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'I show off, so I am well off': Subjective economic well-being and conspicuous consumption in an emerging economy

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ABSTRACT

Conspicuous consumption may be explained by the need to signal higher social status in a society. However, whether this consumption actually translates to improved perception of well-being remains unexamined. In the emerging economy context, we argue that conspicuous consumption may play the role of elevating one's own perception of economic well-being. Further we hypothesize the effect to be higher for the households in the 'bottom of the pyramid' (BOP). Using data from a panel of 34,621 households from India Human Development Surveys (2004 and 2011), we examine the relationship between conspicuous consumption and subjective economic well-being (SEWB) using several empirical strategies. Results support our hypotheses that higher conspicuous consumption may result in improved SEWB and that the effect is higher for households in the BOP. Our findings contribute to the domain of conspicuous consumption and BOP in emerging markets. Further, our results have significant marketing and policy implications.

1. Introduction

Conspicuous consumption, driven primarily by its visibility rather than its perceived objective utility remains an area of much academic inquiry (Hicks & Hicks, 2014; Kastanakis & Balabanis, 2014; Kaus, 2013; Wang & Griskevicius, 2014). However as evidence of conspicuous consumption emerges from low income populations (Banerjee & Duflo, 2011), it ceases to be an issue only of academic interest, attracting attention from policy makers and practitioners as well. Why is it that the "poor", who might be expected to spend more on basic necessities, divert expenditure to goods and services that appear to be exhibitionist and unproductive? An underlying explanation in previous inquiries has been the subjective utility (perceptual in nature, and may not be related to objective utility) that consumers derive from conspicuous consumption, based on their perceptions of status (Powdthavee, 2009; Roychowdhury, 2017) and relative positions in society (Jaikumar & Sarin, 2015; van Kempen, 2003). Although promising, in the absence of measures of subjective economic well-being, the explanation is also not one that is very easily amendable to empirical examination, especially in emerging economies like India.

Conspicuous consumption is defined as the use of resources to consume goods with the objective of displaying one's high social status to others (Veblen, 1899). Households may indulge in conspicuous consumption to reduce the dissatisfaction arising from their current level of possessions in comparison to their peers and to 'keep up with the Joneses' (Christen & Morgan, 2005; Frank, 1985). Hence households may feel economically healthy when they are able and willing to signal higher social status via conspicuous consumption. As a result, although considered wasteful from one perspective, conspicuous consumption might play a role in the perceived economic well-being of the household, a dimension of welfare that is increasingly being recognized and studied.

This increased attention to the determinants of subjective economic well-being stems primarily from challenges to the assumption that economic growth leads to better welfare (eg. McBride, 2001) and that the "happiness" of a country may not be associated with its economic growth, a paradox labeled as the 'Easterlin paradox' (Easterlin, 1974, 1995, 2001). Possible explanations have pointed to the idea that members of a society are more concerned about relative (rather than absolute) wealth levels, i.e., 'keeping up with the Joneses' or outdoing them (Christen & Morgan, 2005; Clark, Frijters, & Shields, 2008; Layard, 2005; McBride, 2001). Recent studies in emerging economies also suggest that households are likely to rely on conspicuous consumption to signal higher status in a society, especially when income inequality levels are higher (e.g. Jaikumar & Sarin, 2015). However, what remains under examined is the extent to which conspicuous consumption actually translates to higher subjective economic well-being.

The limited studies examining this relationship primarily use cross-

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sectional data and/or small scale data sets restricted to small geographies (Linssen, Kempen, & Kraaykamp, 2011), with the evidence remaining inconclusive. We contribute to the literature by using a nationally representative panel data set from India to estimate the relationship between the consumption of such conspicuous products and changes in the perception of one's economic well-being. Using an unique panel dataset of 36,421 Indian households from 2004 and 2011 India Human Development Survey (henceforth IHDS), we find that higher levels of conspicuous consumption are associated with increased perceptions of subjective economic well-being and that this effect is even more pronounced among households in the 'bottom of the pyramid' (henceforth BOP). We believe that the findings from our study pose a number of challenges and opportunities to marketers and policymakers alike, in emerging markets.

The rest of the paper is organized into five sections. First, we provide a brief background on economic growth and subjective well-being in India. We argue that conspicuous consumption might result in an improved sense of economic well-being, as these households are better able to signal higher social status and are able to 'keep up with the Joneses'. Second, based on the key characteristics of the 'bottom of the pyramid' in emerging economies, we hypothesize the effect to be higher for the low-income households. Third, we explain the IHDS panel dataset and few of its unique features that help us in examining the relationship of interest. Fourth, we present the empirical strategies followed to test the hypotheses and then discuss the results. Finally, we explain the marketing and policy implications of our findings.

