India's Changing Consumption Patterns: The Role of Rising Incomes, Digitalisation and Urbanisation

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***Abstract*—India's consumption pattern has undergone significant changes over the past decade, reflecting the combined influence of rising incomes, urbanisation, digitalisation and changing socio-economic conditions. Household consumption is an important component of aggregate demand and provides insights into living standards, economic development and structural transformation. As income levels rise, households tend to diversify their expenditure beyond basic necessities towards education, healthcare, transport, communication, housing, entertainment and other services. At the same time, urbanisation has altered lifestyles, occupational structures and access to markets, while digitalisation has transformed how consumers search for, purchase and pay for goods and services.**

The present study examines the changing consumption patterns in India, focusing on the relationship between income growth, urbanisation and digitalisation. It uses secondary data from the Household Consumption Expenditure Survey (HCES) 2023–24, the National Statistical Office (NSO), the Ministry of Statistics and Programme Implementation (MoSPI), the Economic Survey and official digital-payment statistics. The analysis indicates that non-food expenditure has become a major component of household consumption, particularly in urban areas. The average monthly per capita consumption expenditure (MPCE) in 2023–24 was ₹4,122 in rural India and ₹6,996 in urban India. Digital retail payments also expanded considerably, with transaction volume increasing from 7,176.90 crore in 2021–22 to 22,167.90 crore in 2024–25. These trends reflect changes in consumption opportunities and behaviour, although regional disparities, income inequality, unequal digital access and affordability constraints continue to influence household choices.

The study concludes that India's consumption transition is multidimensional. Rising incomes create the capacity for consumption diversification, while urbanisation and digital infrastructure influence the composition, accessibility and convenience of consumption. The findings have implications for inclusive growth, infrastructure development, digital financial literacy and policies aimed at improving household welfare.

***Index Terms*—Consumption patterns, household expenditure, income growth, digitalisation, urbanisation, MPCE, India, digital payments, consumer behaviour.**

I. INTRODUCTION

Consumption is a fundamental economic activity because it determines how households allocate their income among goods and services to satisfy their needs and preferences. At the macroeconomic level, private final consumption expenditure is an important component of aggregate demand. At the household level, the composition of consumption reflects income, prices, demographic characteristics, social conditions, location and access to markets. Changes in consumption patterns can therefore reveal important aspects of economic development and social transformation.

India has experienced substantial economic and structural changes over recent decades. Expansion in services, industrial diversification, growth in financial services, improved transport connectivity and the spread of information and communication technology have influenced the way people earn, spend and save. These changes have coincided with rising per capita income, increasing urbanisation and the rapid adoption of digital technologies. As a result, household consumption is no longer limited to the traditional expenditure priorities of food, clothing and basic shelter. Expenditure on transport, education, healthcare, communication, consumer durables, housing and recreation has become increasingly significant.

The relationship between income and consumption is particularly important. As households move beyond

subsistence levels, they may allocate a smaller proportion of their total expenditure to food and a larger proportion to non-food goods and services. This does not necessarily imply a decline in food expenditure in absolute terms. Rather, it reflects a change in the relative composition of the household budget. The pattern is consistent with Engel's law, which suggests that the proportion of income spent on food generally decreases as income rises.

Urbanisation is another important influence. Urban households often have greater access to formal employment, educational institutions, healthcare facilities, organised retail, transport networks and digital services. However, urban living may also involve higher expenditure on housing, transport and other essential services. Rural consumption, meanwhile, is shaped by agricultural income, local market conditions, public distribution systems, remittances, infrastructure and the availability of goods and services.

Digitalisation has added a new dimension to this transformation. Online shopping, digital payment systems, mobile banking, e-commerce platforms and app-based services have changed the process of consumption. Consumers can compare prices, access a wider variety of products and make transactions without relying entirely on cash. Digital payment infrastructure, particularly the Unified Payments Interface (UPI), has expanded the convenience and speed of retail transactions. Nevertheless, digitalisation also raises concerns about unequal access to smartphones, internet connectivity, financial literacy, cybersecurity and consumer protection.

