

# India's consumption numbers fit into our big picture of progress

*Its results show that Indian standards of living have risen and disparities have reduced over the decade-plus since 2011-12*



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The much-awaited Household Consumption Expenditure Survey (HCES) 2022-23 results have been released within a short time frame, courtesy the endeavours of India's ministry of statistics and programme implementation. Further, the survey has undertaken many statistical refinements in terms of detailed questionnaires, multiple visits and computer-assisted personal interviews, etc. — other feathers in the cap of the National Sample Survey Office team.

The data release, which affords insights into the monetary aspect of living standards, is particularly significant considering the substantial rise in non-income aspects of living standards between 2015-16 and 2019-21 noted by the multidimensional poverty reports of the United Nations and Niti Aayog. Some key trends in the ICES deserve our attention. Since its release, many experts have given their estimates of poverty derived from the survey results, and a public discussion has begun, as it should in a democracy. Further, the micro-unit level data, to be released soon, would be a gold mine for researchers informing our public discourse on the changing demand dynamics of the economy. We will let that discussion continue and dwell on the survey results.

The ICES offers many reassuring findings on inclusive growth in the past decade. Monthly per capita expenditure (MPCE) in 2022-23 increased in real terms by 40% in rural and 33.5% in urban areas over 2011-12. The rural-urban divide has also declined considerably, as the difference between rural and urban MPCE declined from 83.9% in 2011-12 to 71.2% in 2022-23. This is supported by the recently released Annual Survey of Industries data, which depicts faster growth in wages for factory workers in rural areas compared to urban areas (note that 42% of all factories and 45% of workers were in rural areas as of 2021-22). Between 2014-15 and 2021-22, wages per worker in rural areas grew at a 6.9% compounded annual growth rate (CAGR) vis-à-vis a corresponding 6.1% rise in urban areas.

Within rural and urban areas, the consumption of the lowest 5% MPCE population grew at a faster rate (a CAGR of 9.2% for rural and 10% for urban) than the top 5% (a CAGR of 8% for rural and 6.6% for urban) between 2011-12 and 2022-23, pointing to a decline in economic inequality over the last decade. Imputation of free-of-cost items provided by government programmes leads to a further progressive percentage rise in MPCE. Juxtaposing the MPCE numbers with India's per capita gross national income (PCI) reveals an inclusive trend in economic growth, where the MPCE/PCI ratio has increased between 2011-12 and 2022-23 for all con-



sumption classes except the top 5% in rural India and top 10% in urban India. Thus, the argument that growth is benefiting the rich disproportionately is not borne out by consumption data. Notably, this progress occurred despite the once-in-a-century crisis of the covid pandemic.

The progress manifest in the 2022-23 HCES results resonates with strides made in living standards through a gamut of thoughtfully crafted, evidence-based and people-centric efforts. These include, inter-alia, the strengthening of basic infrastructure such as rural roads, water pipelines, electricity, housing, etc, which, besides ensuring dignity of the individual, also empowers communities to use economic opportunities and participate in the growth process.

Compared to 2.75 million kilometres of rural roads in 2010-11, the network had swelled to 4.5 million km by 2018-19. The diversification of rural livelihoods has been a policy effort, exemplified by a proliferation of women's collectives across India, from being limited to southern states a decade ago. When 75 million women become self-help group members over a decade, the results are bound to show up in income and expenditure data. Similarly, the remarkable evolution of work assignments under the Mahatma Gandhi National Rural Employment Guarantee scheme (MGNREGS), directed at creating assets such as animal sheds, farm ponds, horticulture plantations, vermi-composting pits, etc, is another silent game-changer for sustainable and equitable rural growth. These comprised more than 70% of the total MGNREGS works completed in 2022-23, versus 16% in 2014-15. This also fits into the story of rising farm and non-farm self-employment in rural India, as the Periodic Labour Force Survey showed, driven by females with more time freed from drudgery and motivated by simpler credit availability. The HCES's monetary estimates thus confirm what the non-monetary data has been indicating.

As we strive for prosperity, streamlining processes and technology has played an instrumental role. It has aided the identification of gaps and targeting of resources (such as in the Aspirational Dis-

tricts Programme), collaborating with stakeholders across levels, fixing accountability and real-time monitoring of clearly defined indicators (like the Jal Jeevan Mission dashboard). The 'Pragati' approach to programme implementation (monthly stocktaking at the Prime Minister's Office, Union government and state government-level), has oiled the wheels of public goods provisioning and the results speak for themselves.

Also note that behind these numbers lie living standards better than what they project. While the ICES makes a good start by imputing values of free-of-cost items received under welfare schemes, the rising contribution of a range of public services (which could not be imputed due to methodical complexity) implies that the real 'consumption' of households is better than what the data says. For instance, sanitary napkins being available at ₹1 apiece at Jan Aushadhi Kendras imply a significant rise in real living standards at relatively low household spending levels. Similarly, the impact of prominent schemes such as the Swachh Bharat Mission, Ayushman Bharat and PM-Awas Yojana in directly improving the living standards of Indian households could be interpreted as a (notional) rise in consumption expenditure, especially for the lower fractiles. This is well brought out in a 2022 research paper by Sridhar Kundu and Maynor Cabrera that used 2011-12 survey data (*shorturl/Lat/EMJW0*). The value imputations of education and health schemes alone showed a decline in the Gini Coefficient for 2011-12 by 0.08 percentage points.

Looking forward, the HCES release offers an opportunity to update the consumer basket for the construction of our price indices and also revise the poverty line, given the changing aspirations of citizens. Future surveys could be designed for wider coverage of support received from government schemes. The ICES 2022-23 has made a good start on that.

Above all, the survey's results are a vindication of the government's 'growth through infrastructure and inclusion through empowerment' approach to India's socioeconomic priorities.

*These are the authors' personal views.*

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