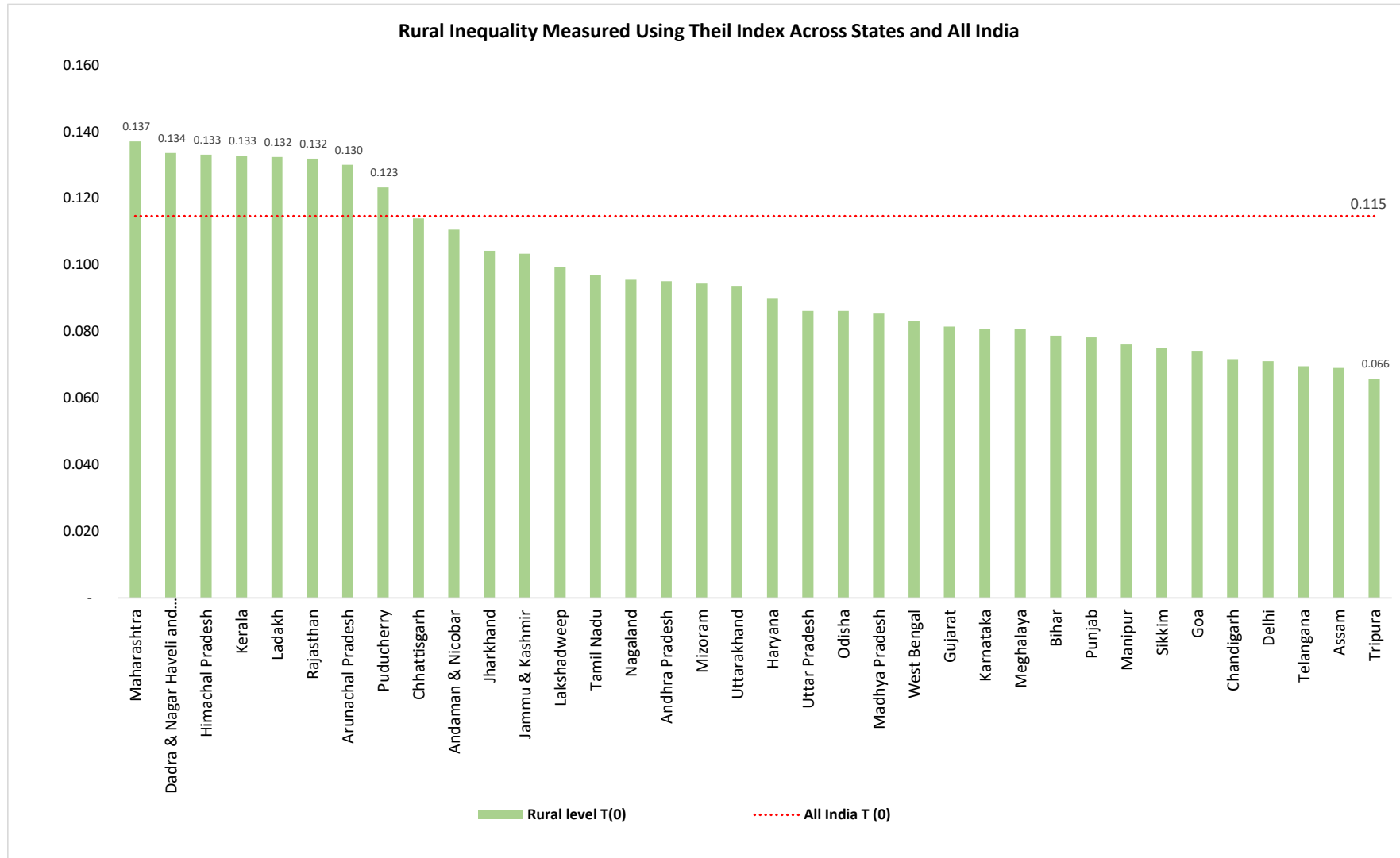
Consumption inequality declined in urban areas across most States when compared to 2011-12, while in rural areas it shows mixed trend

