



A STUDY OF STANDARD OF LIVING IN MAHARASHTRA

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Abstract

One common aspect of measurement of living is in terms of non-monetary quantitative indicators. The U. N. committee of Experts on International Definition and Measurement of Standards of Living (1954), defined standards of living as “ actual conditions of life, as compared with aspirations or ideas of what ought to be.” The U. N. Research Institute for Social Development intended to use national income as an indicator of economic development and to make level of living an operationally useful indicator of social development. In their report entitled ‘The Level of Living Index’, authors Drewnoski and Scott proposed a method of construction indicator indices and by assigning suitable weights arrived at component indices. The following general formula has been suggested.

$$\text{Efficiency of a system (I)} = e \frac{(i-i_0)}{i_{100}-i_0} 100$$

Where,

e –coefficient of equal distribution

i – empirical average value of the variable for which an indicator index is to be constructed

i_0 – lower critical point and implies a level of the indicator at which the satisfaction is at the lowest or survival level

i_{100} – upper critical point implies a level of the indicator at which need considered to be fully satisfied or full satisfaction point.

I – indicator index

Emerging economies have contributed 37 per cent if the global economic growth in 2000 and were expected to be to 50 per cent in 2020. Because of an obvious

higher propensity to consume, emerging market will continue as stronger players in the market. Emerging economies are expected to grow three times faster than developed economies.

In 2014-15 size of consumer market is estimated to be Rs. 34,100 billion (₹ 15,000 billion at 2004-05 prices) and is expected to be Rs. 50,000 billion (₹ 22,000 billion at 2004-05 prices) in 2020 at current prices. Disposable income and consumption level in urban areas is higher than that in rural area. Food market in India is the single largest accounting ₹ 12,200 billion as against total market of Rs. 34,200 billion.¹

In Maharashtra, in 1993 consumption expenditure in urban area contributed merely 37 per cent of total consumption expenditure and rest 63 per cent was contributed by urban area. This difference went on narrowing as shown in the following table.

Size of All Maharashtra Consumer Market, Annual Household Spending (₹ billion, at 2004-05)				
	1993-94	2004-05	2014-15	2020-21
Urban	37.44	42.04	46.92	49.60
Rural	62.56	57.96	43.08	50.40

Source: Authors estimates based on NSSO-CES round of various years (1993-94, 2004-05 and 2011-12).

We will divide the entire consumption basket into two broad components necessities consisting food and clothing and discretionary spending including all other expenses. Their trends have been given in the following table and diagram.

Necessities v/s Discretionary Spending pre cent share in Maharashtra						
	1993-94	2004-05	2009-10	2011-12	2014-15	2020-21
Necessities	65.6	52.3	50.5	48.2	46.1	41.9

¹Mridusmita Bordoloi, *Structural Shift in Indian Household Sector Consumption*, Labour and development, vol. 22, No.1, June 2015.

Discretionary	34.4	47.7	49.5	51.8	53.9	60.1
<i>Source:</i> Authors estimates based on NSSO-CES round of various years (1993-94, 2004-05 and 2011-12)						

Table shows that in 1993-94, proportion of income spent on necessities was higher than that on the discretionary spending. Over the course of time, proportion of income spent on necessities declined and that on discretionary spending went up, to become equal in 2011-12. Since 2011-12 discretionary spending proportionately became greater than spending on necessities. It is estimated that discretionary spending in 2020-21 will contribute 60 per cent of total consumption.

Necessities v/s Discretionary Spending pre cent share in Maharashtra (Bottom 10 per cent Households)						
	1993-94	2004-05	2009-10	2011-12	2014-15	2020-21
Necessities	75.0	69.0	68.0	65.0	63.0	69.0
Discretionary	25.0	31.0	32.0	35.0	37.0	31.0
<i>Source:</i> Authors estimates based on NSSO-CES round of various years (1993-94, 2004-05 and 2011-12)						

In case of bottom 10 per cent households necessities formed 75 percent of their spending in 1993-94. Since then slowly it has declined but to become only 60 percent in 2014-15. Conversely, discretionary spending increased marginally from 25 per cent in 1993-94 to 37 per cent in 2014-15. On the other hand, in another extreme decile i.e. top 10 per cent households, expenditure on necessities in 1993-94 was more than that on discretionary spendings, further pattern got reversed and expenditure on discretionary spendings become greater. Expenditure on necessities declined from 53 per cent in 1993-94 to 29.5 per cent in 2014-15. While discretionary expenditure was 70.5 per cent for 2014-15.

