Household Consumption Expenditure Survey 2023-24

Why in News?

Recently , Ministry of Statistics & Programme Implementation has released Household Consumption Expenditure Survey (HCES) for the year 2023-24.

What is the HCES ?

- **HCES** – It is designed to collect information on consumption and expenditure of the households on goods and services.
- **Nodal Ministry** - Ministry of Statistics & Programme Implementation.
- **MPCE** - Monthly Per Capita Consumption Expenditure (MPCE) compiled from HCES is the primary indicator used for most analytical purposes.
- **Data collection** - The estimates of MPCE of 2023-24 are based on the data collected from 2,61,953 Households (1,54,357 in rural areas and 1,07,596 in urban areas) in the central sample spread over all States and Union Territories in the country.
- **Two sets of estimates**
  - Without considering imputed values of items received free of cost by the households through various social welfare programmes.
  - Considering imputed values of items received free of cost by the households through various social welfare programmes.
- **Significance of survey** - The survey provides data required
  - To assess trends in economic well-being
  - To determine and update the basket of consumer goods and services and weights used for the calculation of the Consumer Price Index.
  - To measure poverty, inequality, and social exclusion.

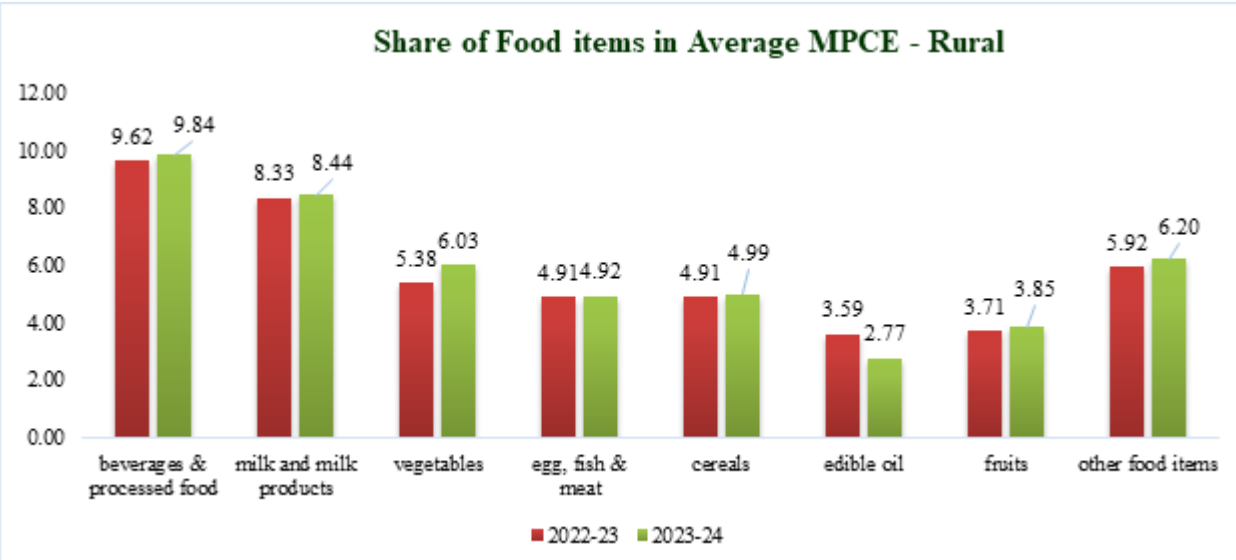
What are the findings of HCES 2023-24?

