

# CHANGES IN THE PATTERN OF CONSUMPTION IN INDIA

N. SREENIVASA IYENGAR AND LILA RAM JAIN\*

## 1. Introduction

In an earlier study Iyengar (1967) had estimated Engel elasticities for a large number of items of consumption, making use of the group mean expenditure data obtained from the Indian National Sample Survey (NSS) tenth round, 1955-56 and employing the method of concentration curves (Iyengar, 1960, 1964). These estimates have been widely used for projecting consumer demand (Iyengar and Jain, 1970), which was an important ingredient in India's *Material Balances in the Fourth Plan* (Planning Commission, 1966). Another practical use of these elasticities was in the classification of commodities and services according to whether they were essential or inessential (Mukherjee and Chatterjee, 1963).

The purpose of this study is to present similar elasticity estimates for a more recent period, say, 1965-66, using the same assumptions and methods of analysis, and to see if there were any structural changes in the pattern of consumption in rural and urban areas of India between 1955-56 and 1965-66. The change in the pattern of consumption over time would no doubt depend upon the differential shift in relative prices, but a detailed study of the prices is outside the scope of the present exercise. Like the earlier study Iyengar (1967), the present study also ignores the possibility of economies of scale in large households and makes no adjustment for household age-sex composition.<sup>1</sup> It also neglects other systematic factors like race, occupation, age and level of education of the head of household, etc. that might cause variation in household consumption patterns (Crockett and Friend, 1960). We have used, instead, the linear

\* The authors are grateful to Professor T. N. Srinivasan for offering several useful comments on the original manuscript. Thanks are also due to Shri N. Padma Reddy, Shri J. Sangameswar Reddy and Shri J. V. S. Prasad for their technical assistance.

<sup>1</sup> The treatment of household size and composition is most important, though the Houthakker study shows that the double-log formulation is not as unrealistic as may appear. See, Houthakker (1957, 1960). See also, Crockett (1960), Iyengar, Jain and Srinivasan (1968), and Singh (1970). For a rigorous analysis of the effect of various socio-demographic factors on household expenditures, a detailed joint classification of the NSS data would have to be undertaken. But such detailed joint tabulations are not readily available.