

ENGEL RATIOS AND CONSUMPTION EXPENDITURE PATTERNS IN RURAL BORDER DISTRICTS OF PUNJAB

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Abstract

The present study analysed the consumption expenditure of different food and non-food items in Punjab state of India. To accomplish this objective, primary data has been collected from rural households in three border districts of Punjab. The average monthly consumption expenditure of rural households has been estimated. Engel ratios have been used to know the standard of living of different households. Different Engel ratios were found for different occupational groups like farmers, servicemen, self employed, agriculture and non- agricultural labourers. Engel ratio for education was highest for farmers (0.265), servicemen (0.277) and self-employed (0.286), but the reverse is the case for pan, tobacco, and intoxicants (0.005, 0.11, 0.008 respectively) as Engel Ratio is highest in non-agricultural labourer (0.044) and agricultural labourers (0.032). The study concluded that the pattern of consumption expenditure is undergoing a change in rural areas particularly in border areas of Punjab. The study founds large differences in the expenditure pattern of different occupational groups which needs to be addressed with effective implementation of government safety net programmes.

Key words: Food Expenditure, Non-Food Expenditure, Consumption Pattern, JEL Classification: L66, O15, E21,

Introduction

No country of the world can make progress without adequate provisions of nutrition. The welfare of the people can be measured by the expenditure of its people on various consumption heads. The investment level and the extension of business activities are dependent upon the consumption pattern of the households. Nayga, (1994) analysed the impact of socio-demographic factors on the household demand pattern. He found in his study that western households consume less food, energy, protein, iron but more calcium and 'vitamin A' as compared to southern households. Farooq (1999) estimated consumption pattern of farm households in Pakistan and found that meat and pulses are the substitutes, whereas dairy products and meat were regarded as a luxuries by the rural households of Pakistan. In rural households, 43% of the consumption expenditure is on 'milk and milk products,' followed by 22% of the household expenditure on cereals i.e paddy and wheat. Kalwij and Salverda (2004) examines that there has been a decline in the household budget on basic goods like food, beverages and clothing and increase in the household expenditure on service sector related goods in Netherland. Holcomb (1995) studied the household expenditure pattern of total food consumption at home and food away from home. Therefore this study aimed to analyze the consumption expenditure patterns of rural households in the border districts of Punjab and examine the Engel Curve of per capita monthly consumption across different occupational groups. This study highlights that how increase in income leads to decline in expenditure on basic necessities like food and increase in expenditure on recreation and education. This study can also be valuable for policy makers in understanding that how different occupational groups are affected by the different expenditure levels .

Data Source and Methodology

Punjab has six border districts, Amritsar, Gurdaspur, Firozpur, Fazilka, TarnTaran and Pathankot, which have international border connected with Pakistan. From these six border districts, three districts Tarn Taran, Gurdaspur and Amritsar have been taken for the present study. The different occupational groups taken were farmers, servicemen, self-employed, non-agricultural labourers and agricultural labourers. Data regarding expenditure on food items were collected on a monthly basis. The field investigation was carried out with the help of a detailed schedule through the method of personal interviews. Statistical tools of mean and percentages have been used to draw meaningful conclusions from the data. In the consumer budget, the Engel Ratio plays an important role. Engel Ratio for a commodity is defined as a proportion of the total expenditure on an item. i.e $R_i = E_i / Y_i$.

