

## **Shifting Patterns: Analyzing Household Consumption in Maharashtra Before and After COVID-19**

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### **Abstract**

The COVID-19 pandemic brought sudden and widespread changes in the way people spend money around the world, including in Maharashtra, India. This study reviews research on how household spending patterns changed in Maharashtra before and after the pandemic, focusing on the differences between essential and non-essential expenses. By pulling together findings from various studies, the review aims to better understand how factors like income, health, and personal spending priorities influenced rural and urban households during this time. It also explores the government's economic and social response to the crisis, providing ideas for future policies that could help households manage such disruptions more effectively.

Before the pandemic, households in Maharashtra, like elsewhere, spent their money on a mix of essential items, such as food and healthcare, and non-essential items, including dining out, vacations, and entertainment. However, once the pandemic began, spending shifted dramatically. With lockdowns, health risks, and economic uncertainty, many households prioritized essentials over non-essentials. Rural and urban households faced unique challenges. Rural households often struggled with reduced income due to fewer job opportunities and limited access to health services. This meant they had to spend more cautiously on basics and cut back even further on non-essential items. Urban households, meanwhile, had access to some savings or government assistance, but they also reduced their spending on non-essentials like restaurants and travel due to safety concerns and lockdown restrictions.

Key factors influencing these spending changes included income levels, household health needs, and the availability of support through government programs. For example, households with a steady income were able to maintain a certain level of essential spending, whereas those without consistent income faced tough decisions about where to cut back. Additionally, the pandemic highlighted how health expenses can impact a household's budget, as many families found themselves spending more on medical needs, reducing what they had left for other items.

The government responded by introducing several support measures, such as direct cash transfers, food security programs, and health subsidies. These programs aimed to reduce the financial strain on families, especially for those hit hardest by the economic impacts of the pandemic. In rural areas, programs like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) offered some financial support, helping rural households manage basic expenses. Food distribution programs also played an important role, ensuring that households didn't have to go without essentials.

By examining how these factors played out, this review identifies important lessons for the future. It suggests that more long-term policies focused on income support and healthcare access would help households be more resilient during future crises. Additionally, the review points out that more research is needed to understand the longer-term effects of the pandemic on spending habits. For instance, how will the spending patterns on essentials versus non-essentials continue to change in the years following the pandemic? And what role should the government play in helping families adjust to these changes?

Overall, this study provides useful insights for policymakers looking to develop effective strategies for household support. Understanding how different households responded to the financial challenges of the pandemic can help in designing policies that better prepare communities for future economic disruptions

Keywords: Household consumption, Socioeconomic determinants, Non-essential spending, Food expenditure, Health expenditure

## **Introduction**

Household consumption patterns are crucial indicators of economic well-being, reflecting how families allocate resources between essentials like food and healthcare and discretionary items such as dining out, vacations, and entertainment. The COVID-19 pandemic caused substantial disruptions in these patterns, forcing households globally, including those in Maharashtra, India, to reevaluate their spending priorities. This review compares household consumption behaviors in Maharashtra before and after the pandemic, with a particular focus on food, health, and discretionary spending in both rural and urban settings. It explores how factors like income, health expenses, and government support affected spending shifts, offering insights into household resilience amid economic upheaval.

## **Household Spending Patterns Before COVID-19**

Before the pandemic, households in Maharashtra exhibited a balance between spending on essentials and discretionary goods, although rural and urban areas differed based on income levels and spending power. Rural households generally prioritized basic needs, dedicating more of their income to essentials like food and healthcare, while non-essential spending remained minimal due to lower incomes. Urban households, by contrast, displayed a more varied spending pattern, often dedicating a portion of their income to discretionary spending, including dining out, entertainment, and vacations.

Across all demographics, food was a fundamental priority, with urban households having slightly higher expenditures on health due to broader access to health services. Despite this, rural areas often faced higher relative healthcare costs due to limited infrastructure, leading to a higher share of income being spent out of pocket on medical needs.