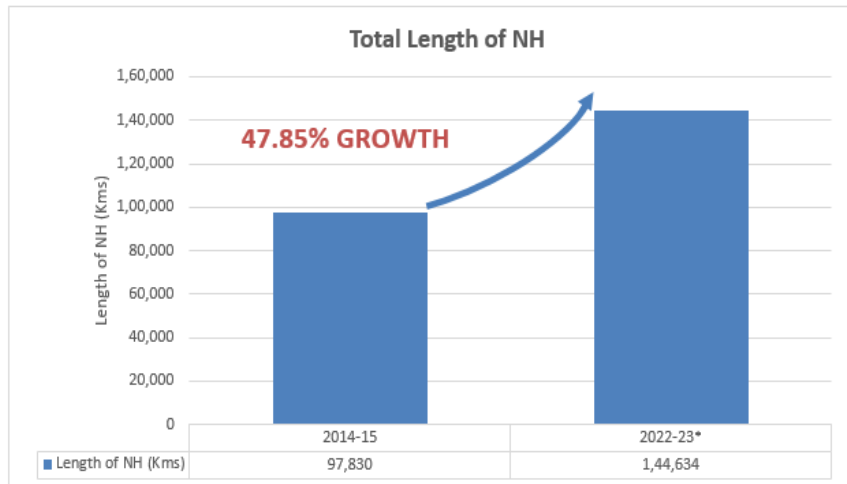
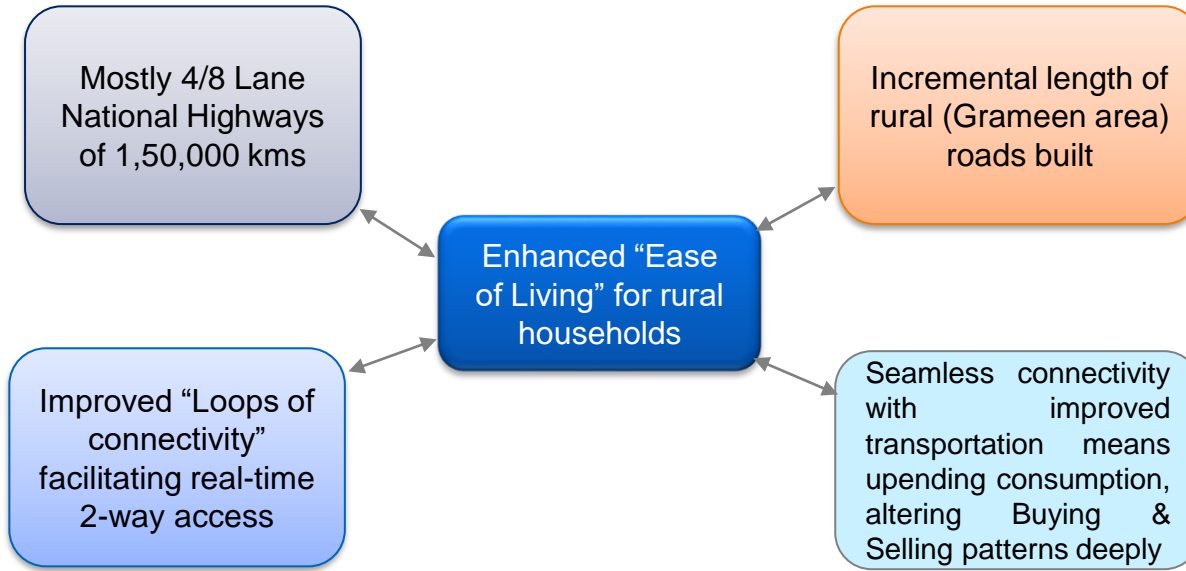
- Gini coefficient in rural areas declined in overall India but it has increased for certain major states including Bihar, Chhattisgarh, Kerala, Maharashtra, Odisha, Tamil Nadu and Himachal Pradesh in 2022-23 compared to 2011-12, indicating increase in inequality for these states
- For urban areas, inequality has declined across all major states except for Odisha, Tamil Nadu and Himachal Pradesh