2. Conspicuous consumption and subjective economic well-being in emerging economies

There is ample evidence for conspicuous consumption in developing countries (Anderson, 2003; Banerjee & Duflo, 2011; Case, Garrib, Menendez, & Olgiati, 2013; Fafchamps & Shilpi, 2008; Guillen-Royo, 2011; Jin, Li, & Wu, 2011; Linssen et al., 2011). Rather than dismissing it as irrational, literature from a variety of disciplines, including economics, psychology and sociology attribute the prevalence of conspicuous consumption to the attention people pay to relative rather than absolute standing in society (Kastanakis & Balabanis, 2012, 2014), as a means of signaling social status (Ordabayeva & Chandon, 2011) and overcoming feelings of relative deprivation (Sen, 1983). The use of conspicuous consumption as an instrument to signal relative status has also been found to be significant in emerging economies such as India, and among the more disadvantaged within it (e.g. Jaikumar & Sarin, 2015). For instance, a field experiment by van Kempen (2004) also revealed that households in Bolivia, a developing economy, were willing to forego expenses on basic needs for conspicuous goods.

Plausible explanations for conspicuous consumption in emerging markets include seeing it as a substitute for educational qualifications and the absence of other means for signaling status (Jaikumar & Sarin, 2015; Moav & Neeman, 2012). For instance, India and several other emerging economies such as Brazil, are characterized by lack of access to proper high return financial institutions (Basu, 2006; Brown, Bulte, & Zhang, 2011; Claessens, 2006; Jung, 1986; Mahajan & Ramola, 1996). Due to this lack of access, households in emerging economies may not involve in 'status savings' (Corneo & Jeanne, 1999), but indulge in conspicuous consumption (Jaikumar & Sarin, 2015; Powdthavee, 2009). An implicit assumption in these explanations is that while conspicuous consumption may not be productive from a material or a basic needs perspective, it serves to improve the subjective economic well-being of the consumers and hence the indulgence in it. However, this is an assumption that has received limited empirical examination. A plausible reason for the lack of empirical studies is the relatively recent attention that the idea of subjective economic well-being has received in studying human welfare.

While quantifying welfare has been a long-standing topic of interest (Dolan, Peasgood, & White, 2008; McBride, 2001), the last few decades has seen a marked attention to self-reported 'happiness' or subjective well-being (e.g. Easterlin, 2001).[1] A key finding in the subjective well-being literature is that the extent of economic growth in a society may not be associated with overall 'happiness' of the members of the society (Easterlin, 1995). According to the 'Easterlin paradox', "raising the incomes of all, does not increase the happiness of all, because the positive effect of higher income on SWB [subjective well-being] is offset by the negative effect of higher living level norms brought about by the growth in incomes generally" (Easterlin, 1995, p. 36). Instead, people are more likely to anchor their sense of economic well-being on the relative income levels prevalent in the society (Layard, 2005). Since income levels are not directly observable, households are likely to resort to more visible forms of consumption to signal their relative status and find ways to 'keep up with the Joneses' (Christen & Morgan, 2005), and eventually report deriving 'welfare' in doing so. Building on these arguments, we hypothesize that households spending a higher percentage on conspicuous goods, are more likely to report higher levels of SEWB.

H1. The amount spent on conspicuous products is likely to have a positive impact on SEWB, while controlling for objective indicators of economic growth and welfare.

2.1. Conspicuous consumption in the 'bottom of the pyramid'

The literature on 'keeping up with the Joneses' and 'status consumption', which links our hypothesized relationship between subjective economic well-being and conspicuous consumption, can be seen as having its origins in the relative income hypothesis proposed by Duesenberry (1949). According to Duesenberry's theory, a household's attitude towards consumption and savings are greatly influenced by the relative position in terms of the household's income, rather than by the abstract standard of living. Further, the relative income hypothesis argues that the propensity to spend on consumption increases for a household in the lower end of the income ladder.

One of the key characteristics of emerging economies is the presence of 'below the poverty line' households, termed as the 'bottom of the pyramid' (Prahalad & Hammond, 2002; Sheth, 2011) and several studies have examined the differences in consumption behavior of such BOP households (e.g. Elliot, Cherian, & Elaydi, 2014; Gau, Ramirez, Barua, & Gonzalez, 2014; London, Anupindi, & Sheth, 2010). While 'bottom of the pyramid' may just be an economic phenomenon as per the constrained view of poverty based on neoclassical approach, these households may be characterized by inclusion of sociocultural aspects of consumption, such as consuming for social acceptance and desirability (Laderchi, Saith, & Stewart, 2003). Fueled by material deprivation that affects the sense of well-being and ill-being (Bertrand, Mullainathan, & Shafir, 2006; Chakravarti, 2006), the consumption propensities of the BOP households are highly influenced by the socioeconomic environment (Sinha, Tripathi, & Mishra, 1982). Further, prolonged material deprivation may have an impact on self-efficacy (Moller, Ryan, & Deci, 2006), which in turn may result in the BOP households losing self-control (Mullainathan, 2007) to balance the consumption across the present (e.g. conspicuous products) and the future (e.g. savings and education). This may further be complicated by the lack of future orientation among BOP households to produce imprudent consumption actions in the present (Liberman & Trope, 2000; Lynch & Zauberman, 2006). Evidently, the motivation and consumption patterns of these BOP households and their resulting sense of

[1] In this paper, we specifically focus on subjective economic well-being - a subcategory of overall well-being – a target variable of economic policy. However, this is not a distinction that is always made in the literature, hence we broadly rely on the subjective well-being literature to draw inferences for our relationship of interest – subjective economic well-being (SEWB) and conspicuous consumption.

well-being may differ significantly from those of a typical household.