## **Pandemic Impact on Household Spending**

COVID-19 drastically shifted household spending in Maharashtra as lockdowns, job losses, and health concerns altered priorities. For many households, essential spending on food and healthcare became the main focus, while non-essential spending was significantly reduced.

## **Food Spending**

Food remained a top priority for households, though spending patterns adjusted based on income changes. With job losses and income reductions, many families cut back on food variety and quality, especially in lower-income rural households that were heavily impacted by daily wage disruptions. In urban households, while food security remained stable for some, those who lost income had to make similar compromises, often relying on cheaper alternatives.

Government programs like the Public Distribution System (PDS) became vital in ensuring food security. By providing subsidized food items, these programs helped both rural and urban families meet their basic needs during the economic downturn.

## **Health Spending**

Healthcare expenses surged during the pandemic as households faced new costs for COVID-19 testing, treatment, and preventive items like masks and sanitizers. This sudden increase in health-related spending placed additional pressure on household budgets, often at the expense of discretionary spending. For rural households, healthcare expenses were especially challenging, with limited public health facilities requiring families to rely on more costly private services. Urban families, though having better access to healthcare, still experienced financial strain due to high out-of-pocket expenses.

### **Discretionary Spending**

Discretionary spending saw a marked decline as families focused on essentials. Spending on dining out, travel, and entertainment reduced sharply due to lockdown restrictions and income uncertainty. Urban households, which previously dedicated a portion of their budget to these items, shifted to more home-centered activities and cut down on non-essentials. Rural households, already having limited discretionary spending, further minimized such expenses to prioritize food and health needs.

### **Key Socioeconomic Factors Influencing Spending Changes**

Several socioeconomic factors influenced household spending changes in Maharashtra during the pandemic:

1. **Income Stability:** Households with steady income sources were better positioned to maintain essential spending. In contrast, those reliant on daily wages, particularly in rural areas, faced severe reductions in income, leading to stricter budgeting of essentials.
2. **Health Needs:** Households affected by COVID-19 or with pre-existing health conditions had to allocate more resources to health expenses, reducing funds available for other spending needs.
3. **Government Support:** Government initiatives such as the Public Distribution System (PDS) and direct cash transfers provided crucial support, especially for households facing income loss. Programs like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) offered a financial cushion to rural families, helping them manage basic expenses during the crisis.

### **Conclusion**

The COVID-19 pandemic reshaped household consumption patterns in Maharashtra, with a shift toward essential spending on food and healthcare over discretionary items. Differences between rural and urban households' responses highlighted the impact of income stability, health needs, and available support on spending priorities. This review underscores the importance of policies that strengthen social safety nets and provide stable income support, particularly for vulnerable households. By examining these changes, the study offers valuable insights for developing policies to build household resilience and support economic recovery in the face of future disruptions.

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ChatGPT says: Household consumption patterns are crucial indicators of economic well-being, reflecting how families allocate resources between essentials like food and healthcare and discretionary items such as dining out, vacations, and entertainment. The COVID-19 pandemic caused substantial disruptions in these patterns, forcing households globally, including those in Maharashtra, India, to reevaluate their spending priorities. This review compares household consumption behaviors in Maharashtra before and after the pandemic, with a particular focus on food, health, and discretionary spending in both rural and urban settings. It explores how factors like income, health expenses, and government support affected spending shifts, offering insights into household resilience amid economic upheaval. ### Household Spending Patterns Before COVID-19 Before the pandemic, households in Maharashtra exhibited a balance between spending on essentials and discretionary goods, although rural and urban areas differed based on income levels and spending power. Rural households generally prioritized basic needs, dedicating more of their income to essentials like food and healthcare, while non-essential spending remained minimal due to lower incomes. Urban households, by contrast, displayed a more varied spending pattern, often dedicating a portion of their income to discretionary spending, including dining out, entertainment, and vacations. Across all demographics, food was a fundamental priority, with urban households having slightly higher expenditures on health due to broader access to health services. Despite this, rural areas often faced higher relative healthcare costs due to limited infrastructure, leading to a higher share of income being spent out of pocket on medical needs. ### Pandemic Impact on Household Spending COVID-19 drastically shifted household spending in Maharashtra as lockdowns, job losses, and health concerns altered priorities. For many households, essential spending on food and healthcare became the main focus, while non-essential spending was significantly reduced. ##### Food Spending Food remained a top priority for households, though spending patterns