Against this background, the present study examines how rising incomes, digitalisation and urbanisation are associated with changes in Indian household consumption patterns. It analyses recent official data and discusses the opportunities and constraints shaping India's consumption transition.

II. REVIEW OF LITERATURE

The study of consumption has a long history in economic theory. Early contributions focused on the relationship between income and expenditure, while later approaches incorporated expectations, household decisions, demographic factors and market institutions.

Engel (1857) examined the relationship between household income and expenditure on food. His observations led to what is now known as Engel's law: the proportion of household expenditure devoted to food tends to decline as income increases. The law provides a useful framework for understanding shifts in consumption composition during economic development.

Keynes (1936), in The General Theory of Employment, Interest and Money, proposed that consumption expenditure is positively related to disposable income. His absolute income hypothesis suggests that households increase consumption as income rises, although the increase in consumption may be smaller than the increase in income. This framework helps explain how changes in income influence aggregate demand and household spending.

Modigliani and Brumberg (1954) developed the life-cycle hypothesis, according to which consumption decisions depend not only on current income but also on expected lifetime resources. Individuals may save during their working years and use accumulated assets during retirement. This approach highlights the importance of age, employment stability and future expectations in shaping consumption behaviour.

Friedman (1957) proposed the permanent income hypothesis, arguing that consumption is influenced by expected long-term income rather than only current income. Temporary changes in income may have a limited effect on consumption, while sustained income changes can lead to more substantial adjustments. This theory is relevant to the Indian context, where households may respond differently to stable salaried earnings, uncertain agricultural income and temporary employment gains.

Deaton and Muellbauer (1980) contributed to consumer-demand analysis through the development of the Almost Ideal Demand System. Their work provided a framework for examining how household demand responds to prices, expenditure and preferences. Such approaches are useful for understanding changes in the composition of consumption as households become more affluent and markets become more diverse.

National Statistical Office (2012) documented household consumption expenditure in India through the 68th round of the National Sample Survey. The survey provided a benchmark for comparing rural and urban expenditure and analysing differences in food

and non-food consumption. Such surveys are particularly important in India because household consumption is shaped by substantial regional, occupational and socio-economic diversity.

Ministry of Statistics and Programme Implementation (2024) released findings from the Household Consumption Expenditure Survey 2022–23, providing updated estimates of monthly per capita consumption expenditure and its composition. The results indicated the growing importance of non-food expenditure and provided evidence of changes in the rural–urban consumption gap.

Ministry of Statistics and Programme Implementation (2025) published the detailed findings of HCES 2023–24. The survey showed that non-food items accounted for approximately 53% of rural MPCE and 60% of urban MPCE. The findings also highlighted the importance of conveyance, medical expenditure, clothing, durable goods, entertainment and rent in household budgets.

Ministry of Finance (2026) reported substantial growth in retail digital payments in India. The data showed that retail digital-payment transaction volume increased from 7,176.90 crore in 2021–22 to 22,167.90 crore in 2024–25. The expansion of digital payment infrastructure provides an important institutional context for examining how payment technology is changing consumer transactions.

The literature establishes that income, prices, household expectations and structural conditions influence consumption. However, income growth, urbanisation and digitalisation are often examined separately. The present study brings these dimensions together through an analysis of recent Indian consumption and digital-payment data. It focuses on descriptive relationships and does not claim to isolate the independent causal effect of each factor.

III. NEED OF THE STUDY

India's economic transformation has created new consumption opportunities while also producing differences in access and affordability. Understanding the changing pattern of household expenditure is important for evaluating the quality and inclusiveness of economic growth.

First, consumption data help assess whether rising income is accompanied by improvements in household living standards. An increase in average expenditure may indicate greater purchasing capacity, but it must be interpreted alongside inflation, regional differences and the distribution of expenditure.

