



# IMPACT OF COVID-19 ON INDIAN HOUSEHOLD CONSUMPTION PATTERNS

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## ABSTRACT

*In order to slow down the spread of COVID-19, the Indian government imposed a nationwide lockdown in various phases from March 25, 2020. As a result of the lockdown, many people lost their jobs and thus their income. The study is important to find the actual reason for household consumption patterns and how covid 19 impacted it. What were the main reason for such a consumption pattern and how has it impacted the economy in the whole. It was discovered that epidemics and pandemics significantly affect India's consumption patterns. The study finds that during the early phases of epidemics and pandemics, consumers turned to panicked buying. Consumer buying patterns were discovered to have drastically changed, and they were now focusing almost exclusively on necessities.*

**KEYWORDS:** Covid-19, Consumption Patterns, Household.

## INTRODUCTION

There is no doubt that the crisis caused by the global coronavirus (COVID-19) pandemic has created an incredibly difficult business climate. Businesses face many new challenges as international borders close, brick-and-mortar stores close their doors and people are asked to isolate at home. Many businesses are facing temporary or even permanent closures, and employees are dealing with months of financial uncertainty and worry. Global consumers show mixed confidence in the prospects for economic recovery. Consumer behaviour has been forced to change immediately and on a large scale. Those in isolation or in lockdown are unable to go about their usual routines, especially as many local shops have been forced to close their doors for safety reasons. Concerns about the availability of goods have led to hoarding of items in bulk. Financial uncertainty and the prospect of a deep and prolonged recession would have a significant impact on consumer prospects, perceptions and behaviour.

The study used SPSS Statistics for data analysis. Findings Epidemics and pandemics were found to have a profound impact on consumer behaviour in India. The study shows that consumers panic buy in the early stages of epidemics and pandemics. It was found that consumers' consumption habits were changing fundamentally and that they mostly only spent on the essentials. The study also shows that the majority of consumers want to maintain the same consumption habits as during COVID-19. Urban consumers' consumption patterns have changed more than rural consumers' consumption patterns. This is due to the closure of bars and restaurants, shopping malls, cinemas, etc. in urban areas that forced a change in the consumption behaviour of urban consumers.

COVID-19 has changed people's perceptions of their income and expenses. This study aims to analyse the transformation of rural household savings and spending during COVID-19. In addition, usual and spontaneous spending had a positive and significant relational spending pattern of rural households. Rural dwellers were keen to jeopardize their spending and other forms of saving in order to have more emergency savings. Previous studies have examined either the saving or spending behaviour of rural households, and there are very few studies of rural household saving and spending.

## PROBLEM STATEMENT

In order to slow down the spread of COVID-19, the Indian government imposed a nationwide lockdown in various phases from March 25, 2020. As a result of the lockdown, many people lost their jobs and thus their income. A statistic from the Centre for Monitoring Indian Economy (CMIE) says India's unemployment rate has risen by 20% due to the pandemic. In the case of Tamil Nadu it is even higher where the rate was 49.8%. Due to job losses and wage cuts, people are forced to use their savings or take out loans. From April to July e.g. For example, employees withdrew around 30,000 crores from their pension fund. It clearly shows how badly the workforce was financially affected. Many people responded by stocking up on essentials and buying medical supplies like masks and hand sanitizer along with relevant household products. The government-led lockdown has had a far-reaching impact on rural households in India, despite the pandemic affecting all walks of life, both



urban and rural. Businesses and other economic activities have been hit hard due to social distancing restrictions and fears of the spread of the virus. Lockdowns, travel restrictions and the cessation of commercial activities have severely impacted rural communities' financial planning. The pandemic has had a significant impact on rural households across all sectors of various rural businesses, including agriculture.

In addition, the lack of jobs in the primary sector also affected the rural population's livelihood and financial decision-making. Rural households have comparatively miserable income opportunities than their urban counterparts. Therefore, awareness of overcoming such economic fallacy due to such pandemic has been raised among rural households. During the pandemic period, they are more intent on saving money than spending on other household items.

The spending behaviour of the rural population can be divided into two types: ordinary spending and spontaneous spending. Daily expenses may involve cooking, eventual household expenses, and other conservation-related purposes. However, unplanned expenses include medical requirements, favourable events, and loan repayment. The real motivation of the study is to examine the impact of the pandemic on rural household savings and spending. Ambition and aspirations when it comes to saving and spending can vary from person to person. During the pandemic period, income opportunities are limited. In such circumstances, how they prioritize saving or spending money is a big question. Our study helps provide an accurate picture of how rural populations are repurposing their saving patterns and reducing their spending to protect their lives by accumulating savings for COVID-19 situations.

