

# [Consumption pattern in india post 92](https://assignbuster.com/consumption-pattern-in-india-post-92/)

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Change in consumption pattern in India since the 1950s due to the effects of liberalization, globalizationand demographics changes Since 1950 the global economy has nearly quintupled. TheAmerican Dreamhas become a model for most developing nations. With the critical rise in Indian population the consumption increases significantly.

It’s an assertion of this research project that consumption pattern will change whether by design or by default. Introduction The one billion consumers in affluent nations are being joined by one billion new consumers in developing and transitional nations. Although these new consumers do not yet have the spending capacity of the established consumers, they have enough discretionary income to consume in far more expansive manner than the bulk of their fellow citizens. A good number can even buy cars; in 1997, more motor vehicles were sold in Asia than in Western Europe and North America combined. With potentially twice as many new consumers in the next ten years, the global community should be interested in the new consumers. This raises several fundamental questions: \* Can the new consumers be enabled to engage in enhanced consumption in a manner consistent with sustainable development? What can they learn from the mistakes and positive experiences of the long time affluent nations in order to keep their environmental impacts at acceptable levels? \* How far can the established, affluent consumers be persuaded to adopt more sustainable lifestyles which could serve as models for the new consumers? Moderation in the growth rate has come with some good news, with the country’s per capita income expecting to more than double over the last seven years to Rs38, 084 in 2008-09, reflecting improvement in the living standards of an average Indian. Per capita income, according to advance estimates for national income, is expected to grow by 14.

4% during the fiscal 2009, the highest growth rate recorded in a single year in the last decade. The country’s per capita income, which is an important indicator of economic development of a nation, was Rs18, 885 during 2002-03. Consumption Pattern In India O n 15 August 1947, India woke to a new daylight of sovereignty: finally we were masters of our own vocation after some two hundred myriad years of British rule; the job of nation building was now in our own hands. The leaders of independent India had to decide, among other things, the type of economic system most suitable for our nation, a system which would promote the welfare of all rather than a few. India would be a ‘ socialist’ society with a strong public sector but also with private property and democracy; the government would ‘ plan’ for the economy with the private sector being encouraged to be part of the plan effort. The ‘ Industrial Policy Resolution’ of 1948 and the Directive Principles of the Indian Constitution reflected this outlook. In 1950, the Planning Commission was set up with the Prime Minister as its Chairperson.

The era of five year plans had begun. To increase the production of goods and services the producers have to adopt newtechnology. For example, a farmer can increase the output on the farm by using new seed varieties instead of using the old ones. Similarly, a factory can increase output by using a new type of machine. However, modernization does not refer only to the use of a new technology but also to changes in the social outlook such as the recognition that women should have the same rights as men. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ The economic reforms of India can be divided into mainly two segments- \* Post-Independence Era Post Liberalization Era ------------------------------------------------- A PLAN spells out how the resources of a nation should be put to use. It should have some generalgoalsas well as specific objectives which are to be achieved within a specified period of time; in India plans are of five years duration and are called five year plans.

Our plan documents not only specify the objectives to be attained in the five years of a plan but also what is to be achieved over a period of twenty years. The five year plans are supposed to provide the basis for the perspective plan. Our five year plans do not spell out how much of each and every good and service is to be produced. It is enough if the plan is specific about the sectors where it plays a commanding role, while leaving the rest to the market. Since the beginning of economic reforms and acceleration in the rate of growth since 1990, the Indian economy has followed a growth pattern, which, on the face of it, appears to be different from the one observed in the historical development of today’s developed countries and also from that being experienced by similarly placed developing countries today. This uniqueness of the growth pattern of India needs to be recognized, understood and analyzed and its implications for longer term development strategy and policy brought out. Liberalization In the year 1991, a major economic crisis surfaced in Indian economy.

At that time, the economy was slowing down, balance of payment position was precarious, and inflation rate was very high. At the same time fiscal imbalances were persistent in the Indian economy. Those times the Govt of India introduced some economic reforms measures and it was of 4 kinds: 1. Trade and capital reform measures 2. Industrial deregulation . Disinvestment & Public Enterprise reform 4. Financial sector reform The liberalization measures taken by the govt are: 1.

Area of business once reserved for public sector enterprise was opened to private sector business. 2. Loss making units of public enterprises was transferred to private enterprises. However, there were no takers at that time. 3. Disinvestment of highly profit making units of public enterprises was initiated by the govt of India to correct fiscal imbalances. 4.

Economy was liberalized to private sector both at the domestic level as well as, the foreign market level. . Licensing system was removed; in fact it was very much liberalized. 6. The power of MRTP commission was curtailed and the ceiling of investment was raised very much. In fact there was no limitation of investment. 7.