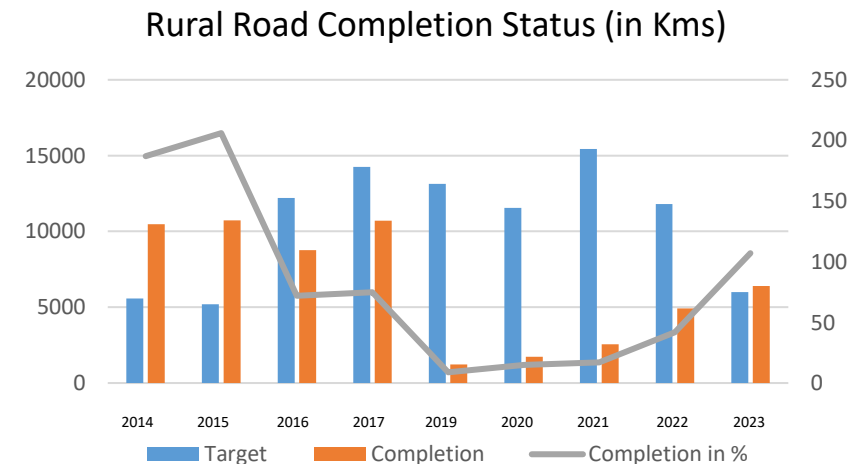


Measure of Rural inequality across states and All India average





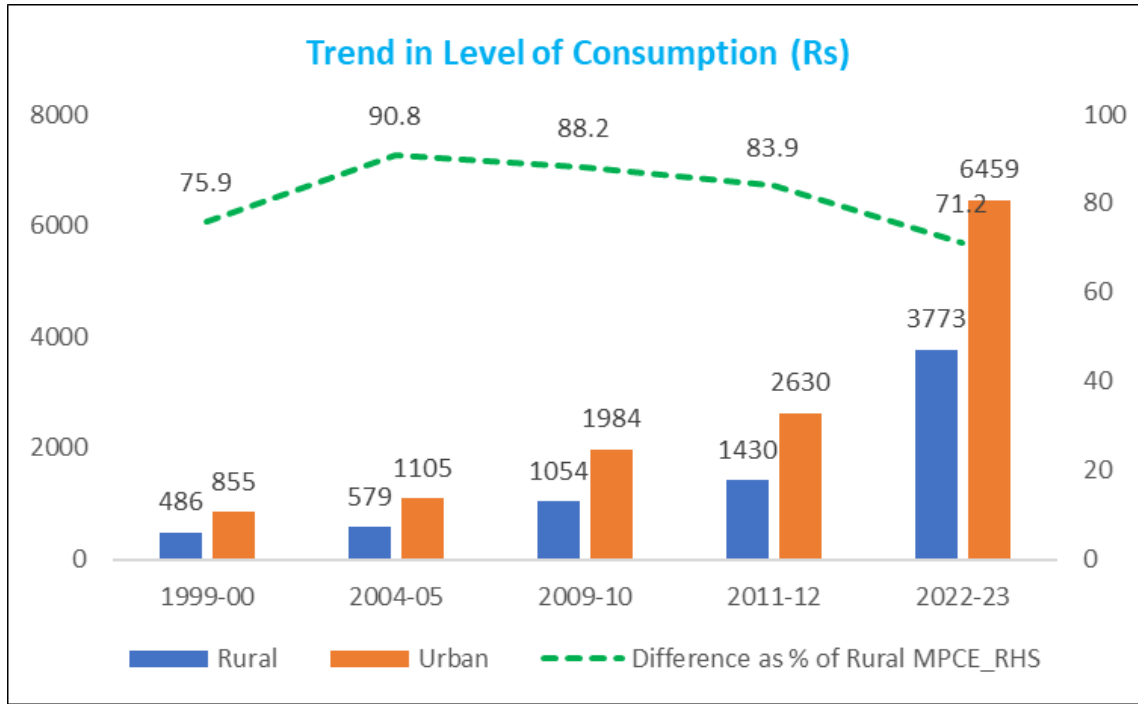
Pradhan Mantri Gram Sadak Yojana (PMGSY) boosting rural connectivity with 7,00,000 plus kms of roads built