Covid 19 has also made us realise to take care of our health and that health is actually wealth. People started eating healthy homecooked food thereby reducing the consumption of outside food. The major spending that happened was on fruits vegetables and pharmaceuticals.

### OBJECTIVE OF THE STUDY

- The study is important to find the actual reason for household consumption patterns and how covid 19 impacted it. What were the main reason for such an consumption pattern and how has it impacted the economy in the whole.
- This study is done to explore the sentiments and experiences of consumers during coronavirus outbreak.
- Determine the overall change in the media consumption habits in general, and social media in specific.
- Determine and analyse the shift in consumer buying behaviour in response to coronavirus outbreak. Analyse the differences in media consumption habits and consumer behaviour across age and gender.

### DATA AND METHODOLOGY

A household's consumption budget is divided in such a way as to meet its needs for both food and non-food products. The household is supposed to be a utility maximiser and to allocate its funds logically. It is crucial to use a model that complies with the axiom of choice and is consistent with the microeconomic theory of utility maximisation when modelling consumer behaviour because of this. The Linear Approximation-Almost Ideal Demand System (LA-AIDS) model is popular because to its exact satisfaction of the axiom of choice, ease of estimation and interpretation, compatibility with consumer aggregation, and congruence with data from household budgets. The LA-AIDS is used in this study to model consumer behaviour and determine how elastic the prices of food and non-food products are; it uses the latest available cross-sectional data of the CES pertaining to the year 2011–12 (68th round).

Millions of people are forced to change their lifestyle & habits and way of life while the coronavirus (COVID-19) spreads around the world. As people are placed under lockdown and quarantined, challenges brought on by this outbreak are expected to accelerate the adoption of both old and new technologies and tools. 76.5% of consumers in general believed that the pandemic breakdown had changed how they shopped. While just 23.5% of people say the COVID-19 epidemic has affected their buying habits.

52.2% of those whose shopping habits were affected by the change in pattern admitted that they had adopted a mixed mode of purchases in response to the change (both, Online and In-store). However, 29.4% of consumers are now making purchases in-store rather than online. Online purchases now make up the remaining 18.3% of all purchases.

Grocery, health care, pharmaceutical, entertainment, and vegetable products are among the consumer behaviors that have changed the most recently. The amount of consumption, or the demand for pharmaceuticals, dairy products, and religious channels, remained largely unchanged from the first week of lockdown to the fourth week of lockdown.

Furthermore, it was noted that from the first to the fourth week of the lockdown, the demand for groceries, entertainment services, and fresh fruits and vegetables increased, while the demand for electronic devices, cosmetics, and dairy goods dropped. Social media and entertainment services were in extremely high demand. Certain essential services like healthcare and entertainment were constantly in demand in addition to the basic physical goods.

## RESULTS AND DISCUSSION CONSUMPTION EXPENDITURE PATTERN OF INDIAN HOUSEHOLDS

A typical Indian household spends 44.27% of its entire consumption expenditure on food, and the remaining 73% is spent on non-food expenses, according to the most recent available 2011–12 CES. In comparison to only a slight increase in food costs, the average non-food spending (at constant prices) climbed dramatically between 1993–1994 and 2011–2012, growing at a pace of 4.29% annually. As a result, from 37.8% in 1993–1994 to 55.7% in 2011–12, non-food expenditures as a percentage of total consumer expenditure increased. A predicted phenomena that many scholars have noticed is a change in the consumption pattern away from food (Kumar 1996; Meenakshi 1996; Rao 2000; Radhakrishna 2005).

The consumption pattern varies greatly between urban and rural locations, as well as depending on the type of expenditure. Rural households allocated a considerably higher percentage of their consumption spending to food in both years, despite the fact that the absolute value of their consumption expenditure (on food and non-food) was relatively higher among urban households. Rural households experienced a slightly smaller percentage reduction in the share of food expenditures in total consumption between 1993–1994 and 2011–2012. These data demonstrate a consistently higher propensity for food consumption in rural households. The consumption expenditure pattern across decile classes (based on the MPCE) also showed that, while the absolute value of food and non-food expenditure increases as household income rises, the proportion of food in total consumption expenditure declines.