Where E_i = Expenditure on ith item

Y_i = Income or Total expenditure

Results and Discussion

Monthly Food Expenditure

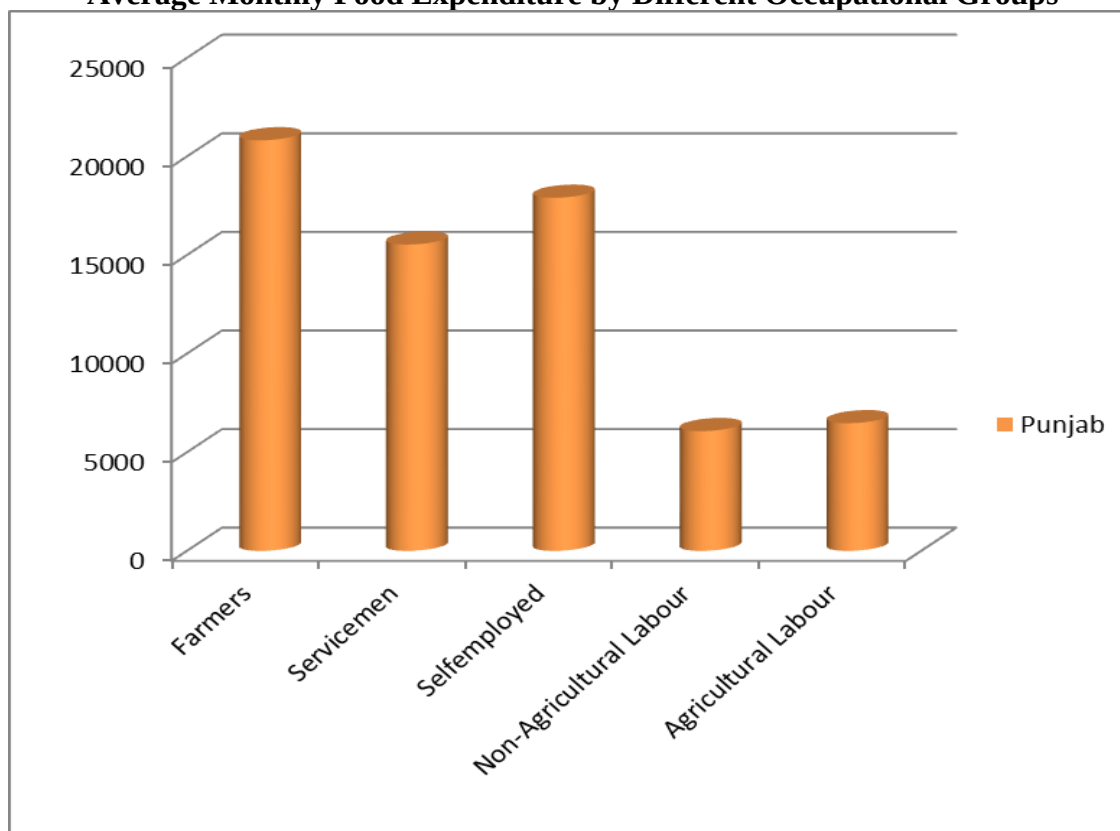
This section presents the findings on the food consumption patterns of different occupational groups in rural Punjab's border districts. The main occupation in all the selected districts is farming and mainly two crops are sown in all the villages i.e wheat and paddy. The result in Table-1 showed the average monthly expenditure on food items by different occupational groups. It is clear from the table that in Punjab, farmers have the maximum average food expenditure followed by the self-employed households and the servicemen. An average farmers's household in Punjab has Rs. 20823 as monthly food expenditure. Whereas, agricultural labourers households have 6476 monthly average food expenditure followed by the non-agricultural labours i.e. Rs. 6076. In the Tarn Taran district, maximum food expenditure is incurred by the self-employed households followed by the farmers. Figure 1 showed that non-agricultural labourers have the minimum food expenditure followed by agricultural labourers.

Table-1, Average Monthly Food Expenditure by Different Occupational Groups, 2021-22 (Rs.)

Occupational Groups↓	Tarn Taran	Gurdaspur	Amritsar	Punjab
Farmers	21421	20242	20805	20823
Servicemen	13998	16277	16330	15535
Self-Employed	20765	16357	16603	17908
Non-Agricultural Labour	6827	6701	4700	6076
Agricultural Labour	6596	6193	6637	6476

Source: Survey Data

Figure-1
Average Monthly Food Expenditure by Different Occupational Groups



Engel Ratio for Different Food and Non-Food Items

The estimated value of the Engel Ratio for different food and non-food items have been presented in the Table 2 and 3. The Engel Ratios have been measured for the food items like cereals, pulses, 'milk and milk products,' edible oils, 'egg, fish and meat,' vegetables, fruits, dry fruits, sugar, salt, beverages and processed food. It is clear in the Table.2 that Engel Ratio for cereal is highest among non-agricultural labourers(0.210) and agricultural labourers (0.180) and lowest in the case of servicemen(0.086). It reflected that non-agricultural labourer and agricultural labourers prefer to consume more cereals as major proportion of the income of agricultural and non-agricultural labourer's income is spent on cereals which is a sign of poverty or a low standard of living. Similarly for beverages, refreshments, and processed food, Engel ratio is highest for farmers(0.230), servicemen(0.246) and self-employed(0.260), as their level of income is more as compared to non-agricultural labourers and agricultural labourers. The Engel Ratio for vegetables in non-agricultural labourers(0.185) and agricultural labourers(0.170) is relatively higher than those in farmers(0.141), self-employed(0.150) and servicemen(0.140) indicating that non-agricultural labourers and agricultural labourers gave relatively more importance to the consumption of vegetables as compared to other occupational groups. This is because they are left with no other choice but to consume vegetables due to their low income or it might be due to the fact that they get vegetables at very low rate in the rural areas. The reverse pattern is observed for egg, fish and meat, for which the Engel Ratio is highest in the case of farmers(0.044) and lowest in case of the agricultural labourers(0.008).

Table-2, Estimated Engel Ratio for Monthly Consumption of Food items for different Occupational Groups

Occupation→ Food-Items↓	Farmers	Salaried HH	Self-Employed	Non-Agricultural Labour	Agricultural Labour
Cereals and Cereal Substitutes	0.103	0.086	0.095	0.210	0.180
Pulses and their Products	0.031	0.033	0.039	0.061	0.051
Milk and Milk Products	0.179	0.170	0.173	0.170	0.130
Edible Oils	0.098	0.090	0.084	0.088	0.064
Egg, Fish and Meat	0.044	0.020	0.016	0.024	0.008
Vegetables	0.141	0.134	0.150	0.185	0.198
Fruits	0.052	0.069	0.063	0.028	0.021
Dry Fruits	0.025	0.042	0.025	0.005	0.001
Sugar	0.043	0.044	0.048	0.078	0.085
Salt and Spices	0.044	0.062	0.043	0.052	0.051
Beverages Refreshment and Processed Food	0.232	0.246	0.260	0.091	0.101