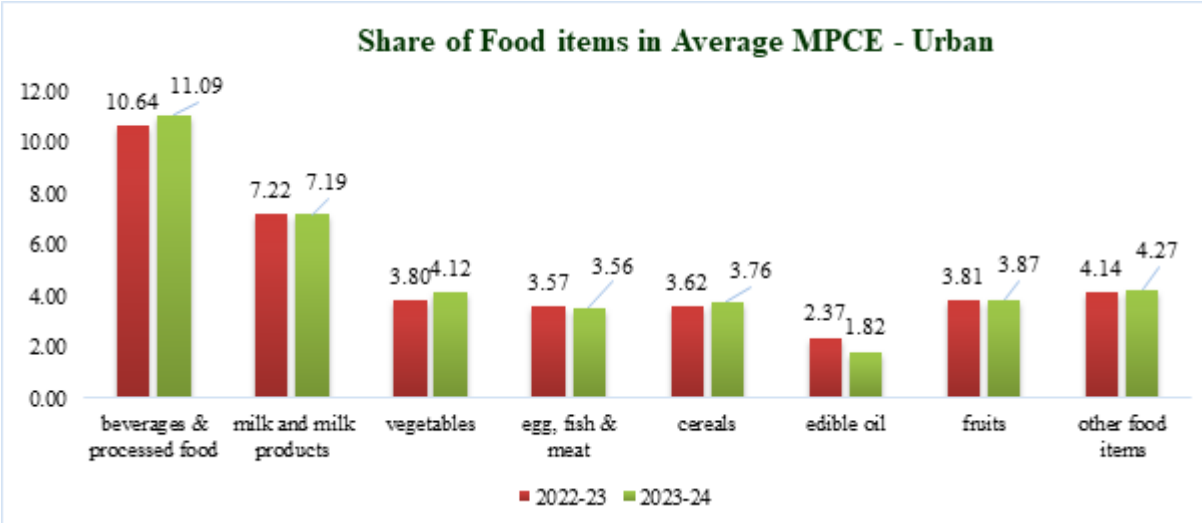
- **Average MPCE** - Without taking into account of the values of items received free of cost by the households through various social welfare programmes.
  - ***Rural - Rs. 4,122***
  - ***Urban - Rs. 6,996***

Average MPCE (Rs.) at current Prices and 2011-12 prices

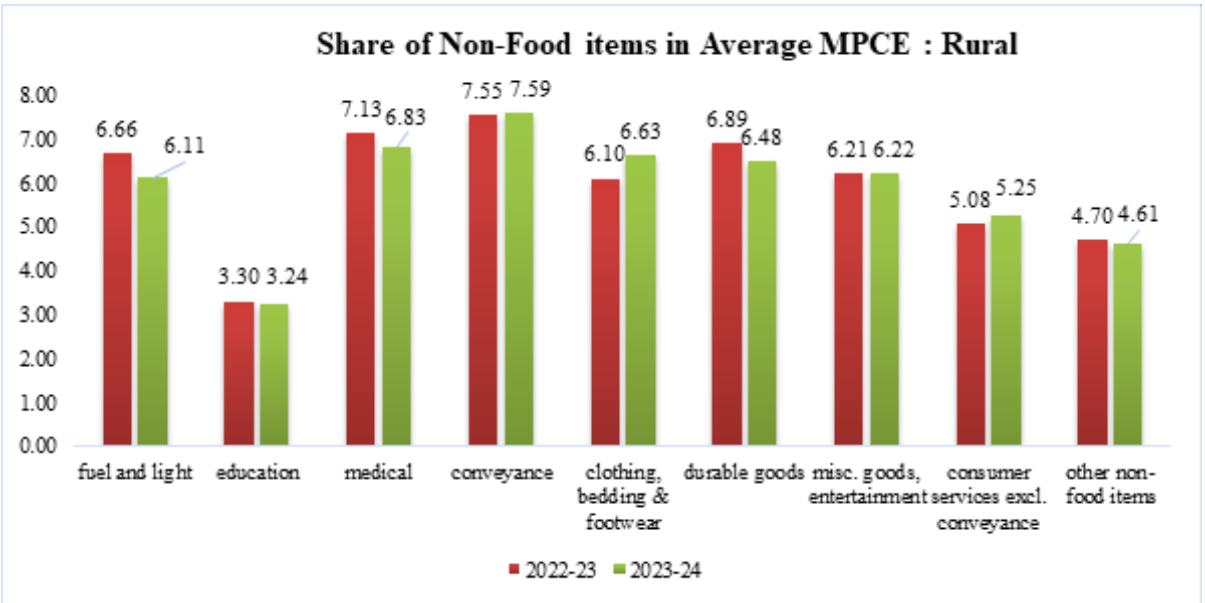
Survey	Period	at current Prices		at 2011-12 Prices	
		Rural	Urban	Rural	Urban
HCES: 2023-24	Aug 2023- Jul 2024	4,122	6,996	2,079	3,632
HCES: 2022-23	Aug 2022- Jul 2023	3,773	6,459	2,008	3,510
68th round (2011-12)	Jul 2011-Jun 2012	1,430	2,630	1,430	2,630