~1,50,000 kms NH length as on date

.....Rural Average MPCE (Rs.) has thus increased due to Government Initiatives & Support at bottom of the pyramid

- The difference between rural and urban monthly per capita consumption expenditure/MPCE to rural MPCE is now at 71.2%, a rapid decline from 88.2% in 2009-10. **Alternatively, around 30% of the Rural MPCE is explained by factors that are endogenous to the Rural ecosystem**
- **Such endogenous factors are mostly due to the initiatives the Government has taken in terms of DBT transfers, building Rural infrastructures, augmenting farmer's income, improving the rural livelihood significantly**
- Remarkably, states that were once considered laggards are showing the maximum improvement in Rural and Urban Gap...States like Bihar, Uttar Pradesh, Madhya Pradesh are showing increasingly the impact of factors that are endogenous to the Rural Ecosystem....



State-Wise Average MPCE (Rs) in 2022-23			
States	Rural	Urban	Difference as % of Rural MPCE
Andhra Pradesh	4870	6782	39.3
Assam	3432	6136	78.8
Bihar	3384	4768	40.9
Chhattisgarh	2466	4483	81.8
Delhi	6576	8217	25.0
Goa	7367	8734	18.6
Gujarat	3798	6621	74.3
Haryana	4859	7911	62.8
Himachal Pradesh	5561	8075	45.2
Jharkhand	2763	4931	78.5
Karnataka	4397	7666	74.3
Kerala	5924	7078	19.5
Madhya Pradesh	3113	4987	60.2
Maharashtra	4010	6657	66.0
Odisha	2950	5187	75.8
Punjab	5315	6544	23.1
Rajasthan	4263	5913	38.7
Tamil Nadu	5310	7630	43.7
Telangana	4802	8158	69.9
Uttarakhand	4641	7004	50.9
Uttar Pradesh	3191	5040	57.9
West Bengal	3239	5267	62.6
All-India	3773	6459	71.2

- The average MPCE (Rs. 10,501) of the top 5% of the population is about 7.6 times of the average MPCE (Rs. 1,373) of bottom 5% of India's rural population
- **The gap in average MPCE between the bottom 5% and top 5% of the population is more pronounced in the urban areas than the rural areas: with average MPCE at Rs. 20,824 of top 5% of the population about 10.4 times of the average MPCE (Rs. 2,001) of the bottom 5% of the population in urban areas**