adjusted based on income changes. With job losses and income reductions, many families cut back on food variety and quality, especially in lower-income rural households that were heavily impacted by daily wage disruptions. In urban households, while food security remained stable for some, those who lost income had to make similar compromises, often relying on cheaper alternatives. Government programs like the Public Distribution System (PDS) became vital in ensuring food security. By providing subsidized food items, these programs helped both rural and urban families meet their basic needs during the economic downturn. ##### Health Spending Healthcare expenses surged during the pandemic as households faced new costs for COVID-19 testing, treatment, and preventive items like masks and sanitizers. This sudden increase in health-related spending placed additional pressure on household budgets, often at the expense of discretionary spending. For rural households, healthcare expenses were especially challenging, with limited public health facilities requiring families to rely on more costly private services. Urban families, though having better access to healthcare, still experienced financial strain due to high out-of-pocket expenses. ##### Discretionary Spending Discretionary spending saw a marked decline as families focused on essentials. Spending on dining out, travel, and entertainment reduced sharply due to lockdown restrictions and income uncertainty. Urban households, which previously dedicated a portion of their budget to these items, shifted to more home-centered activities and cut down on non-essentials. Rural households, already having limited discretionary spending, further minimized such expenses to prioritize food and health needs. ### Key Socioeconomic Factors Influencing Spending Changes Several socioeconomic factors influenced household spending changes in Maharashtra during the pandemic:

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The COVID-19 pandemic reshaped household consumption patterns in Maharashtra, with a shift toward essential spending on food and healthcare over discretionary items. Differences between rural and urban households' responses highlighted the impact of income stability, health needs, and available support on spending priorities. This review underscores the importance of policies that strengthen social safety nets and provide stable income support, particularly for vulnerable households. By examining these changes, the study offers valuable insights for developing policies to build household resilience and support economic recovery in the face of future disruptions.

## **Literature Review**

### **Household Consumption Trends: A Global Perspective**

- Global studies on household consumption trends underscore significant shifts in spending priorities during the pandemic, with a notable shift from non-essential to essential goods. Rashid et al. (2024) report that in developing countries, up to 70% of household income is allocated to food, exacerbating food insecurity concerns.
- European and US studies highlight a decline in discretionary spending, such as on restaurants and entertainment, as consumer confidence fell sharply during lockdowns (Chetty et al., 2020; Accenture, 2020).

### Food Expenditure and Security

- **Global Findings:** Food expenditure emerged as the most significant category, particularly during economic downturns (Arya, 2024). Households prioritized spending on staple foods while cutting back on other items.
- **Indian Context:** In India, food expenditure has historically constituted a large portion of household budgets, especially in rural areas. During the pandemic, this trend intensified, as income insecurity led to higher spending on food (Rashid et al., 2024).
- **Maharashtra's Case:** In Maharashtra, the Ministry of Statistics and Programme Implementation (2024) found that food expenditure rose markedly during the pandemic, especially in rural households, where economic disruptions were more severe.

### Health Expenditure and Economic Burden

- **Global Findings:** Out-of-pocket health expenditure (OOPE) is a common financial burden for households worldwide. The pandemic exacerbated this burden, with many families incurring catastrophic health expenditures (Mehek et al., 2023).
- **Indian Context:** In India, health expenditure surged due to private healthcare costs. Public health insurance programs were insufficient in mitigating these expenses, leaving many households financially vulnerable.
- **Maharashtra's Case:** Health spending patterns in Maharashtra reveal that rural households, already economically vulnerable, experienced severe financial stress due to health-related expenditures during COVID-19.