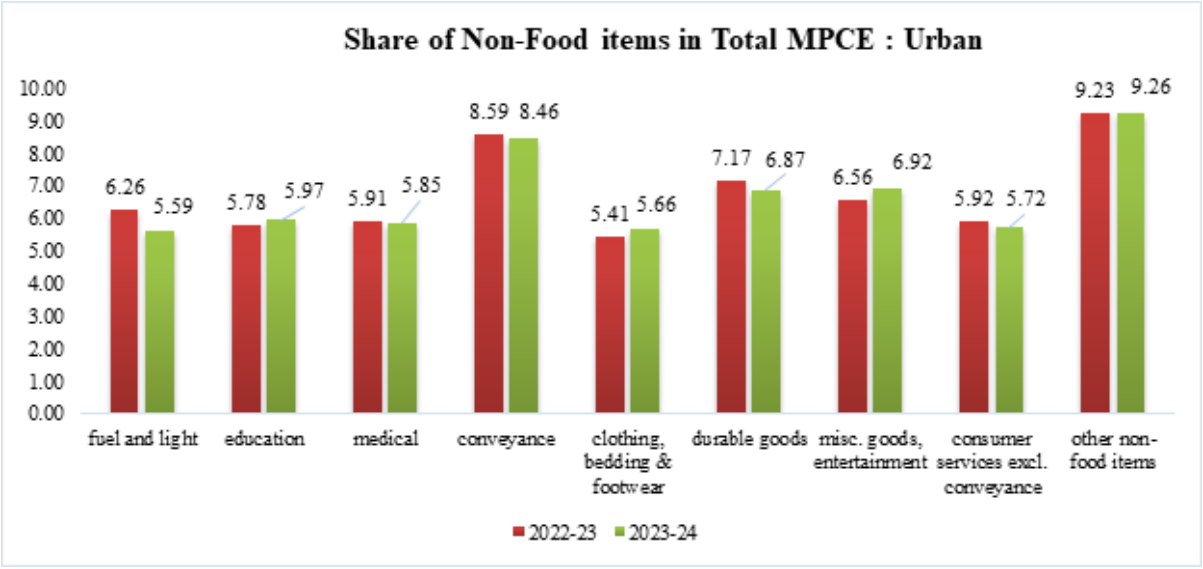
- Considering the imputed values of items received free of cost through various social welfare programmes, these estimates become Rs. 4,247 and Rs. 7,078 respectively, for rural and urban areas.
- **Increase in MPCE** - In nominal prices, the average MPCE (without imputation) in 2023-24 increases by about ***9% in rural areas*** and ***8% in urban areas*** from the level of 2022-23.
- **Urban-rural gap** – It has declined to 71% in 2022-23 and 70% in 2023-24 from 84% in 2011-12.
- **Growth of bottom strata** - The increase in the average MPCE in 2023-24 from the level of 2022-23 has been the maximum for the bottom 5 to 10 % of India's population, for both rural and urban areas.
- **Major contributors** - ***Non-food items*** remain the major contributor to the household's average monthly expenditure in 2023-24 with about 53% and 60% share in MPCE in rural and urban areas respectively.
- **Major food items** - Beverages, refreshments and processed food continues to have the major expenditure share in 2023-24 in the food items basket of the rural and urban households.





- **Major non food items** - Conveyance, clothing, bedding & footwear, miscellaneous goods & entertainment and durable goods have major expenditure share in non-food expenditure of the households in both rural and urban areas.