Fractile classes of MPCE for State/UT and All-India (Rs) in 2022-23						
States	Rural Average MPCE			Urban Average MPCE		
	Bottom 5%	Top 5%	Ratio of Top 5%/Bottom 5%	Bottom 5%	Top 5%	Ratio of Top 5%/Bottom 5%
Andhra Pradesh	1952	12560	6.4	2187	19784	9.0
Arunachal Pradesh	1634	13576	8.3	2993	24188	8.1
Assam	1523	7630	5.0	2149	17585	8.2
Bihar	1338	7762	5.8	1739	13451	7.7
Chhattisgarh	882	6599	7.5	1350	14059	10.4
Delhi	2926	14197	4.9	2540	28965	11.4
Goa	3524	18295	5.2	3855	25360	6.6
Gujarat	1706	9395	5.5	2339	19536	8.4
Haryana	1830	11654	6.4	2192	26956	12.3
Himachal	2203	17822	8.1	2449	26037	10.6
Jharkhand	1050	6966	6.6	1554	14400	9.3
Karnataka	1958	10486	5.4	2397	23666	9.9
Kerala	2113	18677	8.8	2283	26126	11.4
Madhya Pradesh	1291	7584	5.9	1860	15291	8.2
Maharashtra	1386	12671	9.1	2083	21973	10.5
Manipur	1883	9695	5.1	2083	10773	5.2
Meghalaya	1468	8313	5.7	2006	17766	8.9
Mizoram	2123	13523	6.4	3098	17656	5.7
Nagaland	1660	10928	6.6	3087	17948	5.8
Odisha	1247	7303	5.9	1532	16602	10.8
Punjab	2377	12617	5.3	2510	18435	7.3
Rajasthan	1510	13919	9.2	2077	18302	8.8
Sikkim	3321	17885	5.4	4523	33635	7.4
Tamil	2041	13639	6.7	2649	21885	8.3
Telangana	2168	10574	4.9	3094	23356	7.5
Tripura	2365	11104	4.7	3309	18706	5.7
Uttar Pradesh	1377	8043	5.8	1820	16150	8.9
Uttarakhand	1894	11145	5.9	2206	20957	9.5
West Bengal	1385	7945	5.7	1723	16376	9.5
Chandigarh	3871	17780	4.6	4348	31755	7.3
All-India	1373	10501	7.6	2001	20824	10.4

Region-wise Per capita Consumption Expenditure show divergence

❑ In both rural and urban areas, monthly per capita consumption expenditure in North/South region is almost double as compared to East region

❑ **Per capita consumption expenditure in NE region (both rural and urban) has increased almost 3x in a decade due to increase in non-food items**

❑ North region exhibited the least increase (~2x only) amongst all the regions

Per capita consumption in Rural Areas (in Rs)									
Region	Food			Non-Food			Total		
	2022-23	2011-12	% Change	2022-23	2011-12	% Change	2022-23	2011-12	% Change
North	2401	1031	133	2934	1153	154	5335	2184	144
North East	2192	761	188	2200	637	246	4393	1398	214
East	1304	516	153	1227	369	232	2531	885	186
Central	1577	655	141	1856	610	204	3433	1265	171
South	2332	965	142	3097	1005	208	5430	1970	176
All India	1832	756	142	2028	673	201	3860	1430	170

Source: HCES; SBI Research

Per capita consumption in Urban Areas (in Rs)									
Region	Food			Non-Food			Total		
	2022-23	2011-12	% Change	2022-23	2011-12	% Change	2022-23	2011-12	% Change
North	3091	1273	143	4638	1791	159	7729	3065	152
North East	2965	957	210	3772	1083	248	6737	2041	230
East	1797	746	141	2286	866	164	4083	1611	153
Central	2125	911	133	3301	1168	183	5427	2079	161
South	2847	1215	134	4735	1776	167	7582	2991	153
All India	2589	1121	131	3932	1509	161	6521	2630	148

Source: HCES; SBI Research

Per capita monthly cereals consumption shows declining trend

❑ Cereals consumption (in all regions in both rice and wheat) declined in 2022-23 as compared to 2011-12

❑ NE region (both rural and urban) exhibited the largest decline in rice consumption

❑ Wheat consumption declined by more than 1 kg per person per month in both North and Central region (both rural and urban)

Average per capita monthly quantity consumption in Rural Areas (in Kg)									
Region	Rice			Wheat			Total Cereals		
	2022-23	2011-12	Change	2022-23	2011-12	Change	2022-23	2011-12	Change
North	2.5	2.7	-0.1	5.5	7.0	-1.5	8.3	10.3	-2.0
North East	8.3	10.7	-2.3	0.2	0.3	-0.1	8.6	11.2	-2.6
East	6.5	7.7	-1.2	2.2	2.1	0.0	8.7	9.9	-1.2
Central	5.0	5.7	-0.7	4.5	6.0	-1.4	9.6	11.9	-2.3
South	7.1	8.2	-1.0	0.7	0.9	-0.2	8.2	9.7	-1.5
All India	5.3	6.1	-0.8	3.9	4.4	-0.5	9.6	11.2	-1.6