Second, changes in the relative shares of food and non-food expenditure can provide insights into economic development. A rising non-food share may reflect greater expenditure on education, healthcare, transport, housing, communication and consumer durables. It can also indicate the increasing cost of essential non-food services.

Third, urbanisation is changing household needs. Migration, changing employment patterns, smaller household sizes and greater dependence on market-provided services can influence both the level and composition of expenditure.

Fourth, digitalisation has altered the accessibility and convenience of consumption. Digital payments and online platforms may reduce transaction costs and broaden consumer choice, but unequal access can exclude sections of the population from these benefits.

Finally, the study is relevant for policymakers, researchers and institutions concerned with inclusive development. A clearer understanding of consumption trends can support decisions regarding infrastructure, financial inclusion, consumer protection, rural development and social welfare.

IV. STATEMENT OF THE PROBLEM

India's rising per capita income and expanding digital infrastructure have created conditions for significant changes in household consumption. However, the benefits of these changes are not uniform across rural and urban areas, income groups, regions and social categories. Differences in employment opportunities, purchasing power, digital access, infrastructure and the cost of living can produce different consumption outcomes.

A key issue is whether the changing composition of household expenditure reflects a broad improvement in welfare or, in some cases, rising costs and new financial pressures. For example, an increase in non-food expenditure may represent greater access to education, healthcare and transport, but it may also reflect higher rent, medical costs or commuting expenses.

Similarly, the rapid growth of digital payments indicates a transformation in transaction methods, but transaction growth alone cannot establish whether all

households have benefited equally from digital commerce. The central problem addressed by this study is therefore to examine the nature of India's changing consumption pattern and analyse how income growth, urbanisation and digitalisation are associated with this transformation.

V. OBJECTIVES OF THE STUDY

The main objectives of the study are:

1. To examine the changing pattern of household consumption expenditure in India.
2. To analyse the relationship between rising per capita income and consumption expenditure.
3. To compare rural and urban consumption patterns with reference to food and non-food expenditure.
4. To examine the role of urbanisation in influencing household expenditure priorities.
5. To study the expansion of digital payments as an indicator of changing consumption practices.
6. To identify the major challenges and policy implications associated with India's changing consumption pattern.

VI. DATA AND METHODOLOGY

The study is based on secondary data collected from official government publications and statistical reports. The principal sources include the Household Consumption Expenditure Survey (HCES) 2023–24, reports of the National Statistical Office, the Ministry of Statistics and Programme Implementation, the Economic Survey of India and official digital-payment statistics published by the Ministry of Finance.

The period covered varies according to data availability. Household consumption comparisons draw on the 2011–12, 2022–23 and 2023–24 survey rounds. Per capita income data are considered up to 2023–24, while digital retail-payment data cover 2021–22 to 2024–25.

The study uses a descriptive and comparative research design. It analyses average monthly per capita consumption expenditure, the share of food and non-food items in total expenditure, the rural–urban consumption gap, per capita net national income and the volume of retail digital payments.

The following indicators are used:

- Monthly per capita consumption expenditure (MPCE): Average monthly consumption expenditure per person, used as an indicator of household consumption.
- Food and non-food expenditure shares: The proportion of total MPCE allocated to food and non-food categories.
- Rural–urban consumption gap: The percentage difference between average urban and rural MPCE.
- Per capita net national income: A broad indicator of average national income per person.
- Digital-payment transaction volume: The number of retail digital-payment transactions recorded during a financial year.

VII. DATA AND RESULTS

This section presents selected official data on household consumption, income and digital-payment growth in India. The figures provide a basis for examining the changes in consumption levels and expenditure composition.

1. Trends in Monthly Per Capita Consumption Expenditure

Table 1: Average MPCE in India, 2011–12 to 2023–24

Survey year	Rural MPCE (₹)	Urban MPCE (₹)
2011–12	1,430	2,630
2022–23	3,773	6,459
2023–24	4,122	6,996

Source: MoSPI, Household Consumption Expenditure Survey 2023–24; figures at current prices, without imputation of the value of free welfare items.