Few development economists (e.g. Sen, 1983, 1999) have also suggested that capability-based assessment of well-being may be a more holistic approach, and that poverty should be viewed as the failure to achieve such salient capabilities which reduces the freedom of the poor to lead a quality life. While Sen's study is important in recognizing the need for the poor to develop the absolute capability to avoid shame as well as social exclusion (Alkire, 2005; Gasper, 1997), it is also important to realize that often the BOP consumers resort to consumption of products or services to avoid shame or humiliation associated with material deprivation (Sen, 1983). Several studies in marketing have also discussed how certain consumption practices helps the poor in coping with poverty and its associated challenges, as well as increase their perceptions of well-being. For example, studies have shown that BOP consumers increase their consumption to reduce feelings of alienation, or loss of control (Alwitt, 1995; Hill & Stephens, 1997), anger, or incapability (Sen, 1992), learned helplessness (Rabow, Berkman, & Kessler, 1983), or even escapism, addiction and severe mental illness (Hill, 1991). Such consumptions are often conspicuous (e.g. a poor mother buying her child branded shoes to avoid humiliation of her child due to peer misbehavior) and increased their perceptions of subjective well-being, as well as social inclusion. Evidently, conspicuous consumption among the poor in developing economies have been reported in several studies (e.g. Bloch, Rao, & Desai, 2004; Brown et al., 2011; van Kempen, 2003). Hence we hypothesize that ceteris paribus:

H2. The effect of conspicuous consumption on SEWB is likely to be higher for BOP households compared to other households.

3. Data

Emerging markets have been characterized by unprecedented growth in recent times, and it is expected that by 2035, the GDP of the emerging markets would surpass that of all developed markets (Wilson & Purushothaman, 2003). This suggests an increasing demand from consumers in these markets. With the growing prosperity of emerging markets, and reducing gaps with their western counterparts, welfare has become an interesting area of research. We study the relationship between conspicuous consumption and subjective economic well-being, in the context of Indian households. India, as one of the leading emerging markets, as well as world's third largest market based on purchasing power parity index (as per International Monetary Fund 2008), liberalized her economy in 1991, and since then the economy has undergone several changes in tune with the demands of globalization.

We use data from IHDS 2004 and 2011 to empirically test our hypotheses in the context of India. In 2004, the University of Maryland and the National Council of Applied Economic Research (NCAER) organized and conducted the IHDS. Data was collected from a nationally representative sample of 41,554 households across India, covering all the 33 states and union territories. The survey covered 1503 villages and 971 urban areas across the country. Further, the sample consists of 27,010 rural and 13,126 urban households (Desai et al., 2005). In 2011, a second round of interviews (IHDS II) was conducted with a sample of 42,152 households. Majority of the households interviewed in 2004 (83%) were re-interviewed in IHDS II. Further, the second wave of IHDS covered 1420 villages and 1042 urban areas across the country (Desai & Vanneman, 2011). We merged the two surveys to create a panel of 34,621 households (69,242 observations across two time periods) for our analysis. Further, we also used the deflators specified in IHDS II to convert all amounts (income and expenses) in 2011 to 2004 values, thus creating a unique dataset that could provide rich insights into the changes at the household level.

The IHDS panel dataset has several merits over other surveys conducted in India and other emerging economies. IHDS surveys capture detailed information on the household income. Income from various sources (e.g. business, farming, salary, labor, remittances) is measured separately for each household. This enables us to identify households that are below poverty line within a state. Below poverty line households may be identified based on total income (eg. bottom 10% households in terms of income within a state) or based on income per capita (and comparing it with the official poverty line index). IHDS also reports detailed consumption information (47 categories in 2004 and 52 in 2011) at the household level, data that we use to construct our measures of conspicuous consumption. The data collected by IHDS in the two survey waves mainly capture household characteristics using questionnaire items well established in the literature (Desai et al., 2005; Desai & Vanneman, 2011). Further, IHDS dataset has been used extensively in the literature to provide empirical evidence for a wide range of research work (e.g. Khamis, Prakash, & Siddique, 2012; Roychowdhury, 2017).

