



THE IMPACT OF COVID-19 ON THE PATTERN OF CONSUMPTION EXPENDITURE

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Abstract

Consumer spending is one among the most important determinants of economic health of a country. Watching the trend on consumer spending pre and post covid-19, can generate significant information on where our economy is heading, and thus can serve as a useful tool for policy framing. This study maps the changes in Indian household expenditure before and during the pandemic and also the expected expenditure after the pandemic and concludes that the spending of households on Food and grocery, Medical and Health Care and Utilities increased and spending on Travel and tourism and Recreation and Leisure activities severely hit during Pandemic. Covid related restrictions and work from home are major reasons for this change in consumption pattern. After normalcy, it is expected that consumption expenditure on Medical and Health Care and Utilities will remain higher, while spending on Education and Recreation and Leisure activities will decrease. Primary data is collected through a structured questionnaire for the study and then analysed and presented using statistical tools.

Keywords: Consumption expenditure, Household, Income, Covid-19, India

INTRODUCTION

Consumer spending is one of the biggest determinants of economic health of a country and significantly affects large part of its GDP. The consumption of a good or service increases its demand and plays an important role in the determination of income, output, and employment in a country. On March 24, 2020, the Government of India, imposed a strict nationwide lockdown to check the spread of COVID-19. The quick spreading of coronavirus during 2020-21 has totally changed India's way of living. People were required to stay at home and were encouraged to do work from home whenever possible. work from home facility in many sectors and other emotional/physical needs and fear has changed the pattern of consumption expenditure of many households. People are going back to their hometown, spending more on medical and nutritious foods and less on tourism, branded clothes, and other non-food consumer products.

Watching the trend on consumer spending pre and post covid-19, can generate significant information on where our economy is heading, and thus can serve as an invaluable tool for policy framing. Though there are many studies on consumption pattern of households but there is no study to see how their spending on different heads changed during pandemic and whether this change is temporary or permanent. This study tries to fill that gap. The present survey attempts to show the changes in the pattern of consumption expenditure due to the pandemic. The survey was based on responses from 284 respondents.

OBJECTIVES OF THE STUDY

1. To study the change in the pattern of spending on different categories of consumer expenditure.
2. To explore main factors/causes for this change in their consumption expenditure.
3. To study whether the change in pattern of expenditure will become the same after normalcy as it was before pandemic levels.

METHODOLOGY

The paper uses both Primary as well as Secondary Data. The primary data has been collected with the help of a structured questionnaire in google form which was filled by 284 respondents. Secondary data is collected with the help of Books, Reports, Journals, Magazines, Newspapers, Websites, and other published sources. The target population of the study is all residents of India. The data collected for the study has been analysed through percentages, graphical presentation, cross tabulation and use of Index numbers by using MS Excel.

DATA ANALYSIS AND INTERPRETATION

To see the impact on consumption expenditure of households, all expenditures are divided into 8 main categories for study namely Food and Grocery, Medical and Health Care, Education, Travel and Tourism, Utilities, Recreation and Leisure, Miscellaneous Expenditure and Savings/Investment. When income increases, disposable income rises, as a result consumption of non-essential goods increases and vice versa. To see the change in consumer pattern on different heads households are divided according to their income levels. The number of households in different income categories changed during pandemic. As shown in fig 1 below, household income in India decreased drastically due to the pandemic (COVID-19). There is a significant increase in the number of households in less than 50,000 categories (28.42%) and decrease in the level of income of all other categories except slight increase (two households) in greater than 5,00,000 categories.

Table 1 Income wise classification

Income Level	Before Pandemic	During Pandemic	Index taking Pandemic as Base	Number Before	% increase/decrease
<50000	95	122	128.42		28.42
50,000-1,00,000	82	69	84.15		- 15.85
1,00,000-1,50,000	50	42	84.00		- 16.00
1,50,000-3,50,000	34	27	79.41		- 20.59
3,50,000-5,00,000	6	5	83.33		- 16.67
>5,00,000	17	19	111.76		11.77