Source: HCES; SBI Research

Average per capita monthly quantity consumption in Urban Areas (in Kg)									
Region	Rice			Wheat			Total Cereals		
	2022-23	2011-12	Change	2022-23	2011-12	Change	2022-23	2011-12	Change
North	2.6	2.6	0.0	5.4	6.5	-1.1	8.0	9.2	-1.2
North East	8.1	9.6	-1.5	0.4	0.7	-0.3	8.5	10.3	-1.9
East	5.2	5.5	-0.3	2.6	3.0	-0.4	7.9	8.6	-0.7
Central	4.1	4.5	-0.4	4.6	6.0	-1.4	8.7	10.5	-1.8
South	6.4	7.4	-0.9	0.8	1.3	-0.4	7.5	9.0	-1.5
All India	4.3	4.7	-0.4	3.6	4.3	-0.7	8.0	9.3	-1.2

Source: HCES; SBI Research

- ❑ In both rural and urban areas, monthly per capita consumption expenditure in North/South region is almost double as compared to East region across occupations
- ❑ Regular wage/salaried in North-East India (both rural and urban) have higher monthly per capita expenditure, which is comparable to that in North/South region

Region-wise average MPCE (Rs.) across different household types (Rural)									Region-wise average MPCE (Rs.) across different household types (Urban)					
Region	Self employed		Regular wage/salaried		Casual labour		Others	All India	Region	Self-employed	Regular wage/salaried	Casual labour	Others	All India
	Agriculture	Non-agriculture	Agriculture	Non-agriculture	Agriculture	Non-agriculture								
North	5401	5067	4996	5795	4349	4582	7170	5297	North	7120	8119	5127	10087	7704
North east	3862	4867	5033	5204	3746	4304	5696	4348	North east	6108	7249	5283	8823	6705
East	2380	2786	2542	2951	2163	2291	2699	2467	East	3919	4522	2660	5169	4031
Central	3295	3614	3573	4061	2946	2831	4026	3353	Central	5009	6086	3600	7451	5379
South	5554	5481	5195	5844	4556	4733	7117	5316	South	7088	8158	5570	9545	7503