The survey captures household consumption information across 47 categories. We follow the classification schemes used in prior research (Jaikumar & Sarin, 2015; Khamis et al., 2012; Roychowdhury, 2017) and classify 12 of these items as conspicuous (listed in Appendix A). In line with our definition of conspicuous consumption, the 12 items meet the following two criteria: (i) be readily visible/observable by others, and (ii) create the perception that households consuming these items are, on average, economically better off than those who consume less of them (Roychowdhury, 2017). We use the share of household expenses spent on these 12 items as a measure of visible or conspicuous consumption. Further, in 2011, the head of all households were asked: 'Compared to 7 years ago [2004], would you say your household is economically doing the same, better, or worse today'. In 2004, the household heads were posed the same question, but on a 10 year margin (compared to 1994). The responses were coded as 1 - worse, 2 - same and 3 - better (increasing order of SEWB - recoded from original responses). We use the response to this question as our measure of SEWB and the dependent variable in our empirical analysis. Our measure of SEWB differs from other conventional measures of subjective well-being (refer Helliwell, Richard, and Jeffrey (2015) and Dolan et al. (2008) for a larger discussion) that ask respondents more explicitly to evaluate their well-being relative to that of a specific reference group (e.g. neighbours) or a particular anchor (e.g. Cantrill's ladder). As stated above, the question explicitly asked respondents to assess changes in their economic circumstances in subjective terms and based on their own perceptions of how well they are doing. In doing so, we believe it captures an important and distinct construct hitherto unexplored in the context of an emerging economy.

4. Empirical framework and results

We employ an ordered probit model to test our hypotheses using the data from the two survey waves. The rationale for selecting ordered probit regression rather than linear models (or non-linear probit regression) is that the responses to SEWB can be on three discrete levels. The three levels have a clear order (worse, same, better – increasing order). Ordered probit models utilize this additional order information effectively in computing the likelihood of a household reporting each of these responses. Using a linear model (or a non-linear probit model) would not effectively utilize the additional embedded order information in the response to SEWB.

We utilize the panel nature of the data and compute changes in share of conspicuous consumption between 2011 and 2004. A higher change indicates that the household is willing to spend a larger portion of its consumption expenses on conspicuous items in 2011 compared to 2004. By focusing on changes in conspicuous consumption, we partly address the issue of endogeneity that higher perception of economic well-being may lead to higher conspicuous consumption. As we are examining the changes in conspicuous consumption against the perception of changes in economic well-being in 2011, we may attribute the

perceived changes in SEWB reported in 2011 to the change in consumption of such goods. Further, by controlling for reported changes in SEWB in the years before 2004, we also control for any underlying differences in a household's interpretation of the SEWB measure used by us. We express the reported changes in SEWB as a function of changes in share of conspicuous consumption and other control variables and estimate the following ordered probit model:

$$\Pr(y_i > k \mid \kappa, \delta x_i, \vartheta_i) = \Phi(\delta x_1 \beta_1 + X_i \beta_i \vartheta_i - \kappa_k) \quad (1)$$

where i = 1, 0.34,621 households, y_i is the SEWB measure for household i in 2011, δx_1 refers to the focal variable - change in share of conspicuous consumption (share of conspicuous consumption$_{2011}$ − share of conspicuous consumtion$_{2004}$), X_i refers to the vector of covariates, ϑ_i are independent and identically distributed N(0, σ^2_ϑ), κ is a set of cutpoints κ_1, … κ_{K-1}, where K is the number of possible outcomes (in this case K = 3 and hence there are only two cutpoints – κ_1 and κ_2), and Φ(.) is the standard normal cumulative normal distribution function. The response variable y, in this case, may take one of three values (1, 2 or 3). The model may also be expressed as a latent linear response, where observed ordinal responses y_i are generated from latent continuous responses as shown below:

$$y_i^* = x_i \beta + \vartheta_i + \varepsilon_i \quad (2)$$

where error terms ε_i follow a standard normal distribution N(0,1) and are independent of ϑ_i. This results in:

$$y_i = \begin{cases} 1 & \text{if } y_i^* < \kappa_1 \\ 2 & \text{if } \kappa_1 < y_i^* < \kappa_2 \\ 3 & \text{if } \kappa_{K-1} < y_i^* \end{cases} \quad (3)$$

where 1 - worse, 2 - same and 3 – better. We conduct the analysis with multiple sets of X_i – (1) with just the variable of interest: change in share of conspicuous consumption, (2) with state level changes in: mean income (log) and income inequality (gini coefficient), (3) with household characteristics: location (urban/rural, metro city), social group, number of members in the household, number of years of education (of the most literate member of the household), SEWB in 2004, and (4) with changes in objective indicators of economic well-being: monthly income and household assets.

The results of the random-effects ordered probit models are presented in Table 1. The four columns present the coefficients and their standard errors (robust standard errors are reported in parentheses). The fourth column corresponds to the results of the full model presented in Eq. (1) with state level controls, household characteristics and indicators of economic status. In all the four models, the coefficient of interest, (coefficient of change in the share of conspicuous consumption) is found to be statistically significant ($p < 0.05$). Consistent with our predictions, the sign of the coefficient is positive, indicating that a higher share of conspicuous consumption in 2011 compared to 2004 results in an increase in the probability of the household to report an elevated sense of economic well-being. Together, the effects indicate a significant shift towards a better SEWB (= 3) when there is an increase in Δ conspicuous consumption. Further, consistent with earlier findings on Easterlin paradox, we find that changes in state mean income do not have any significant effect on SEWB. However, an increase in income inequality is found to have a negative impact of SEWB, providing support for the argument that relative income levels may play a significant role in explaining SEWB rather than absolute economic growth.