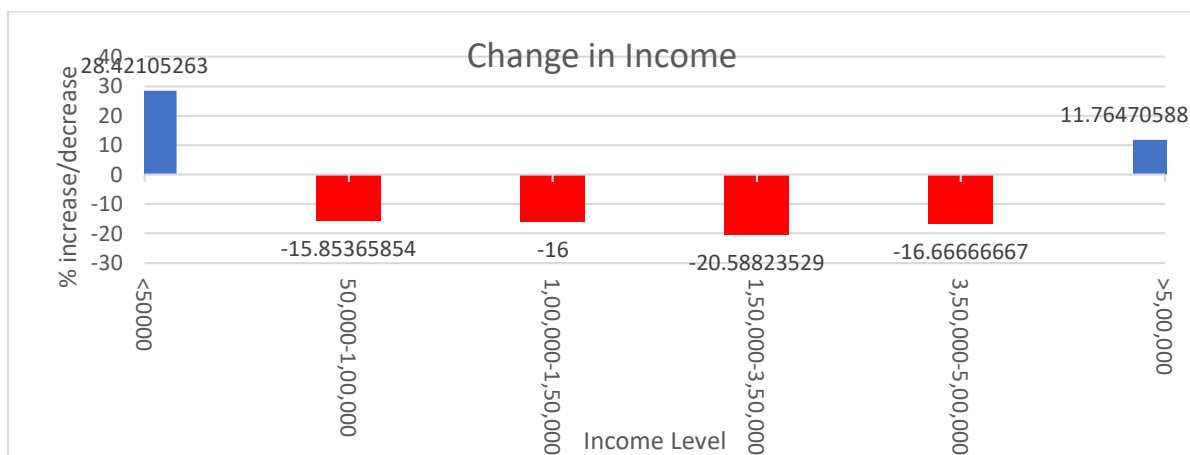


Figure 1 Change in Income

AVERAGE PERCENTAGE EXPENDITURE ON DIFFERENT CATEGORIES

A drastic change is visible due to pandemic over time in four categories namely Medical and Health care, Travel and Tourism, Utilities and Recreation and Leisure (Fig 3).

Table 2 Average Expenditure

Average Expenditure (%)	Before Pandemic	During Pandemic	After Pandemic (Expected)
Food and grocery	16.64	18.11	16.45
Medical and Health care	10.4	14.15	11.96
Education	13.54	13.25	12.69
Travel and Tourism	10	6.34	9.56
Utilities	12.7	15.7	13.79
Recreation and Leisure	10.69	6.25	9.74
Miscellaneous Expenditure	10.49	10.81	10.64
Savings / investment	15.54	15.39	15.17

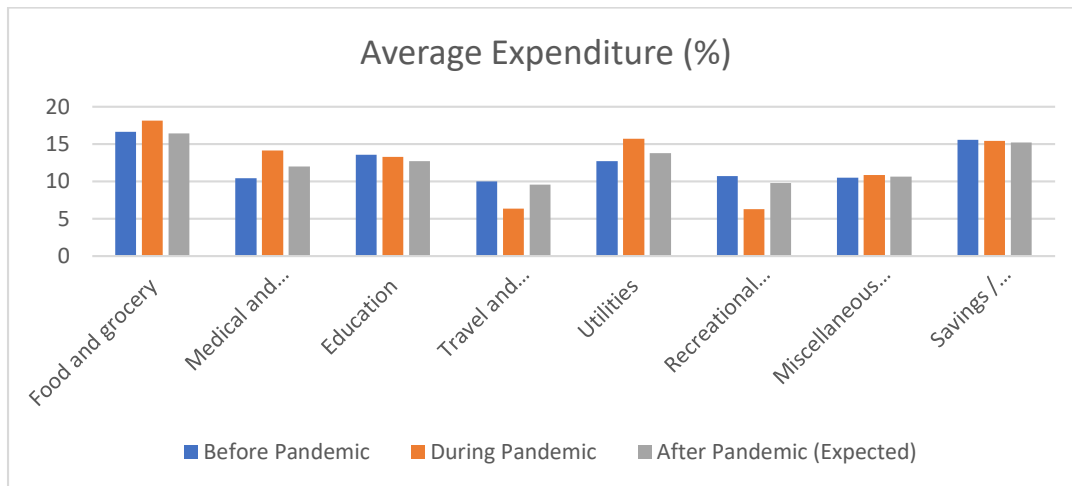


Figure 2 Average Expenditure

CHANGE IN EXPENDITURE PATTERN DURING PANDEMIC

As seen in Fig 4, a drastic change is visible due to pandemic over time in four categories namely Medical and Health care, Travel and Tourism, Utilities and Recreation and Leisure. The maximum decrease in consumption expenditure is in Recreation and Leisure items (42%). It includes expenditure on Holidays, dining out, cinema, adventure park, pub, disco etc. Expenditure on Travel and Tourism also decreased by 37%. Maximum increase is in the expenditure of Medical and Health Care (36%). The expenditure on Utilities also increased by 24%. It includes house rent, water & electricity, telephone and broadband, gas etc. A slight increase in Food and grocery (9%) is also noticed. This may be because people are now eating home cooked food more and ordering less from outside or going to restaurants. Expenditure on Education, Miscellaneous Expenditure and Savings / investment is more or less same (less than 3%).