Necessities v/s Discretionary Spending pre cent share in Maharashtra (Top 10 per cent Households)						
	1993-94	2004-05	2009-10	2011-12	2014-15	2020-21
Necessities	53.0	35.3	32.6	31.0	29.5	28.0
Discretionary	47.0	64.7	67.4	69.0	70.5	72.0

Source: Authors estimates based on NSSO-CES round of various years (1993-94, 2004-05 and 2011-12)

Change in Consumption Basket

Further inquiry into consumption pattern of the State exhibit considerable change. Spending on food went down from 61.6 per cent in 1993-94 to 43.5 per cent in 2014-15. Like wise expenditure on apparel and foot were went down, that on health care, conveyance, durables, services and particularly education went up. This development guarantees, along with higher standard of living, future productivity.

Change in Consumption Basket during the Last Two Decades, Maharashtra			
Broad Categories of Consumption	1993-94	2004-05	2014-15
Food	61.6	50.1	43.5
Cereals	20.0	14.3	8.4
Protein Food	16.3	13.5	14.4
Fruits and Vegetables	7.8	7.5	5.7
Beverages & Processed Food	5.2	5.0	6.8
Edible Oil	4.3	4.0	2.9
Other Food Items	7.9	5.8	5.3
Total Non-Food	38.4	49.9	56.5
Apparel and Footwear	8.7	7.3	7.4
Health Care	4.6	5.8	7.1
Education	2.4	4.6	6.1
Conveyance	3.2	4.7	6.4
Personal Products	3.7	3.6	3.1
Durable Goods	2.4	4.0	5.9
Services	2.8	4.9	5.4
Other goods and services	10.6	15.1	15.1

Total consumption Expenditure	77.5	71.6	68.4
<i>Source:</i> Authors estimates based on NSSO-CES round of various years (1993-94, 2004-05 and 2011-12)			

Within consumption basket except beverages and processed food items, percentage consumption expenditure on other items, particularly on cereals, declined. This does not mean decrease in consumption of these items. It may be result of increased income or decreased prices which are less likely to happen in India. Thus, due to increased income even after increased consumption of food items, households spent lesser proportion of their income on food items. Decrease in the consumption of expenditure on cereals is so steeper that it clearly shows decreased consumption of cereals in favour of other superior food items.

Annual Real Growth in Household Spending at 2004-05 prices, Maharashtra			
	Estimated	Growth	Forecasted Growth
Sector	1993-94 to 04-05	2004-05 to 13-14	2014-15 to 20-21
Rural	4.3	4.8	5.8
Urban	6.1	6.9	7.7
Total	5.0	5.7	6.3
<i>Source:</i> Authors estimates based on NSSO-CES round of various years (1993-94, 2004-05 and 2011-12)			

Annual growth rate of household spending was 5 per cent during 1993-94 to 2004-05. It went up to 5.7 per cent during 2004-05 to 2013-14. It is expected that household spending will grow at 6.3 percent in the next few years. Annual growth rate of spending in urban area had been more than that in rural area. The same trend is expected in the future also.

Real Annual Growth in Indian Household Spending 2004-05 to 2014-15
<i>Source:</i> Mridusmita Bordoloi, Structural Shifts in Indian Household Sector Consumption, Labour and Development, Vol.22, No. 1, June 2015 ISSN 0973-0419

Real Growth in Consumer Market at 2004-05 prices

Broad Categories of Consumption	1993-94 to 2003-04	2004-05 to 2014-15
Food	3.0	4.2
Apparel & Foot wears	3.3	6.1
Heath Care	7.1	8.2
Education	11.5	8.9
Conveyance	8.7	9.1
Non-Food FMCG	4.9	4.1
Durables	9.8	10.1
Services	10.6	6.8
Other Goods	8.4	5.8
Total Household Spending	5.0	5.7

Above table shows that annual growth in house hold spending is higher than an average in all sectors except food and non food FMGC.

Annual Real Growth Rate in Household Spending on Food at 2004-05 prices, all India CAGR, %			
	Estimated Growth		Forecasted Growth
Sector	1993-94 - 03-04	2004-05 - 13-14	2014-15 - 20-21
Rural	2.8	3.4	4.5
Urban	3.4	5.6	6.4
Total	3.0	4.2	5.3

Annual Real Growth Rate in Household Spending on Food is more for urban area than rural area.

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