The data show a substantial rise in average MPCE in both rural and urban India. Rural MPCE increased from ₹1,430 in 2011–12 to ₹4,122 in 2023–24, while urban MPCE rose from ₹2,630 to ₹6,996. These are nominal figures and therefore reflect both changes in consumption and changes in prices. They should not be interpreted as equivalent increases in real purchasing power.

Between 2022–23 and 2023–24, average MPCE increased by approximately 9% in rural areas and 8% in urban areas at current prices. The increase suggests

that household expenditure continued to expand, although the precise welfare implications depend on inflation, income distribution and the nature of expenditure.

2. Rural–Urban Consumption Gap

Table 2: Urban–Rural Difference in Average MPCE

Survey year	Rural MPCE (₹)	Urban MPCE (₹)	Urban MPCE above rural MPCE
2011–12	1,430	2,630	84%
2022–23	3,773	6,459	71%
2023–24	4,122	6,996	70%

Source: MoSPI, HCES 2023–24.

The urban–rural gap in average MPCE declined from 84% in 2011–12 to 70% in 2023–24. This narrowing indicates that rural consumption expenditure grew relative to urban expenditure over the period. However, the remaining difference is substantial. Rural households may face different constraints related to employment, infrastructure, access to services and market connectivity. The average figures also conceal considerable variation within both rural and urban populations.

3. Changing Composition of Household Consumption

Table 3: Share of Food and Non-Food Expenditure in Total MPCE, 2023–24

Expenditure category	Rural India (%)	Urban India (%)
Food	47.04	39.68
Non-food	52.96	60.32
Total	100.00	100.00

Source: MoSPI, HCES Fact Sheet 2023–24.

The data show that non-food items account for more than half of average household consumption in both rural and urban India. The share is higher in urban areas, where non-food expenditure accounts for approximately 60.32% of MPCE, compared with 52.96% in rural areas. Food accounts for approximately 39.68% of urban MPCE and 47.04% of rural MPCE.

This pattern is consistent with the broad expectation that households with greater purchasing capacity tend to diversify expenditure beyond basic food requirements. However, the difference should not be attributed exclusively to higher incomes. Urban households may also face higher housing, transport and service costs, which influence their expenditure shares.

4. Major Components of Household Expenditure

Table 4: Selected Expenditure Categories as a Share of Total MPCE, 2023–24

Expenditure category	Rural India (%)	Urban India (%)
Beverages, refreshments and processed food	9.84	11.09
Milk and milk products	8.44	7.19
Vegetables	6.03	4.12
Conveyance	7.59	8.46
Medical expenditure	6.83	Not shown here
Clothing, bedding and footwear	6.63	Not shown here
Durable goods	6.48	6.87
Miscellaneous goods and entertainment	Not shown here	6.92
Rent	Not shown here	6.58

Source: MoSPI, HCES 2023–24 detailed findings.

"Not shown here" indicates that the selected category value is not reproduced in this table; it does not mean that the category has no expenditure.

The expenditure pattern highlights the continuing importance of processed food, beverages and milk products in household food budgets. In rural India, beverages, refreshments and processed food account for 9.84% of total MPCE, while the corresponding share in urban India is 11.09%. Among non-food categories, conveyance has a significant share in both sectors. In urban India, rent, durable goods and miscellaneous goods and entertainment are also important components of expenditure.

These figures illustrate that changing consumption is not simply a movement from food towards luxury goods. A significant part of non-food expenditure is associated with essential or enabling services such as transport, healthcare and housing. The composition of expenditure therefore reflects both changing preferences and the economic requirements of different living environments.

5. Trends in Per Capita Net National Income

Table 5: Per Capita Net National Income in India

Year	Current prices (₹)	Constant prices (₹)
2011–12	63,462	63,462
2015–16	94,797	77,659
2018–19	1,25,946	92,133
2020–21	1,27,244	86,034
2022–23	1,69,496	99,404
2023–24 (PE)	1,84,205	1,06,744

Source: Economic Survey 2023–24, Statistical Appendix, Table 1.1. PE = Provisional Estimate. Constant-price series uses 2011–12 prices.

