**INDIAN STATISTICAL INSTITUTE,**
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**OFFICIAL STATISTICS PROJECT**

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# Comparative Study of Household Consumption:

# West Bengal and Benchmark States

# Using NSS 68th Round

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**Project Report**

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# 1 Levels of Consumption

The level of household consumption, as measured by Monthly Per Capita Consumer Expenditure (MPCE), is a widely used indicator of economic well-being and living standards. Using the Modified Mixed Reference Period (MMRP) estimates from the NSS 68th Round (2011–12), this section compares the consumption levels of West Bengal with selected benchmark states, separately for rural and urban sectors.

## Inter-State Comparison of MPCE

West Bengal occupies an intermediate position in the national distribution of consumption expenditure. Its average MPCE is significantly higher than that of the poorest states such as Bihar and Odisha, but remains well below the levels observed in more developed states such as Kerala and Maharashtra.

- In the **rural sector**, West Bengal's average MPCE is below the all-India average, indicating relatively lower purchasing power among rural households. The rural consumption level in West Bengal is closer to that of Bihar and Odisha than to Tamil Nadu or Maharashtra, reflecting structural similarities in agrarian dependence and income opportunities.
- In the **urban sector**, West Bengal's MPCE is approximately aligned with the national average. However, it lags behind Maharashtra and Kerala, suggesting that urban centers in West Bengal have not fully translated agglomeration advantages into higher consumption outcomes.

## Rural–Urban Disparities

A striking feature of West Bengal's consumption profile is the magnitude of the rural–urban gap. The urban MPCE in West Bengal is more than double its rural MPCE, placing it among the states with the highest spatial disparities in consumption.

- The large rural–urban differential points to uneven growth processes, where gains in urban consumption have not been matched by comparable improvements in rural living standards.

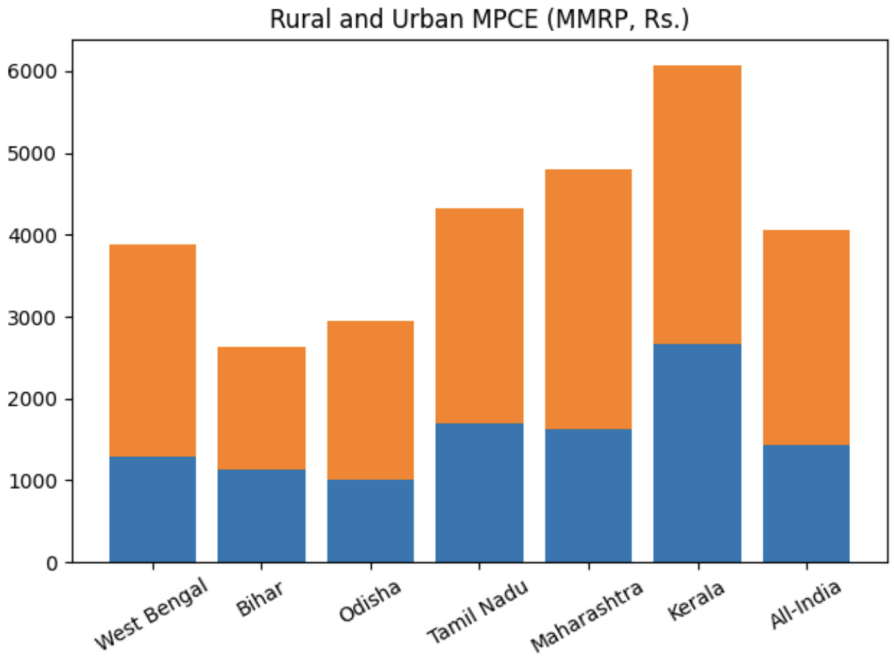
- Compared to states like Kerala, where the rural–urban gap is relatively modest, West Bengal exhibits sharper segmentation between rural and urban economies, potentially driven by limited non-farm employment opportunities in rural areas.

## Interpretation and Implications

The observed consumption levels suggest that West Bengal's economic structure supports moderate urban consumption while leaving rural households relatively constrained. This pattern has important implications for inequality and development strategy.

- Low rural MPCE implies greater vulnerability to price shocks and fluctuations in food and fuel costs.
- The persistence of a high rural–urban gap highlights the need for policies aimed at raising rural incomes through diversification of employment and improved access to markets.

Overall, the level-of-consumption analysis indicates that West Bengal's challenge lies not in extreme deprivation, but in bridging the substantial gap between urban and rural consumption and aligning rural living standards more closely with national averages.



# 2 Composition of Consumption Expenditure

While average MPCE captures the overall level of living, the composition of consumption expenditure provides deeper insight into the structural characteristics of household economies. Using MMRP-based estimates from the NSS 68th Round, this section examines the relative importance of food and non-food components in household consumption, with particular emphasis on West Bengal and its comparison with selected benchmark states.

## Food versus Non-Food Expenditure

A salient feature of West Bengal's consumption profile is the relatively high share of food expenditure in total MPCE, especially in the rural sector. This pattern is consistent with Engel's law, which predicts a declining share of food expenditure as income levels rise.

