

Demographic Transition and Household Consumption Dynamics in India: Recent Trends and Policy Implications

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Abstract: India is experiencing a major demographic and socio-economic transformation that is marked by significant changes in population structure, fertility behaviour, life expectancy, urbanization as well as household consumption patterns. The decreasing birth rates and increasing life expectancy are an indication that India is well progressing into the later phases of its demographic transition leading to age structure, household size, and dependency ratio adjustments. Concurrently, there are changes in labour markets, job opportunities and living conditions especially urbanisation and internal migration that is changing the nature of urban centres. The implications of these demographic changes are far reaching in terms of income distribution, participation of labour and household expenditure behaviour.

It uses recent secondary data on population growth, age and gender structure, literacy levels, fertility and mortality pattern, household composition, and household consumption expenditure to provide a comprehensive overview of the changing demographic profile in India as well as the relationship between the changing demographic profile and the household economic behaviour. As the analysis shows, although income is the greatest factor that determines household consumption, demographic information include household size, age composition, and place of residence is critical in determining the expenditure patterns among the food, health, and non-food items. The fall in fertility and the reduction in the size of household are linked to the per capita consumption shift and the growing life expectancy has contributed to the slow increase in health-related expenditure.

The results also show that there are continuing and, in other instances, increasing rural urban consumption differentials. The consumption level and the diversity of expenditure baskets are typically high in urban households, and low in rural households, though a significant portion of their expenditure remains devoted to food. These trends highlight the necessity of policy response, which is strategically and regionally focused, and which can mitigate income inequality, enhance the strength of employment opportunities, health and educational services accessibility, and inclusive growth of consumption within the framework of the current demographic shift in India.

Keywords: Demographic transition, household consumption, urbanization, fertility, India, socio-economic development

