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WORKING PAPER

Changing Household Consumption of Services: Redefining the Boundaries of Discretionary and Non-discretionary Expenditures

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December 2023

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Changing Household Consumption of Services: Redefining the Boundaries of Discretionary and Non-discretionary Expenditures

*Satyaki Roy & Veerpal Kaur**

[Abstract: Services-led growth in India has to have an underlying relationship with changing consumption expenditure patterns on the demand side. Discretionary expenditures increase with rise in incomes but a rise in the demand for services at the aggregate levels cannot be driven by rising demand for services only of the rich, instead a tilt towards a larger share of non-food services in household expenditure across classes had been visible in the recent decades. There had been a substantial fall in the shares as well as of growth in MPCE on account of food particularly of cereals and cereal substitutes in the recent past, that may be a combined effect of changes in dietary patterns towards non-cereal and non-food expenses for higher consumption classes together being caused by a significant rise in expenditures on medical care, communication and conveyance for the bottom classes as well, necessitating a reallocation of non-discretionary expenditure. The paper also shows that expenditure on tuition and education as a whole has increased across classes both in rural and urban areas. The paper also finds that the gaps in consumption expenditure on select items particularly of services have declined between rural and urban segments but increased between classes and social groups for most of the service items.]

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For the complete working paper, please contact the authors at sroy@isid.org.in & veerpalh@gmail.com

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