4.1. Bottom of the pyramid

We categorize the bottom 10 percentile (in terms of household income) within each state as the low-income group or the bottom of the pyramid (BOP). We then conduct a series of analyses to estimate whether the effect of conspicuous consumption on SEWB is different for the BOP households. First, we compare the effect between the bottom 10 percentile (BOP) and the rest of the households (column 1 in Table 2). Second, we compare the effects between the bottom 10 percentile and the penultimate 10 percentile group (the group of households just above the BOP line) in terms of income within each state (reduced sample of 6839 households - column 2 in Table 2). Finally, we compare the bottom 10 percentile and the top 10 percentile (high-income) groups (reduced sample of 6809 households - column 3 in Table 2). In all these cases, we test Eq. (1) with all controls.

The results of the three models are presented in Table 2. Across the three analyses, the interaction term between low-income group and change in conspicuous consumption is consistently found to be positive and significant ($p < 0.05$). Evidently, the low-income households are more susceptible to a sense of increased economic well-being when they set aside a higher portion of their expenses for conspicuous goods. This effect is consistent irrespective of the comparison group – rest of the sample, penultimate 10 percentile (in terms of income) or top 10 percentile. We present the predicted probabilities of BOP and top 10 percentile households reporting different levels of SEWB for a 1% change in Δ conspicuous consumption in Table 3. The marginal effects are insignificant for the top 10 percentile income households, indicating that increasing conspicuous consumption did not change the likelihood

Table 1
Changes in conspicuous consumption and SEWB.

Explanatory variables	Dependent variable: SEWB 2011			
	(1)	(2)	(3)	(4)
Δ share of conspicuous consumption	0.098*** (0.034)	0.122*** (0.035)	0.175*** (0.035)	0.065* (0.036)
Δ state mean income		0.000*** (0.001)	0.000*** (0.001)	0.000 (0.001)
Δ income inequality (Gini)[a]		− 1.137*** (0.140)	− 0.687*** (0.146)	− 0.527*** (0.146)
Urban (1 = yes)			0.054*** (0.015)	0.069*** (0.015)
Metro (1 = yes)[b]			0.024 (0.025)	0.045* (0.025)
No. of members in household			0.029*** (0.003)	0.019*** (0.003)
Education[c]			0.046*** (0.001)	0.042*** (0.001)
SEWB 2005			0.178*** (0.009)	0.199*** (0.009)
Δ change in income				0.000*** (0.000)
Δ household assets[d]				0.040*** (0.002)
Social group[e]			✓	✓
κ_1	− 1.279*** (0.009)	− 1.186*** (0.013)	− 0.431*** (0.047)	− 0.370*** (0.047)
κ_2	0.281*** (0.007)	0.378*** (0.011)	1.211*** (0.047)	1.295*** (0.047)
No. of households	34,031	34,031	33,982	33,982

Standard errors in parentheses.
✓ indicates that social group effects are accounted for in the model.
** $p < 0.05$.
*** $p < 0.01$.
* $p < 0.1$.
[a] Gini index is computed using income data from households in 2004 and 2011. To get a clear picture of the income inequality prevalent in the state, households with negative or zero incomes are converted to 0.1 to ensure that they are included in the inequality calculations.
[b] This binary variable indicates whether the household is located in one of the six metro cities (Delhi, Mumbai, Kolkata, Chennai, Hyderabad and Bangalore).
[c] Number of years of education of the most literate member of the household – ranges from 1 year (1st standard) to 15 years (Graduate and above).
[d] Household assets refers to sum of 30 dichotomous items measuring household possessions and housing quality.
[e] The sample is divided into seven social groups (exclusive) – Brahmins, forward castes, other backward classes, Dalits, Adivasis, Muslims and Christians, Sikhs and Jains.

Table 2
Changes in conspicuous consumption and SEWB: BOP vs. others.