Foreign Direct Investment (FDI), was permitted up to 51% in priority areas without the proper permission of the Govt. In another sector the Govt was ready to consider the proposal of investment relating to more than 51%. 8. All the sick units were referred to BIFR (Board of Industrial & FinancialReconstruction) for the rehabilitation of the sick units. 9. The policy of export and import was liberalized. The effect of liberalization was positively substantial on the consumption pattern in India.

The industries started expanding rapidly after going to private hands. This became “ pro bono” as it created more job opportunities. This enhanced income for public thus raising the purchasing power of the individuals. It ultimately improved the standard of living faster than the time that of pre-liberalization. Perhaps the most significant event occurred due to liberalization was establishment of (Security Exchange Board of India) SEBI. This gave a sense of security to people and thus people invested more and more. Due to stringent rules and regulations of SEBI, people became more conscious and by investment in equity they got a feeling of ownership.

New companies started emerging due to liberalization. Removal of location restriction was a blessing for the domestic companies. So many new players came to the market. Investment limit was raised from Rs 2 lakh to Rs 5 lakh. So, people started investing more. This led to increase in national income. Modernization got its grip overculture.

People could use upgraded technologies in their work. Due to financial reforms, banks adopted brilliant strategies concerning the quality and performance of their services in the eyes of customers. Globalization The term globalization has been defined by various business experts differently. Some says that globalization means extension of economic activities across the political boundaries of the nation states. Others say that globalization refers to integration of the country with the rest of the world. In India globalization has been taken to mean integration of the Indian economy with the economies of the world. It also means economic openness, inviting FDI, inviting MNCs to come and invest in Indian economies, encouraging Indian companies to form joint venture with the organization of the countries, compete in the world markets at their own cost without having help from the governments, main strategic alliance or form partnerships with the companies of the world.

After liberalization and globalization free trade was possible between business entities. More and more foreign companies started investing and spreading to India. The consumers got a wider range of products, so they had options to choose now for the one that suits better for their need. People became more aware about various products and became brand conscious. The demand for better goods rose. So the companies became competitive about their services, price and quality. Now the paradigm had shifted from production orientation to consumer orientation.

As a result of this consumers got better products at competitive price. The most significant effect was technological advancement. Foreign companies made mergers, partnerships and joint ventures with Indian companies. This impacted the sharing of superior technologies to Indian companies. This resulted in increased efficiency in production and product quality. Income due to globalization added to National income. Indian companies also started expanding to foreign countries.

Trading abroad contributed to Indian foreign currency reserve. Because many companies shared and provided services in foreign industries, this created employment in form of BPOs and KPOs. As the economy opens up to globalization, households start to adoptfoodconsumption patterns that differ from the traditional ones. The new dietary habits reflect global patterns, and could be quite unlike the habits that had developed locally over many generations. Consumers exhibit strong preferences for meat or fish, temperate zone foods such as apples and highly processed convenience foods and drinks all of which are readily available in the emerging supermarkets and fast-food outlets. A critical implication of globalization is the severing of the link between diets and the local availability of resources and local habits. In the second stage of diet globalization in particular, consumers have access to varieties of food that were not previously available to them.

Thus, consumers are no longer constrained in their demand to purchasing local produce. Demographic Factor The market is divided into groups on the basis of variables such as age, familysize, family life cycle, gender income, occupation, education, religion, race, generation, nationality and social class. Demographic variables are the most popular bases for distinguishing customer groups. The change in demography raised several questions before the companies like- which population should the firm serve? What geographical areas should the firm cater to? These questions point to segmentation, targeting and positioning for a particular product. The population of India has crossed above 1billion. That makes major chunk of world’s population as consumers. More people mean more diversity among their thought pattern, culture, income, perception.

That becomes a challenge for a company to provide a product for all of them. Thus they started thinking about reaching every household and penetrating market. Recent trends indicate that the composition of nutritional intake in India is fast changing. Increasing income and urbanization demand more non-food grain products in the diet. The food grain consumption per person is decreasing in both rural and urban population. And the non-gain crops and animal products (dairy and poultry) are increasing their share of the daily nutritional intake. Increased per capita income has increased the standard of living.

For the upper income group many brands have emerged. Ex- for watches- Titan Orion, for men’s apparels there are Park’s Avenue and Van Huesen, for shoe there’s Woodland and the list goes on. Conclusion It’s quite evident from the above research that India’s consumption pattern has changed greatly especially after liberalization and globalization. Consumers became the locus of control. In fact, it was them which drove the companies to go on. Liberalization and globalization actually became a blessing for India’s economic development and commerce cap. These are related to each other and crucially supplemented various growth patterns.

Standard of living, per capita income, foreign currency reserve, brand consciousness, varied product range, etc. these are the fruitful results of globalization. Also, due to financial sector reforms, loans were made available easily, employment scope soared high, quality and package of service became richer, transactions were more secure. Technological advancement led to increased efficiency, detailed information and better quality product. Professionalismwas introduced in the management of public enterprises. Furthermore greater autonomy was given public enterprises.