Source: HCES, SBI Research

Source: HCES, SBI Research

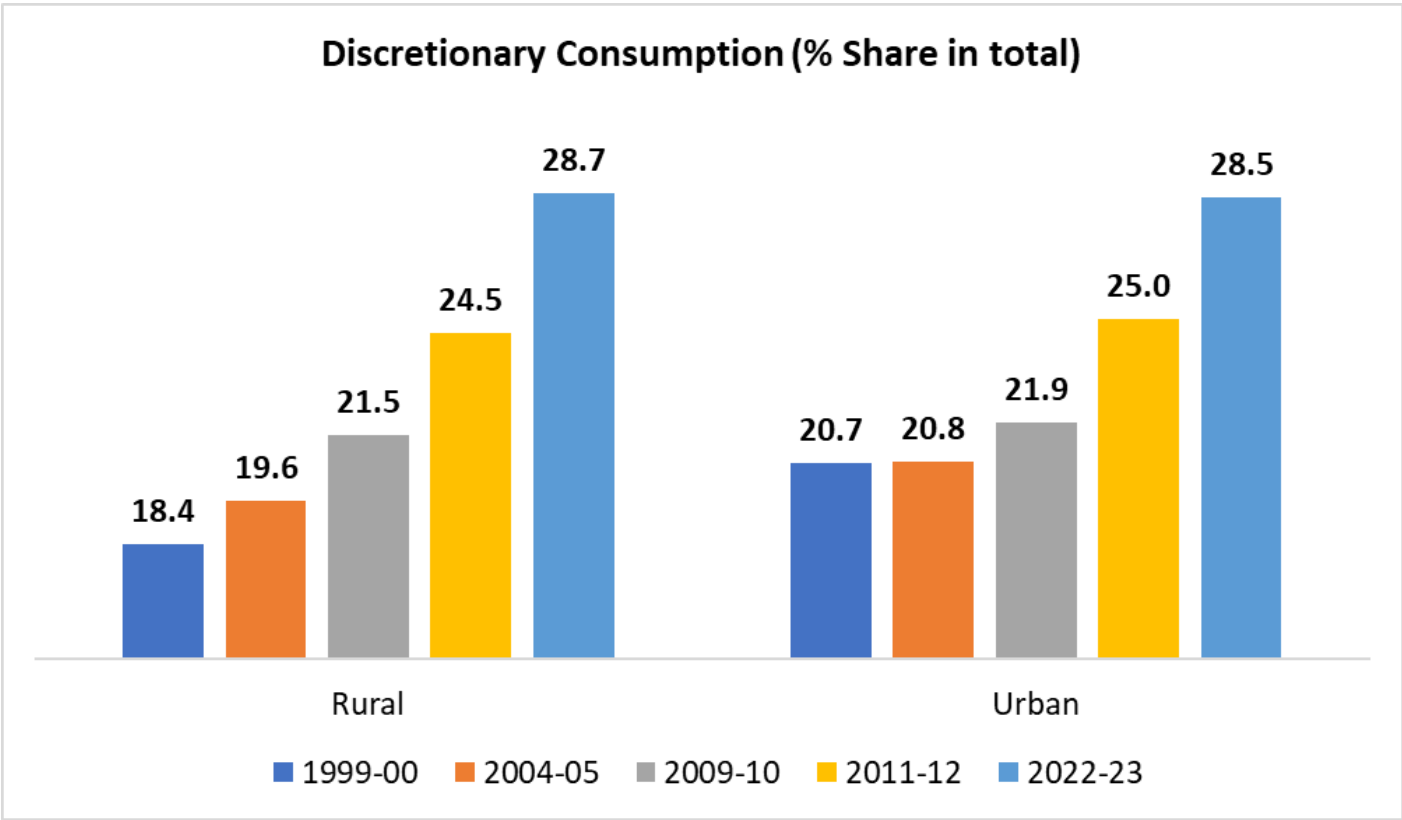
Rural consumption fast catching up with the urban consumption

- Urban rural gap as a % of rural consumption is on a declining trend
- It has declined from 90.8% in 2004-05 to 71.2% in 2022-23. It is projected to further decrease to 65.1% in 2029-30

Trend and Projections in level of Consumption since 1999-'00: All-India							
	Average MPCE (Rs.) over different period						
	1999-'00 NSS (55th round)	2004-05 NSS (61st round)	2009-10 NSS (66th round)	2011-12 NSS (68th round)	2022-23	2024-25 (P)	2029-30 (P)
rural	486	579	1054	1430	3773	4781	8606
urban	855	1105	1984	2630	6459	8357	14206
Difference	369	526	930	1200	2686	3576	5601
Difference as % of rural	75.9	90.8	88.2	83.9	71.2	74.8	65.1
Source: MOSPI, SBI Research, (P)- Projected							

Discretionary (Aspirational!) Consumption in Rural and Urban areas is increasing

- ❑ India is becoming more aspirational as indicated by the increasing share of discretionary consumption (like spending on beverages, intoxicants, entertainment, durable goods, etc.) in rural and urban areas
- ❑ **The speed of aspiration is swifter in rural areas as compared to urban areas**



This research work is a study by Economic Research Department, State Bank of India, Mumbai. No amount of thanks is sufficient for team members at Economic Research Department, specifically, Ashish Kumar, Saket Hishikar, Sumit Jain, Tapas Parida, Disha Kheterpal and in helping to put up the report in succinct and cogent language.

Special thanks to Emil Augustine for the extensive data support.


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