Per capita net national income increased from ₹63,462 in 2011–12 to ₹1,84,205 in 2023–24 at current prices. At constant prices, the corresponding increase was from ₹63,462 to ₹1,06,744. The difference between current- and constant-price figures demonstrates the importance of distinguishing nominal income growth from real growth. The decline in constant-price per capita income in 2020–21 also reflects the economic disruption associated with the pandemic period.

The increase in real per capita income over the longer period is consistent with an expansion in average economic resources. However, national averages do not indicate how income gains are distributed among households. The consumption response of different income groups may vary according to employment security, savings, indebtedness, prices and access to public services.

6. Growth of Digital Retail Payments

Table 6: Retail Digital-Payment Transactions in India

Financial year	Transaction volume (crore)	Transaction value (₹ lakh crore)	Volume growth (%)
2021–22	7,176.90	457.44	—
2022–23	11,369.56	587.39	58.42
2023–24	16,416.02	719.37	44.39
2024–25	22,167.90	849.12	35.04

Source: Ministry of Finance, Government of India, "Coordinated Efforts of Government, RBI and NPCI Accelerate Growth in Digital Payments," 16 March 2026.

The table indicates rapid growth in retail digital payments. Transaction volume increased from 7,176.90 crore in 2021–22 to 22,167.90 crore in 2024–25. Transaction value rose from ₹457.44 lakh crore to ₹849.12 lakh crore over the same period. Although the annual growth rate in volume declined from 58.42% in 2022–23 to 35.04% in 2024–25, the total number of transactions continued to rise. UPI accounted for 81% of retail digital-payment transactions by volume in 2024–25.

The expansion of digital payments indicates a substantial change in the infrastructure through which retail transactions take place. It may facilitate small-value purchases, online commerce and person-to-merchant payments. However, transaction volume alone cannot establish the number of unique consumers, the proportion of household expenditure conducted digitally or the impact of digital payments on total consumption.

VIII. INTERPRETATION OF FINDINGS

The findings reveal several important features of India's changing consumption pattern.

First, household consumption expenditure has increased substantially in both rural and urban areas. The rise in MPCE is consistent with the expansion of average income and economic activity over the longer term. Nevertheless, nominal expenditure growth cannot be treated as a direct measure of improvement in real living standards. Changes in prices and differences in the quality and quantity of goods purchased must also be considered.

Second, the declining share of food expenditure, particularly in urban areas, reflects a diversification of household budgets. The relatively high non-food share may indicate greater expenditure on transport, housing, education, healthcare, communication and consumer durables. It is also possible that the higher cost of urban services contributes to this pattern. Thus, the same expenditure share can reflect different circumstances for different households.

Third, the narrowing rural–urban MPCE gap indicates that average rural consumption expenditure has increased relative to urban expenditure. This is an important development, but it does not establish that rural and urban welfare levels have converged. Differences in infrastructure, employment quality, access to healthcare, education and public services continue to influence living conditions.

Fourth, the rise in per capita net national income provides an economic context for consumption diversification. As average real income increases,

households may have greater capacity to allocate expenditure to goods and services beyond basic necessities. However, the distribution of income and the stability of earnings determine how widely these opportunities are available.

Fifth, the expansion of digital payments represents a major change in the transaction environment. Digital payment systems can reduce the time and inconvenience involved in making payments and can support online and offline retail activity. Their effects on consumer choice, expenditure and market access are likely to differ across households depending on digital literacy, connectivity and financial inclusion.

Overall, the data indicate a transition towards a more diversified and digitally enabled consumption environment. The transition is uneven, and the available aggregate statistics do not permit a precise estimate of the independent contribution of income growth, urbanisation or digitalisation.

IX. DISCUSSION

The changing consumption pattern in India can be understood through the interaction of three major forces: rising incomes, urbanisation and digitalisation. These factors reinforce one another, but their effects are neither automatic nor uniform.