Table 3 Change in expenditure pattern during pandemic

Average Expenditure (%)	Before Pandemic	During Pandemic	Index Number taking Before Pandemic as Base	increase/ decrease (%)
Food and grocery	16.64	18.11	108.8341	8.83
Medical and Health care	10.4	14.15	136.0577	36.06
Education	13.54	13.25	97.8582	-2.14
Travel and tourism	10	6.34	63.4	-36.6
Utilities	12.7	15.7	123.622	23.62
Recreation and Leisure	10.69	6.25	58.46586	-41.53
Miscellaneous Expenditure	10.49	10.81	103.0505	3.05
Savings / investment	15.54	15.39	99.03475	-0.97

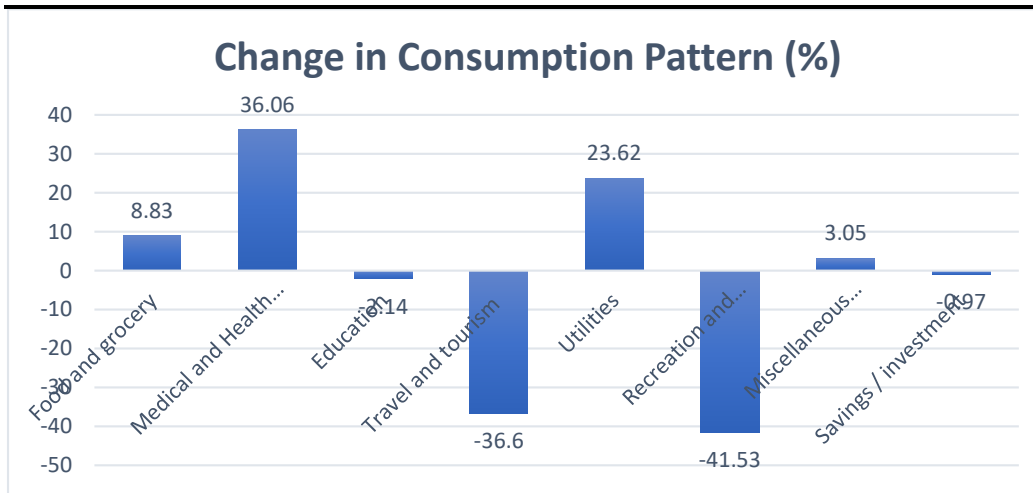


Figure 3 Change in expenditure pattern

REASONS FOR CHANGE IN CONSUMPTION

As shown in Fig 5, the main reasons cited for the above change in consumption expenditure are Covid 19 related restrictions (32%), Work from Home facility (20%), Fear of virus (18%), Change in income (16%), and Uncertainty about future (12%). Work from home facility has resulted in reduced expenditure on transport and increased expenditure on cost of broadband, electricity, gas and other utilities as people are spending whole day at home. Covid related restrictions forced most households to stay at their home and restricted their movements. People now are not going to stores for buying things neither going to banks etc for bill payment. They are rather ordering online and making digital payments. The fear of getting infected by the virus has resulted in lower discretionary expenditure in recreation, travel and luxury goods and an uptick in medical expenses. People have become more concerned about themselves and their family's health. They are spending not only on preventive medicines like vitamins and other immunity booster products but also on health gadgets like oximeter, BP machine, sugar level measuring instrument etc.

The lockdown restrictions put by central and state governments at different times, hit badly the income levels of traders, shop keepers (especially small), transporters, professionals, daily-wage workers and employees of small private enterprises. Daily-wage workers (the urban poor and migrant laborers) lost their jobs and there are pay cuts for many private employees. A decline in the income levels and uncertainty about their job and business in future affected the level of consumption expenditure on different categories. Households spend more on essential items than non-essential items. There is extreme uncertainty is not only about the duration of pandemic and its impact on people's lives but also about what new economy will emerge after this health crises and how it will affect people's livelihoods. All depends on success rates of vaccines which are coming up and changes taking place daily in attitudes and behaviour of the people and changing rules of the government in different sectors to adjust to this crisis.