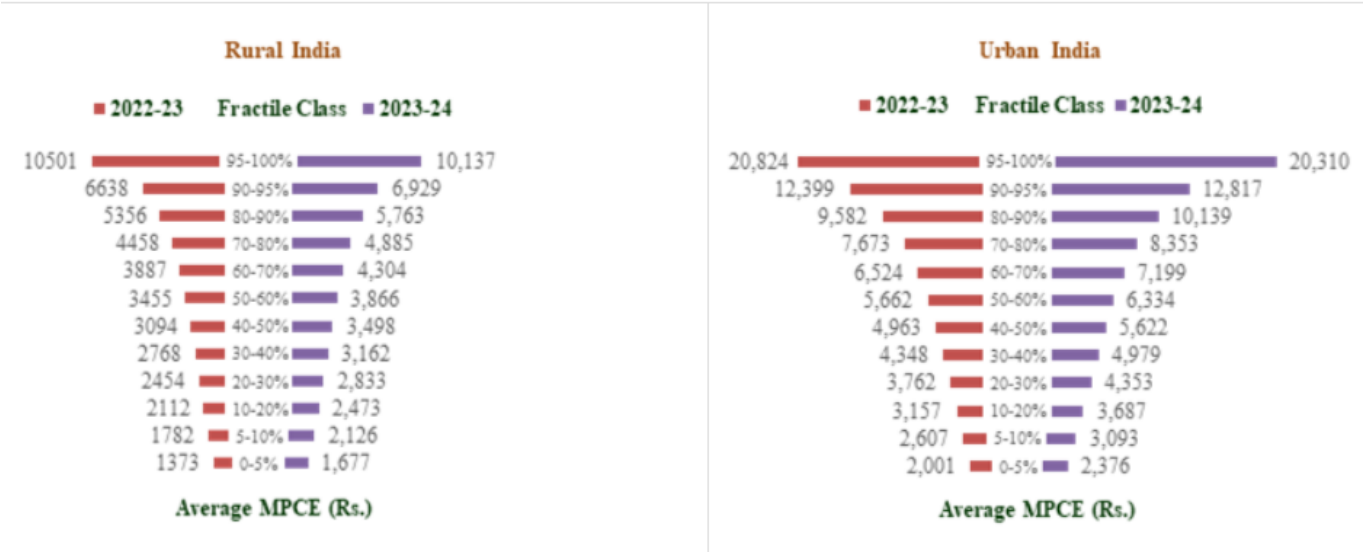


- Rent consisting of house rent, garage rent and hotel accommodation charges with

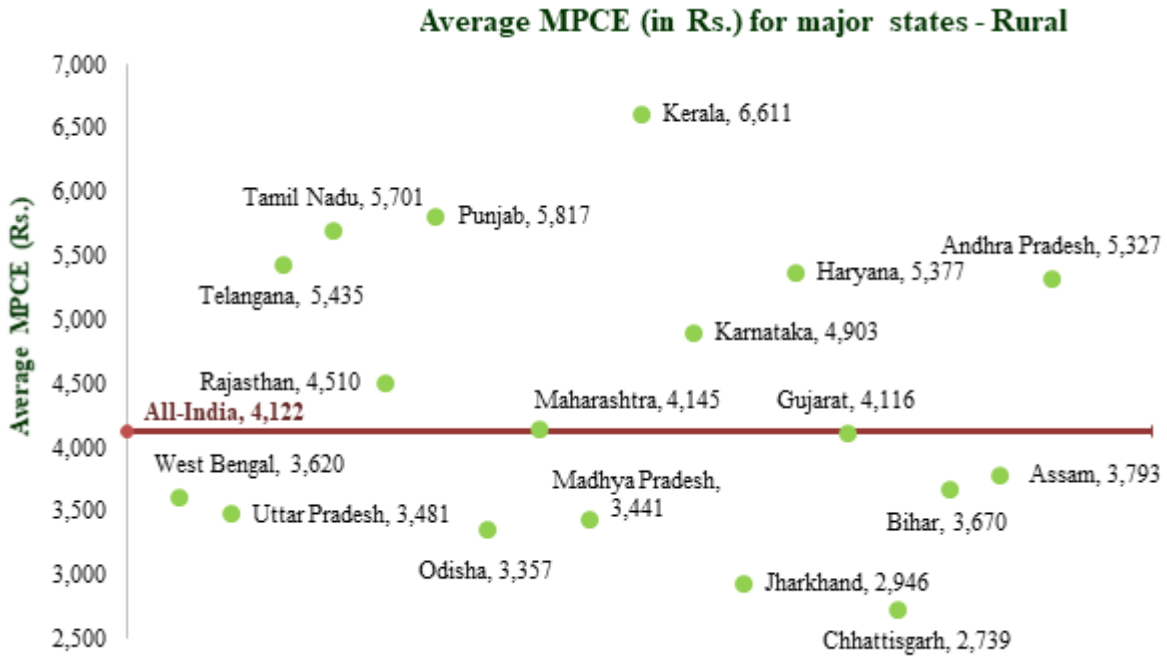
about 7% share is another major constituent of the urban households' non-food expenditure.