1. Rising Incomes and Consumption Diversification

Income growth expands the range of goods and services that households can afford. At lower income levels, a larger proportion of the household budget is generally allocated to food and other basic necessities. As purchasing capacity improves, expenditure may diversify towards education, healthcare, transport, communication, housing improvements, entertainment and durable goods.

This pattern is consistent with Engel's law and with broader theories of consumption. Keynesian analysis emphasises the positive relationship between income and consumption, while the permanent income and life-cycle hypotheses highlight the importance of expected future earnings and household circumstances.

In India, the increase in real per capita net national income and the rise in MPCE provide evidence of an expanding average economic resource base. However, average income growth does not necessarily translate into an equal increase in consumption across all households. Families with insecure employment, high medical expenses or significant debt may experience limited improvement in discretionary purchasing power. Similarly, households with greater savings capacity may increase their consumption more gradually than households facing immediate needs.

Income growth should therefore be assessed not only through national averages but also through its distribution, stability and purchasing-power effects. This distinction is essential for understanding the inclusiveness of India's consumption transition.

2. Urbanisation and Changing Consumption Priorities

Urbanisation changes the economic and social environment in which households make consumption decisions. Urban residents often have greater access to organised retail, formal employment, transport services, educational institutions, healthcare facilities and digital infrastructure. These factors can increase the range of available goods and services and influence consumption preferences.

Urban living also creates specific expenditure requirements. Rent, commuting, utilities, packaged food and paid services may form a substantial part of the household budget. The HCES 2023–24 data show that urban households allocate a higher proportion of MPCE to non-food expenditure than rural households. Rent and conveyance are among the significant components of urban expenditure.

Urbanisation can also influence household structure and time allocation. Migration for employment, smaller household sizes and participation in formal labour markets may increase reliance on market-provided services. For instance, households with limited time for cooking or other domestic activities may purchase more prepared food or use paid services. These are plausible mechanisms, although the aggregate data used in this study do not directly measure their individual effects.

Rural consumption patterns are also changing. Improved roads, mobile connectivity, access to banking, public welfare programmes and remittances can increase market participation and purchasing options. The narrowing rural–urban MPCE gap is consistent with changes in relative expenditure levels, but it should not be interpreted as proof that all rural households have gained equal access to urban opportunities.

3. Digitalisation and the Transformation of Consumer Behaviour

Digitalisation has altered the way consumers obtain information, compare products, place orders and complete transactions. Smartphones, internet services, e-commerce platforms and digital payment applications have reduced some of the geographical and informational barriers that previously limited consumer choice.

UPI and other digital payment systems have made electronic transactions accessible to a wider range of consumers and merchants. The substantial rise in retail digital-payment volume in recent years demonstrates the rapid expansion of this payment infrastructure. UPI's share of retail digital-payment volume in 2024–25 further illustrates its importance in India's transaction ecosystem.

Digitalisation may affect consumption through several channels. First, digital payments can reduce transaction time and improve convenience. Second, online platforms can increase the range of products available to consumers. Third, digital price comparisons may improve access to market information. Fourth, digital transactions may make it easier for small businesses to participate in electronic commerce.

However, the relationship between digitalisation and consumption is complex. Greater convenience may encourage additional purchases, but digital payments can also replace cash transactions without changing the total amount consumed. Online shopping may broaden choice while creating new risks involving misleading advertisements, product quality, returns, data privacy and impulsive spending.

The benefits of digital consumption are also shaped by unequal access to devices, internet connectivity and digital literacy. Elderly consumers, people with limited digital skills and households in poorly connected locations may face difficulties. Digitalisation should therefore be understood as a change in the infrastructure and process of consumption, rather than as an automatic indicator of higher welfare.

4. Interrelationship Between Income, Urbanisation and Digitalisation

Income, urbanisation and digitalisation do not operate independently. Higher and more stable incomes can make smartphones, internet services and online purchases more affordable. Urban areas often have better digital infrastructure and a greater concentration of merchants accepting electronic payments. Digital platforms, in turn, can improve access to products and services in locations where conventional retail options are limited.