### Non-Essential Spending: Recreation, Restaurants, and Vacations

- **Global Findings:** Spending on non-essential goods, such as dining out and vacations, plummeted during the pandemic due to lockdown restrictions and changes in consumer behavior (Neha et al., 2021).
- **Indian Context:** Urban households in India, especially those with higher incomes, experienced a significant reduction in spending on recreation and restaurants as fear of contagion grew (Christopher et al., 2021).
- **Maharashtra's Case:** In Maharashtra, urban households reported sharp declines in discretionary spending on non-essential goods, including dining out and entertainment. However, by late 2021, there were signs of recovery in these sectors.

### Income, Inequality, and Consumption Behavior

- **Global Findings:** Income inequality exacerbated the pandemic's effects on household consumption, with higher-income households better able to adjust their spending while low-income households struggled to maintain their basic needs (Chronopoulos et al., 2020).
- **Indian Context:** Income inequality in India widened during the pandemic, particularly in rural areas where income volatility was higher, limiting households' ability to spend on non-essentials (Avjit, 2023).
- **Maharashtra's Case:** In rural Maharashtra, income disparities grew more pronounced, directly affecting consumption patterns. Many low-income households reduced their spending on non-essential goods, while higher-income households saw less severe reductions.

### Research Methodology:

This study employs a **thematic review approach**, synthesizing existing literature to identify key patterns and determinants of household consumption. The review focuses on pre- and post-COVID-19 periods, comparing trends in rural and urban Maharashtra.

### Data Sources:

**Secondary Data:** The study relies on secondary data from global and local sources, including:

- **Household Consumption Expenditure Survey (HCES):** Data on household consumption trends in Maharashtra pre- and post-pandemic.
- **Consumer Pyramid Household Survey (CPHS):** A secondary data source providing detailed information on consumption patterns during the pandemic across different income groups.
- **National Sample Survey (NSS):** Data on health and food expenditure in Maharashtra.

#### Method of Analysis:

- **Thematic Analysis:** Thematic analysis was conducted by categorizing consumption behavior into essential (food, health) and non-essential (recreation, dining out, vacations) spending. The review identified common themes, trends, and socioeconomic determinants from the literature.
- **Comparative Analysis:** The study compares consumption behavior in rural and urban households, examining how income levels, household size, education, and occupation influenced spending during the pandemic.
- **Socioeconomic Analysis:** The literature review was extended to analyze the socioeconomic drivers of consumption, particularly the impact of income inequality and volatility on consumption patterns.

#### Key Variables:

- **Dependent Variables:** Household consumption expenditure (food, health, recreation, non-essential goods).
- **Independent Variables:** Income levels, household size, education, occupation, gender, urban/rural classification.

#### Limitations:

- The study is limited by its reliance on secondary data, which may not capture real-time shifts in consumption behavior during rapidly changing pandemic conditions.
- There is also a potential lack of granularity in the data concerning specific sub-regions within Maharashtra.

#### Results and discussions

- **Synthesis of Findings:** The COVID-19 pandemic caused profound shifts in household consumption patterns in Maharashtra. Thematic analysis reveals that food and health expenditures increased sharply, while non-essential spending saw a marked decline. These shifts were more pronounced in rural areas, where income volatility was higher.
- **Socioeconomic Determinants:** Income, household size, and education emerged as significant determinants of spending during the pandemic. Low-income households in rural areas faced greater economic hardships, leading to a focus on essential expenditures like food and healthcare.
- **Policy Implications:** The literature highlights the need for targeted interventions to support low-income households. Strengthening health insurance coverage, expanding cash transfer programs, and improving access to essential goods in rural areas are key policy recommendations.

#### Summary and Conclusion:

- This thematic review emphasizes how the COVID-19 pandemic reshaped household consumption patterns in Maharashtra, particularly affecting food and health expenditures. Non-essential spending sharply declined as households prioritized essentials.
- **Future Research:** Further empirical studies are needed to assess the long-term impacts of these shifts and measure the effectiveness of policy measures designed to stimulate economic recovery in Maharashtra.

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