Explanatory variables	Dependent variable: SEWB 2011		
	(1)	(2)	(3)
Δ share of conspicuous consumption	0.042	− 0.043	− 0.051
	(0.037)	(0.122)	(0.099)
BOP (1 = yes)	− 0.139***	− 0.053*	− 0.410***
	(0.021)	(0.028)	(0.041)
BOP * Δ share of conspicuous consumption	0.249**	0.325*	0.380**
	(0.124)	(0.170)	(0.153)
Δ state mean income	0.000	− 0.000**	0.000
	(0.000)	(0.000)	(0.000)
Δ income inequality (Gini)	− 0.535***	0.282	− 0.486
	(0.146)	(0.330)	(0.329)
Urban (1 = yes)	0.059***	− 0.058	− 0.036
	(0.015)	(0.042)	(0.037)
Metro (1 = yes)	0.045*	− 0.011	− 0.029
	(0.025)	(0.069)	(0.053)
No. of members in household	0.018***	0.024***	0.003
	(0.003)	(0.007)	(0.006)
Education	0.041***	0.028***	0.042***
	(0.001)	(0.003)	(0.004)
SEWB 2005	0.193***	0.164***	0.184***
	(0.009)	(0.019)	(0.022)
Δ change in income	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)
Δ household assets	0.040***	0.046***	0.032***
	(0.002)	(0.004)	(0.004)
Social group	✓	✓	✓
κ_1	− 0.413***	− 0.395***	− 0.672***
	(0.048)	(0.109)	(0.108)
κ_2	1.253***	1.366***	0.901***
	(0.048)	(0.110)	(0.108)
No. of households	33,982	6839	6809

Standard errors in parentheses.
(1) - Low-Income (BOP) vs. Rest of the households within each state.
(2) - Low-Income (BOP) vs. Penultimate 10 percentile (11 − 20) in terms of income within each state.
(3) - Low-Income (BOP) vs. Top 10 percentile (91–100) in terms of income within each state.
✓ indicates that social group effects are accounted for in the model.
*** p < 0.01.
** p < 0.05.
* p < 0.1.

Table 3
Marginal effects: BOP vs. top 10 income percentile.

SEWB	BOP households	Top 10 income percentile
1-worse	− 0.065***	0.006
	(0.024)	(0.011)
2-same	− 0.057***	0.015
	(0.021)	(0.029)
3-better	0.122***	− 0.020
	(0.044)	(0.039)

Standard errors in parentheses.
Note: marginal effects are computed with other control variables at their mean values.
** p < 0.05.
* p < 0.1.
*** p < 0.01.

of reporting better SEWB. However, in the case of BOP, there is a 6.5 percentage point (p < 0.05) decline in reporting 'worse' SEWB(= 1), 5.7 percentage point (p < 0.05) decline in reporting 'same' SEWB (= 2), and a 12.2 percentage point (p < 0.05) increase in reporting a 'better' SEWB(= 3). Overall, results indicate that BOP households tend to derive a higher sense of economic well-being from consuming conspicuous goods.

Table 4
Conspicuous consumption and SEWB: panel ordered probit regression.

Explanatory variables	Dependent variable: SEWB			
	(1)	(2)	(3)	(4)
Share of conspicuous consumption	0.961***	0.974***	0.702***	0.344***
	(0.038)	(0.038)	(0.037)	(0.037)
Year (1 = 2011)	− 0.100***	− 0.274***	− 0.262***	− 0.346***
	(0.009)	(0.011)	(0.011)	(0.011)
State mean income (log)		0.521***	0.354***	− 0.048**
		(0.018)	(0.018)	(0.019)
Income inequality (Gini)		0.694***	1.037***	1.541***
		(0.130)	(0.127)	(0.127)
Urban (1 = yes)			0.055***	− 0.236***
			(0.012)	(0.012)
Metro (1 = yes)			0.017	− 0.041**
			(0.019)	(0.019)
No. of members in household			0.023***	− 0.002
			(0.002)	(0.002)
Education			0.051***	0.012***
			(0.001)	(0.001)
Income (log)				0.208***
				(0.006)
Household assets (log)				0.056***
				(0.001)
Social group			✓	✓
Observations	68,571	68,571	68,501	67,420
No. of households	34,621	34,621	34,620	34,576

Standard errors in parentheses.
* p < 0.1.
*** p < 0.01.
** p < 0.05.

4.2. Panel ordered probit regression

To further verify our results, and to account for household time-invariant effects, we use the panel data and assess the effect of share of conspicuous consumption on SEWB. Specifically, we employ a random effects panel ordered probit model:

$$\Pr(y_{it} > k \mid \kappa, x_{it}, \vartheta_i) = \Phi(x_{it}\beta + \vartheta_i - \kappa_k) \quad (4)$$

where the subscript t indicates time period (1 = 2004 and 2 = 2011) and all other variables are defined similar to Eq. (1), except that instead of δ we use actual values at time = t. Results presented in Table 4 (overall effect of conspicuous consumption on SEWB) and Table 5 (BOP vs. others) are consistent with our earlier findings in terms of direction and significance reported in Tables 1 and 2). Specifically, we find that an increase in share of conspicuous consumption is associated with an increased likelihood of reporting better SEWB (Table 4) and the effect to be higher for BOP households, irrespective of the reference group (Table 5).