This interaction may create a reinforcing process. Rising income supports the adoption of digital technology, digital access broadens consumer choice, and urban development provides the infrastructure and services required for more diversified consumption.

Nevertheless, the process can also produce new disparities. Households with higher purchasing power and better digital access may benefit more rapidly from online platforms and new services. Households facing unstable earnings or weak infrastructure may experience fewer benefits. For this reason, the expansion of consumer markets must be accompanied by policies that improve access, affordability and consumer protection.

X. CONCLUSION

The study examines India's changing consumption patterns through the combined influence of rising incomes, urbanisation and digitalisation. The analysis of official secondary data reveals an increase in household consumption expenditure, a substantial non-food component in household budgets, a narrowing rural–urban MPCE gap and rapid expansion in digital retail payments.

The HCES 2023–24 data show that average MPCE was ₹4,122 in rural India and ₹6,996 in urban India. Non-food items accounted for approximately 53% of rural MPCE and 60% of urban MPCE. These figures reflect a diversified consumption structure in which expenditure extends beyond food towards transport, healthcare, housing, clothing, consumer durables and other services. At the same time, per capita net national income increased over the longer period considered, providing an important context for the expansion of average consumption expenditure.

Urbanisation has influenced household requirements through changes in employment, housing, mobility and access to services. Digitalisation has transformed payment methods and widened the possibilities for market participation. The growth of retail digital payments, particularly UPI, demonstrates the scale of change in India's transaction infrastructure.

However, the findings also highlight the limitations of interpreting aggregate consumption indicators. Higher expenditure may reflect improved purchasing capacity, higher prices or increased costs of essential services. Average MPCE does not reveal the complete distribution of consumption, while digital-payment growth does not directly measure changes in total household purchases or welfare.

India's consumption transition should therefore be understood as a process involving both expanding opportunities and continuing inequalities. The long-term benefits of rising incomes, urban development and digital innovation will depend on whether households across income groups and regions can access these opportunities in an affordable, secure and sustainable manner.

XI. POLICY IMPLICATIONS

The findings of the study suggest several policy priorities.

1. Promoting inclusive income growth

Policies supporting productive employment, skill development, small enterprises and rural non-farm activities can help broaden the income base. Greater attention to the stability and quality of employment is necessary because consumption decisions depend not only on income levels but also on income security.

2. Strengthening rural infrastructure

Improved transport connectivity, electricity, internet access, storage facilities and market infrastructure can expand rural consumption opportunities. Rural development policies should focus on improving access to services rather than treating increases in expenditure alone as evidence of development.

3. Improving the affordability of essential services

The rising importance of non-food expenditure makes access to healthcare, education, housing and transport particularly significant. Public investment and appropriate social protection can reduce the financial pressure on households and help prevent essential expenditure from crowding out other needs.

4. Expanding digital and financial literacy

Digital-payment infrastructure should be supported by financial education, awareness of fraud prevention, accessible complaint mechanisms and assistance for consumers who face difficulties using digital services. Digital literacy programmes can help ensure that technological change benefits people with different levels of education and familiarity with technology.

5. Promoting responsible digital commerce

Consumer protection measures should address misleading online advertisements, unclear pricing, product-quality concerns, data privacy and grievance redressal. The growth of digital commerce should be accompanied by transparent practices that strengthen consumer confidence.

6. Addressing regional and social disparities

Consumption policies should recognise differences among states, rural and urban areas, income groups and social categories. Disaggregated data can help identify areas where average consumption growth is not translating into improved access to essential goods and services.

7. Strengthening consumption data and research

Regular household consumption surveys and improved access to disaggregated data are important for assessing changes in living standards. Future research could combine household-level consumption data with information on income, prices, digital access and urbanisation. Econometric analysis could then examine the independent effects of these factors while accounting for regional and socio-economic differences.

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