- **Consumption inequality** - The Gini coefficient has declined to 0.237 in 2023-24 from 0.266 in 2022-23 for rural areas and to 0.284 in 2023-24 from 0.314 in 2022-23 for urban areas.
- **Class variation** - The bottom 5% of India's rural population has an average MPCE of Rs. 1,677 while it is Rs. 2,376 for the same category of population in the urban areas.
- The top 5% of India's rural and urban population, ranked by MPCE, has an average MPCE of Rs. 10,137 and Rs. 20,310, respectively.

Average MPCE value for different fractile classes of MPCE



- **Variation in MPCE among the States**
  - MPCE is the ***highest in Sikkim*** (Rural – Rs. 9,377 and Urban – Rs. 13,927)
  - It is the ***lowest in Chhattisgarh*** (Rural – Rs. 2,739 and Urban – Rs. 4,927).
- **Variation in MPCE among Union Territories**
  - MPCE is the highest in Chandigarh (Rural – Rs. 8,857 and Urban – Rs. 13,425).
  - It is the lowest in Dadra and Nagar Haveli and Daman and Diu (Rs. 4,311) in Rural.
  - Lowest in Jammu and Kashmir (Rs. 6,327) in urban areas.
- **Rural – Urban difference** - It is the highest in Meghalaya (104%) followed by Jharkhand (83%) and Chhattisgarh (80%).



What are the issues with HCES data and poverty estimation?

- **Incomparable data sets** – NSSO , has tried new methods in the recent surveys which makes it incomparable with early records of consumption.
- **Different standards** - Over the years, there has been a divergence between the NSSO per capita household consumption expenditure data and those from the National Accounts.
- **Difference in recall periods** - The NSSO has set a seven-day recall period for certain items and 30-day period for others.
- These estimates then could not be compared with previous consumption estimates, which had different recall periods.

A recall period is when a respondent is asked to recall their consumption expenditure over a specific time period.

Uniform reference period (URP) had 30 days of recall for all items, and the mixed reference period (MRP) had 30 days (food) and 365 days (for other goods). Tendulkar estimated poverty based on MRP.

Modified mixed reference period (MMRP) has seven days for food items along with 30 days and 365 days for other items.

- **Rural definition** – The idea and the definition of rural area that we have is based on the 2011 Census, which has changed vastly at the current situation.
- **Lack of definition of poverty line** – There was a stable definition of poverty from the late 1970s to 2005.

- But after 2011-12, there is neither official poverty estimates nor conducted a survey.

What can be done?

- Need to put a statistical base in place, including a Census, so we know what is rural and urban
- There should be clear-cut separation of what is rural and urban.
- Need to have a clear-cut methodology for a poverty line estimation

References

1. PIB | Household Consumption Expenditure Survey 2023-24
2. The Hindu | Is poverty being underestimated in India?

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