Likely change in income-induced (due to COVID-19) consumption expenditure during 2020–21

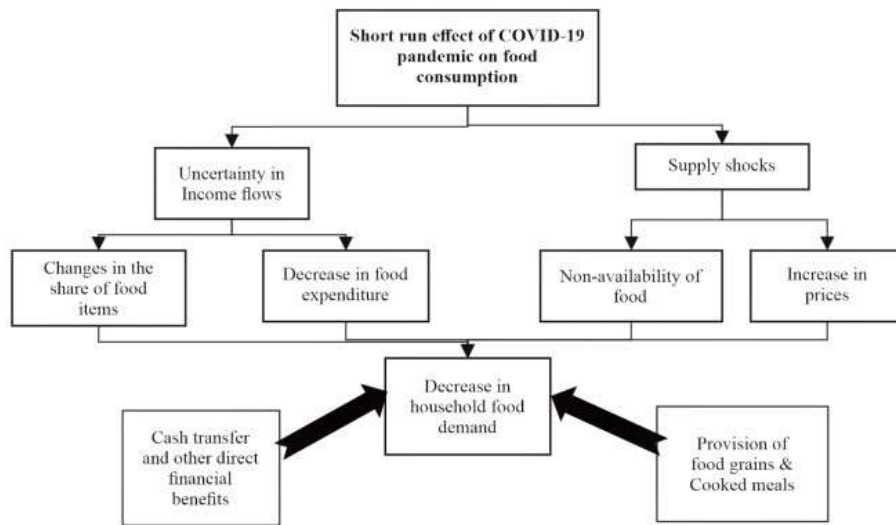
Particulars	Expenditure elasticity	Pre-COVID consumption expenditure (2019–20): INR/capita/month	Change in consumption expenditure during 2020–21** (%)		
			Scenario 1	Scenario 2	Scenario 3
Cereals	0.37	238	-9.89	-4.65	-2.32
Pulses	0.53	67	-14.05	-6.60	-3.30
Milk	0.89	202	-23.62	-11.10	-5.54
Edible oils	0.42	78	-11.32	-5.32	-2.66
Non-veg	0.96	77	-25.56	-12.02	-6.00
Vegetables	0.58	100	-15.42	-7.25	-3.62
Fruits	1.25	32	-33.43	-15.71	-7.84
Other foods	1.29	256	-34.30	-16.12	-8.05
Food_total	0.80*	1,048	-21.24	-9.99	-4.98
Non-food	1.23	1,318	-32.79	-15.41	-7.69

## THE EFFECT OF THE PANDEMIC-LED INCOME SHOCKS ON CONSUMPTION PATTERNS

The COVID-19 pandemic has a significant impact on food consumption, causing a shift in the variety of foods to cereals, a decline in income, and shifts in eating patterns. Due to supply shocks, the effect was severe because there was no labour available to harvest the crops during the lockdown, transportation was suspended, and accessibility was constrained. The pandemic is likely to have long-run implications on food systems—in the form of structural changes in the supply chain and in food consumption behaviour—but this study focuses mainly on the short-run implications.

Supply shocks also affected food consumption because these restricted physical access to food and raised food prices steeply. Civil society organizations (CSO) and the central and state governments intervened in a major way and helped the vulnerable people to tide over this period through direct cash transfers, provision of food grains and free meals, etc. This study focuses only on the short-run impact on food consumption; it does not cover the extent of benefits through the interventions of governments and CSOs.

A decline in household income will have diverse effects on the amount spent on consumption of various commodities, and the consumption basket's composition is likely to shift. Households will shift their spending from non-essential to vital goods. The share of expenditure on non-food products will decrease, whilst the share of spending on necessities like food would increase. The proportion of commodities with inelastic demand within the food basket will increase with the food budget.



Pathways of likely impact of COVID-19 on food consumption

Expected changes in consumption pattern due to COVID-19-led income shock (%)

Items	2019–20	2020–21		
		Scenario 1	Scenario 2	Scenario 3
Cereals	10.0	12.5	11.0	10.5
Pulses	2.8	3.4	3.1	2.9
Milk	8.5	9.0	8.7	8.6
Edible oils	3.3	4.0	3.6	3.4
Non-veg	3.2	3.3	3.3	3.3
Vegetables	4.2	4.9	4.5	4.3
Fruits	1.3	1.2	1.3	1.3
Other foods	10.8	9.8	10.4	10.6
Food_Total	44.3	48.2	45.8	45
Non-food	55.7	51.8	54.2	55.0
Overall	100	100	100	100

## FINDINGS AND CNCLUSION

It was discovered that epidemics and pandemics significantly affect India's consumption patterns. The study finds that during the early phases of epidemics and pandemics, consumers turned to panicked buying. Consumer buying patterns were discovered to have drastically changed, and they were now focusing almost exclusively on necessities. The study also demonstrates that the majority of consumers want to maintain their COVID-19 consumption patterns. Compared to rural consumers, urban consumers' consumption patterns have undergone more change. The change in urban consumers' consumption habits was compelled by the shutdown of eateries and restaurants, shopping centres, movie theatres, etc+. in metropolitan regions.

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