Source: Compiled from Survey Data

Table-3, Estimated Engel Ratio for Non- Food items for different Occupational Groups

Occupation→ Non-Food Items↓	Farmers	Salaried HH	Self-Employed	Non-Agricultural Labour	Agricultural Labour
Pan, Tobacco & Intoxicants	0.005	0.11	0.008	0.044	0.032
Fuel & Light	0.129	0.148	0.096	0.211	0.208
Clothing, Bedding & Footwear	0.128	0.174	0.128	0.288	0.252
Education	0.265	0.277	0.286	0.101	0.098
Medical	0.098	0.049	0.041	0.222	0.219
Conveyance	0.089	0.088	0.064	0.077	0.076
Entertainment	0.010	0.015	0.011	0.011	0.11
Rent	0	0.007	0.011	0	0
Internet	0.009	0.013	0.010	0.11	0.011
Miscellaneous	0.264	0.186	0.292	0.088	0.087

Source: Compiled from Survey Data.

The Engel ratios for selected non-food items has been given in Table 3. The results revealed that Engel ratio for education is highest for farmers (0.265), salaried households (0.286) and self-employed (0.101), but reverse is the case for pan, tobacco and intoxicants as Engel Ratio is highest in non-agricultural labourers (0.044) and agricultural labourers (0.032). For clothing, bedding and footwear Engel Ratio is also highest in case of non-agricultural labourers (0.288) and agricultural labourers (0.252). Engel Ratio for non-food items is highest for miscellaneous goods, which include purchase of land, house,

construction and repair etc. implying that farmers and self-employed spent more on wealth development. For entertainment, Engel Ratio was found almost similar in all the selected occupational groups of the rural households of border districts of Punjab.

Figure 2, Per Capita Income Based Engel Curve for Food Items

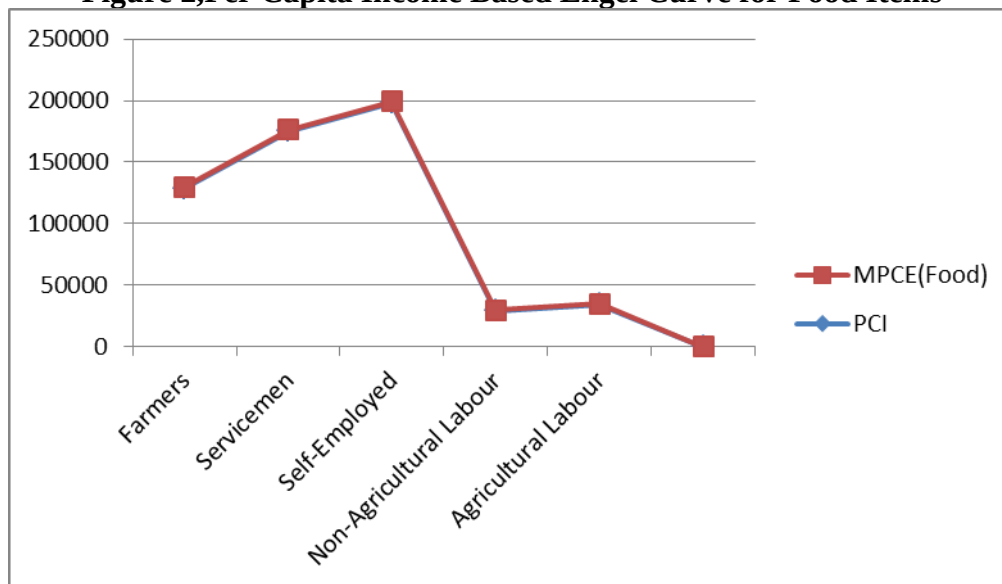


Figure 2 showed the per capita income based Engel Curve of monthly per capita food consumption by different occupational groups. It is clear that Engel Curve has a positive slope for farmers and servicemen and agricultural labourers. But it has a negative slope for self employed and non-agricultural labourers.

Conclusion and Policy Implications

In rural areas of border districts of Punjab, the share of agricultural and non-agricultural labour is very less as compared to farmers, servicemen and self-employed households in MPCE of food items. Different Engel ratios were found for different food and non-food items. Engel ratios for cereals, pulses and sugar were found more for agricultural and non-agricultural labourers indicated that a large proportion of the budget is allotted to food by these occupational groups leaving little for other necessities or discretionary spending, which is a sign of poverty or low standard of living. Whereas Engel ratios for edible oils, egg, fish and meat, fruits and dry fruits were found higher for farmers, salaried and self-employed rural households, which indicates that farmers, self-employed and salaried people spent a small proportion of their income on cereals and pulses, allowing a greater spending on other goods and services suggesting a higher standard of living. The study concludes that despite significant development of the country, large differences were found in the expenditure pattern of different occupational groups. This needs to be addressed with the effective implementation of government development and safety net programmes.

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