4.3. Robustness tests

We perform a number of robustness tests to ensure that the pattern of results hold under different specifications. First, we specify conspicuous consumption in two different forms –amount spent on conspicuous consumption (in 2004 real prices) and log of the amount spent on conspicuous consumption. Second, we change the composition of the conspicuous goods - we use the top six items from Jaikumar and Sarin (2015) and Khamis et al. (2012). Third, we select one item – jewelry and ornaments as the conspicuous good and examine the hypotheses. Finally, we change our definition of BOP from bottom 10 percentile based on income to bottom 10 percentile based on income per capita, and repeat the analyses. In all these cases, the pattern of results was similar to those reported earlier.

Table 5
BOP vs. others: panel ordered probit regression.

Explanatory variables	Dependent variable: SEWB		
	(1)	(2)	(3)
Share of conspicuous consumption	0.309***	0.506***	0.279***
	(0.039)	(0.128)	(0.106)
BOP (1 = yes)	0.069***	− 0.056	− 0.629***
	(0.026)	(0.035)	(0.077)
BOP ∗ Share of conspicuous consumption	0.476***	0.158	0.417**
	(0.146)	(0.189)	(0.177)
Year (1 = 2011)	− 0.345***	− 0.178***	− 0.301***
	(0.011)	(0.025)	(0.028)
State mean income (log)	− 0.067***	0.033	0.023
	(0.019)	(0.045)	(0.046)
Income inequality (Gini)	1.586***	1.517***	1.050***
	(0.128)	(0.293)	(0.309)
Urban (1 = yes)	− 0.235***	− 0.326***	− 0.162***
	(0.012)	(0.032)	(0.031)
Metro (1 = yes)	− 0.044**	− 0.008	− 0.002
	(0.019)	(0.048)	(0.041)
No. of members in household	− 0.003	0.036***	0.005
	(0.002)	(0.005)	(0.004)
Education	0.012***	0.012***	0.021***
	(0.001)	(0.003)	(0.003)
Income (log)	0.234***	0.005	0.004
	(0.007)	(0.020)	(0.018)
Household assets (log)	0.055***	0.065***	0.054***
	(0.001)	(0.003)	(0.003)
Social group	✓	✓	✓
Observations	67,420	12,633	12,583
No. of households	34,576	10,483	10,414

Standard errors in parentheses.
(1) - Low-Income (BOP) vs. Rest of the households within each state.
(2) - Low-Income (BOP) vs. Penultimate 10 percentile (11–20) in terms of income within each state.
(3) - Low-Income (BOP) vs. Top 10 percentile (91–100) in terms of income within each state.
✓ indicates that social group effects are accounted for in the model.
* $p < 0.1$.
*** $p < 0.01$.
** $p < 0.05$.

5. Discussion of results

Using a panel of 34,621 Indian households over 2004 and 2011, we find that an increase in conspicuous consumption may result in the household feeling better about their economic well-being. We use two different empirical approaches – (i) using an ordered probit model in which SEWB in 2011 is modeled as function of change in conspicuous consumption and control variables in 2011 compared to 2004, and (ii) using a random effects panel ordered probit model in which SEWB is modeled as a function of conspicuous consumption and control variables. Further, we also examine whether the effect of conspicuous consumption on SEWB is different for the BOP households. We employed both the empirical approaches and compared the BOP households against (i) rest of the households, (ii) the layer just above the BOP households, and (iii) the high-income households. Consistently, we find that the effect of conspicuous consumption on SEWB is higher for the BOP group. Finally, we find the results to be robust to changes in the definition of conspicuous consumption and BOP households.

5.1. Policy implications

The conclusion that conspicuous consumption has a significant impact on SEWB, beyond objective measures of economic well-being and economic growth, has far reaching policy and marketing implications. Our estimates suggest that the need and gratification from exhibiting status via conspicuous consumption would lead households to increase the share of conspicuous consumption to "feel" better and that this gets more pronounced in poorer households. This does not necessarily represent a pathology among the poor, but a possible response to the institutional and structural elements that provide alternate ways of "feeling better". While an improved sense of economic well-being may be beneficial to the household and the economy as a whole from a policy perspective, an increase in the share of conspicuous consumption indicates substantial diversion of resources from other uses (Jaikumar & Sarin, 2015; van Kempen, 2004), which may have helped improve the economic status in the long term (e.g. education and savings). Further this effect is found to be stronger for low-income households (BOP) indicating that such households are likely to suffer the consequences of lesser savings and weaker endowments in terms of education and assets, which is common across BOP in emerging markets (Alkire, 2005; Bloch et al., 2004; Gasper, 1997; Sen, 1983; van Kempen, 2003). If what drives people is subjective economic well-being, then our results that find the relationship between average state income and SEWB to be statistically insignificant, suggest that economic growth in itself is likely to be an inadequate goal for policy makers, consistent with the Easterlin paradox. Further, Rising inequalities (Deaton & Dreze, 2002; Frank, 1985) will need increased attention as they decrease SEWB, as per our results. This raises questions about policies like cash transfers that are increasingly finding favor in the development policy discourse. Overall, we argue that the policy goal of the governments in emerging economies should be to provide better returns to education and access to well-performing financial institutions for the BOP. Rather than focusing on an increase in overall state income, focus should be directed at reducing the prevalent income inequality. Together, this would help improve perceptions of economic well-being while keeping conspicuous consumption under check.