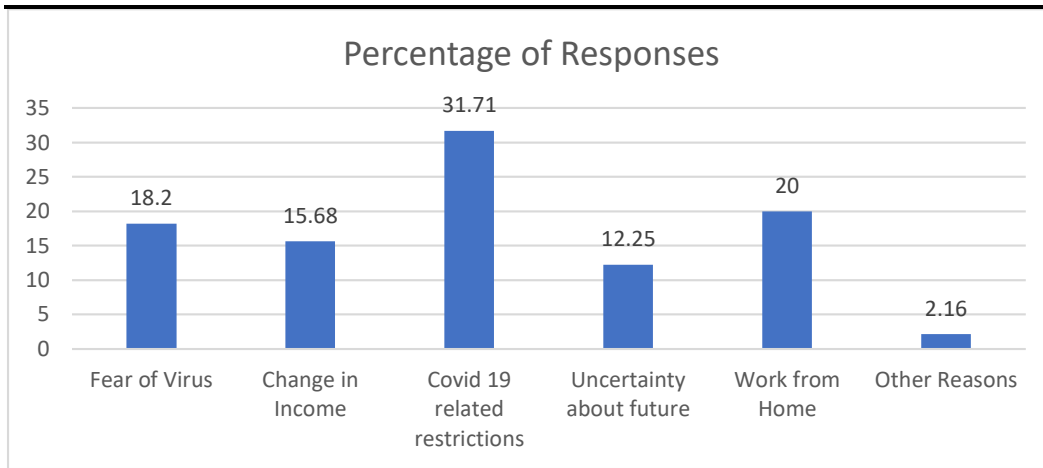


Figure 4 Reason for change in consumption

Change in expenditure pattern before pandemic and after normalcy

The results show that more or less the consumption pattern is expected to come back to base level after normalcy except in four categories namely Medical and Health Care (which shows the maximum increase of 15%), Utilities (which shows an increase in expenditure of 9%), Recreation and Leisure (showing a decrease of 9%) and Education (a decrease in 6%). Change in other categories if there is very nominal (less than 5%). (Fig 6)

Table 4 Change in expenditure pattern before pandemic and after normalcy

Average Expenditure (%)	Before Pandemic	After Pandemic (Expected)	Index taking Pandemic as Base	Number Before	increase/decrease (%)
Food and grocery	16.64	16.45	98.85817		-1.14
Medical and Health care	10.4	11.96	115		15
Education	13.54	12.69	93.7223		-6.28
Travel and tourism	10	9.56	95.6		-4.4
Utilities	12.7	13.79	108.5827		8.58
Recreation and Leisure	10.69	9.74	91.11319		-8.89
Miscellaneous Expenditure	10.49	10.64	101.4299		1.43
Savings / investment	15.54	15.17	97.61905		-2.38

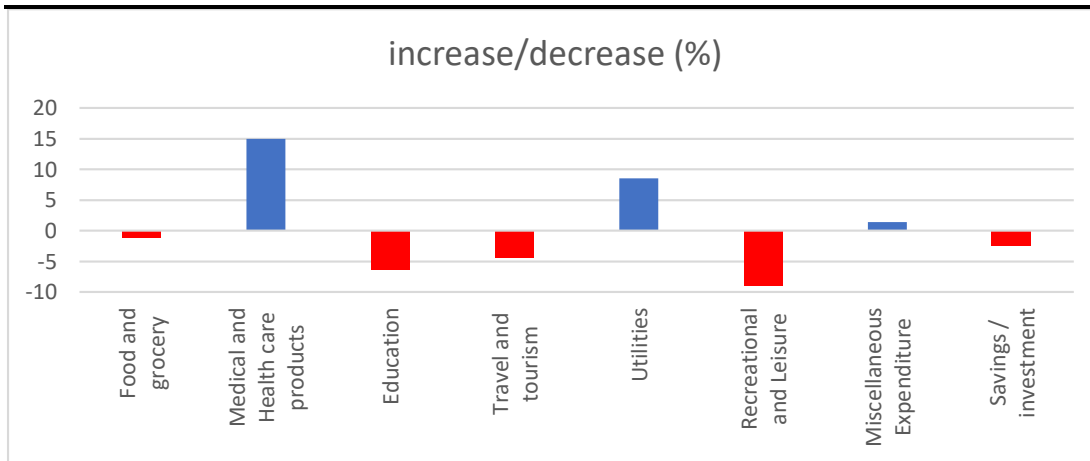


Figure 5 Change in expenditure pattern before pandemic and after normalcy

Recreation and Leisure activities like holidays, dining out, cinema, adventure park, pub, disco etc and travel and tourism were badly hit. Before pandemic these two constituted major portions of household consumption and GDP of our country. But after pandemic these came to a halt. Though gradually it is reviving and expected to reach pre pandemic levels after normalcy. People are fed up with lockdown conditions and need Recreation and Leisure activities and tourism for relieving their stress levels.