- In **rural West Bengal**, food accounts for a substantially larger proportion of total consumption compared to the all-India average. The food share is comparable to that observed in Bihar and Odisha, and markedly higher than in Kerala or Maharashtra.
- In the **urban sector**, although the share of food expenditure is lower than in rural areas, it remains higher than in more developed states. This suggests that even urban households in West Bengal face tighter budget constraints relative to their counterparts in high-income states.

## Cereals and Basic Necessities

Within food expenditure, cereals constitute a non-negligible share in West Bengal, particularly in rural areas. A high cereal share is typically associated with lower levels of income and limited dietary diversification.

- The cereal share in rural West Bengal exceeds the all-India average, indicating continued dependence on staple consumption.
- Compared to states such as Kerala, where consumption has shifted significantly toward non-cereal food items, West Bengal exhibits a slower transition in dietary patterns.

## Non-Food Expenditure and Structural Constraints

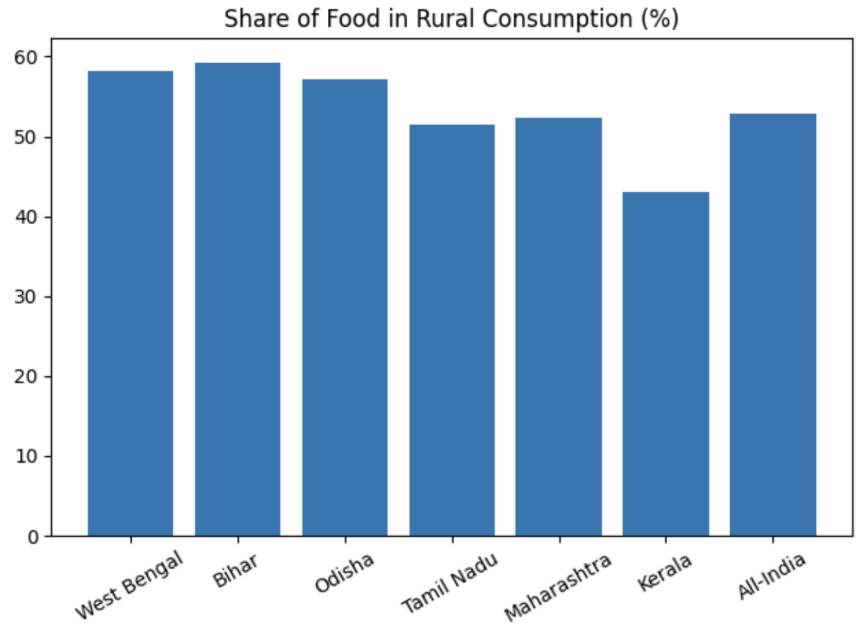
Non-food expenditure categories such as education, health, transport, and consumer services reflect longer-term investments in human capital and access to economic opportunities. The relative shares of these components differ systematically across states.

- West Bengal allocates a smaller share of MPCE to education and consumer services than high-income states, suggesting constraints on discretionary spending.

- The comparatively lower non-food share implies limited scope for expenditure smoothing and investment in quality-of-life enhancing goods and services.

### Interpretation

The composition of consumption in West Bengal reveals a pattern consistent with moderate income levels and structural rigidity in household budgets. High food and cereal shares, coupled with relatively lower non-food expenditure, indicate that a significant portion of consumption is devoted to necessities rather than to human capital or durable goods. This composition underscores the importance of policies aimed at income growth and diversification, which can facilitate a gradual shift toward more balanced consumption baskets over time.




## 3 Policy-Relevant Insights

The analysis of consumption levels and composition in West Bengal, based on NSS 68th Round data, yields several insights that are relevant for policy design and evaluation. While the state does not exhibit extreme deprivation in terms of average MPCE, the patterns observed point to structural challenges that warrant targeted intervention.

A key concern is the pronounced rural–urban disparity in consumption. The substantially lower rural MPCE, combined with a high dependence on food and cereals, suggests limited income diversification and greater vulnerability to price fluctuations among rural households. Policies aimed at strengthening non-agricultural employment, improving rural market access, and enhancing productivity in allied sectors may contribute to more balanced consumption outcomes.

The composition of expenditure further indicates constrained spending on non-food items such as education, health, and consumer services, particularly in rural areas. Since these categories are closely linked to human capital formation and long-term welfare, sustained underinvestment may reinforce intergenerational inequality. Improving access to affordable public services can partially offset such constraints and reduce the burden on household budgets.

Finally, the persistence of high food shares, even in urban areas, underscores the importance of considering cost-of-living and price dynamics alongside income growth. From a statistical perspective, these findings highlight the value of consumption-based indicators in monitoring welfare and in assessing the inclusiveness of growth across regions within the state.

# 4 Acknowledgment

I would like to express my sincere gratitude to Professor Sandip Mitra for his valuable guidance, constructive feedback, and continuous support throughout the completion of this project. His insights and encouragement greatly enhanced the clarity and depth of my work, and I am deeply thankful for his time and mentorship.