5.2. Marketing implications

From a marketing perspective, our results suggest that firms are likely to benefit from marketing their products, even to the members of the lower end of the income distribution, with a conspicuous value, stressing on the social benefits. However, firms should also be socially responsible in the marketing message conveyed to the lower income group. While positioning a product as status rewarding may be beneficial for the firm, but as our results suggest, it results in instilling a false sense of economic well-being in the minds of the BOP consumers. This may result in a vicious circle of the poor remaining poor in the long term and may adversely affect the firms' ability to sell high value products to that segment. Evidently, the conspicuous nature of goods and services may be perceived as both an advantage and threat to the firm's reputation. In this perspective, we also agree with Shultz and Holbrook (2009) that marketing may be reducing as well as contributing to consumer vulnerability, thus playing a paradoxical role especially in the lives of the BOP consumers. Hence firms may develop and emphasize goods that not only have a visible value, but are also socially productive (Jaikumar & Sarin, 2015). This would help these BOP households in the emerging markets to overcome common misconceptions that increase their vulnerability in the market place (Sinha et al., 1982).

5.3. Theoretical implications

Our study makes several contributions to the literature on conspicuous consumption and BOP markets. The stream of literature on Easterlin paradox argues that relative income levels may explain the lack of clear relationship between economic growth and perceived well-being (e.g. Diener & Biswas-Diener, 2002; Layard, 2005). Another stream argues that consumers are likely to resort to different consumption behaviors to address the issue of relative income levels or income inequalities (e.g. Jaikumar & Sarin, 2015). We combine the insights from the two streams and find that households that use conspicuous

consumption to 'keep up with the Joneses', are also likely to have an improved sense of economic well-being. Further, we contribute to the literature on human agency among the poor. Human agency is defined as the ability of individuals to act and bring about a meaningful change in their lives as per their own values and objectives (Lindeman, 2012; Robeyns, 2005). Prior research on human agency in the BOP suggests that individuals may utilize market devices that offer them agency to move out of poverty (Narayan, Pritchett, & Kapoor, 2009). Evidently, conspicuous consumption could be viewed as market device that may bring about a meaningful change, in terms of perceived economic well-being. While leveraging assets, a form of human agency may help households emerge out of poverty traps (Narayan et al., 2009), our study identifies another form of human agency that may improve a BOP household's perception, but may not economically help in the long term. Thus, our work may also be relevant to the growing stream of literature on human agency and transformative consumer research (Mick, Pettigrew, Pechmann, & Ozanne, 2012) that focus on improving well-being of the BOP segment.

5.4. Limitations and future work

In concluding, we like to acknowledge a few limitations of our study and suggest avenues for further research. First, we consider higher conspicuous consumption as an indicator of the household's ability and willingness to spend on conspicuous goods to signal higher social status and derive a sense of economic well-being. However each item classified as a conspicuous good may have a range within which the consumption motivation would be to signal social status. Due to the limitations of the secondary data, we do not segregate the expenses under each item. However, we do conduct a robustness study using just one item – jewelry and ornaments, considered highly conspicuous across its entire range (based on the argument that there is no minimum threshold for its consumption to be conspicuous). Second, while we address household specific effects on SEWB and conspicuous consumption using a panel model, we do not explicitly identify an extraneous factor to address any potential endogeneity issues. As a result we cannot rule out the presence of other time variant factors that are correlated to both changes in SEWB and share of conspicuous consumption. Further research can focus on identifying potential instruments that may be related to conspicuous consumption and eliminate reverse causal effects (SEWB affecting conspicuous consumption). Finally, our hypothesis on the BOP households rests on the assumption that poor are market-savvy and their capabilities allow them to indulge in conspicuous consumptions to experience a better sense of SEWB. However, prolonged material deprivation in the BOP may lead to 'transcendent fatalism', where the poor accept poverty as preordained by fate and lower their aspiration to cope with the situation (Hundeide, 1999). This psychological barrier to happiness may thus adversely affect both conspicuous consumption and SEWB. Further research may probe the drivers of SEWB in households that have been under prolonged material deprivation and have low aspirations in terms of social status.

Appendix A

Appendix A. Conspicuous items.
Source: Khamis et al. (2012).

Items	Easily observable (% respondents reporting)	Income elasticity ≥ 1 (% respondents reporting)
Personal transport equipment	52.83	31.37
Footwear	39.42	23.30
Vacations	33.02	48.08
Furniture and fixtures	32.08	25.24
Social functions	28.85	35.92
Repair and maintenance	27.36	22.12
House rent	25.71	25.96
Entertainment	23.81	50.49
Clothing and bedding	23.81	27.18
Jewelry and ornaments	22.86	53.40
Recreation goods	20.95	45.63
Personal goods	20.95	44.12

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