There has been a sharp increase in Medical and health care expenditure post pandemic. Not only the medicines, hospital and oxygen related expenses during virus attack increased the cost of many households but also post covid complications and preventive drugs needed extra cost. Many opted for medical policy resulting in extra expense of premium payment. As most hospitals were closed for other treatments except covid many made a temporary medical room at their places for medical care of ill family members with contractual nurses and visiting doctors. Those who fell ill due to covid had to spent hugely on medicines, oxygen and hospitalisation costs. Work from home, online teaching learning, need for digital payments/banking etc increased expenses on utilities bills like water, electricity, telephone and broadband. People now watch movies at home via internet.

V type recovery expected in most categories

Study shows a v shaped recovery pattern in consumption categories except education and savings/investments which are showing a slight decrease (Fig 7). This may be due to loss of job and introduction of ABC system and blended education. Families who lost their earning members may not be able to save and invest in future and their children may not pursue or halt their education under ABC system.

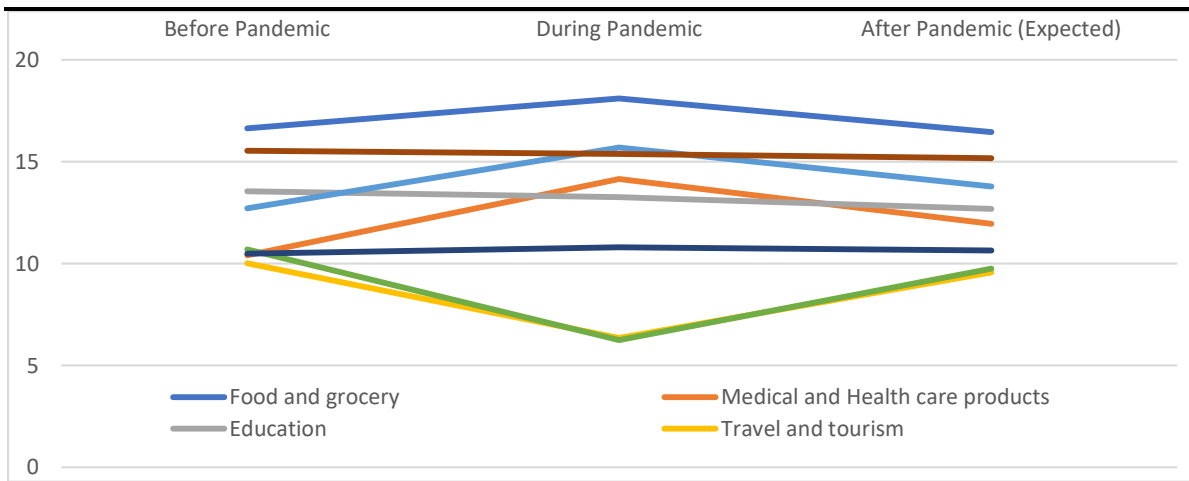


Figure 6 V type recovery

Conclusions

The present survey indicates that during pandemic many people faced job loss and reduction of income and thus their capacity to spend reduced. 24% of the respondents changed their location. Most of them shifted to their home town mainly because of two reasons. First, work from home facility made available to them and second many lost their jobs. Pandemic caused a drastic impact on the consumption pattern of the households. The spending of households on Food and grocery, Medical and Health Care and Utilities increased during Pandemic. The severely hit categories were Travel and tourism and Recreation and Leisure activities. Spending of consumers remained same for Education, Miscellaneous Expenditure and Savings / investment.

As per the survey, Covid related restrictions and work from home are major reasons for this change in consumption pattern. Other reasons cited are change in income, fear of virus and uncertainty about future. After normalcy, it is expected that consumption expenditure on Medical and Health Care and Utilities will remain higher, spending on Education and Recreation and Leisure activities will decrease and spending on other categories will return to pre-pandemic level.

Suggestions/Policy implications

1. People are spending more on medical and Health Care and want to remain healthy. so, policy makers and companies should cater to these needs of consumer both current and future needs. More emphasis should be given to production of healthy and immunity booster products, medical tools and instruments. Hospitals and dispensaries must be opened in every nook and corner of the country.
2. Remote working is an important aspect of pandemic period and in future also people are expecting this as a new normal. Home entertainment through cable channels or internet is preferred to outside entertainment. Households are expecting an increase in utilities spending which includes broadband, electricity and on similar products and services. Companies/policy makers must improve and invest in online platforms and infrastructure.
3. Recreation and Leisure activities and Travel and tourism industry needs a booster in terms of concessions etc. Government should look after all those companies/business houses which are badly hit by this pandemic

4. Government should provide more employment opportunities specially to those who lost their jobs and financial assistance to those families who lost their earning members during pandemic.

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