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The Hidden Consumption Inequality Trap: SDG 12 Pathways for India's Poverty Alleviation

Mohammed Rasool Khan. M and Dr. M. Suvakkin

I MA Economics & Research Department of Economics, St. Joseph's College (Autonomous), Tiruchirappalli.

Email: dmahaboobkhan73@gmail.com

Associate Professor & Head, PG & Research Department of Economics, St. Joseph's College (Autonomous), Tiruchirappalli. Email: suvakkin_ecl@mail.sjctni.edu

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Abstract: India's post-2025 development path reveals a clear contradiction: although multidimensional poverty has declined substantially, inequalities embedded within household consumption continue to persist. Using evidence from the Household Consumption Expenditure Survey (HCES) 2023–24 and national Sustainable Development Goal indicators, this paper highlights a “Hidden consumption inequality trap,” in which poorer households still allocate a disproportionately large share of expenditure to food, thereby constraining spending on health, education, and productive assets. Viewed through the lens of SDG 12 - Responsible Consumption and Production, the study demonstrates how unequal and unsustainable consumption patterns sustain vulnerability even after households' cross official poverty thresholds. A comparative state-level analysis of Tamil Nadu, Kerala, Odisha, Uttar Pradesh and Bihar reveals pronounced disparities in consumption outcomes and SDG 12 performance. The paper advances integrated fiscal, digital-market, and welfare-oriented policy pathways to better align poverty reduction with sustainable consumption, contending that SDG 12 remains an underutilised yet critical lever for achieving durable poverty alleviation and reducing inequality in India.

Keywords: Sustainable Development Goal 12, Sustainable Consumption, Consumption Inequality,

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1. Introduction

1.1 Poverty Reduction and Emerging Challenges

India has recorded notable progress in poverty reduction over the last decade. Official estimates suggest that a large section of the population has moved out of multidimensional poverty, supported by steady income growth, the expansion of social protection programmes, and wider access to essential public services. These outcomes point to the positive role played by targeted welfare measures and macroeconomic expansion in raising overall living standards.

At the same time, this progress masks a deeper structural concern linked to the nature and composition of household consumption. Poverty reduction assessed through income or deprivation indicators does not necessarily ensure sustained improvements in welfare. Many households that cross formal poverty thresholds continue to face economic vulnerability, largely because their consumption choices remain constrained and their ability to withstand economic shocks is limited.

1.2 Consumption Structure and Subsistence Dependence

Recent consumption evidence indicates that a significant share of households continues to follow subsistence-oriented spending patterns. Data from the Household Consumption Expenditure Survey (HCES) 2023–24 show the bottom 20 per cent spending over half their budget on food. Long-term HCES estimates confirm Engel's law: between 1999–00 and 2023–24, rural food shares declined more slowly than urban ones, showing persistent rural subsistence dependence. Such high food shares limit spending on education, healthcare, energy, transport and durables essential for human capital and productivity growth.

1.3 The Post Poverty Consumption Paradox

This situation gives rise to a post-2025 poverty paradox. Although households may exit poverty statistically, they remain fragile due to limited consumption diversification. Long-term HCES trends show non-food shares rising but often absorbed by compulsory costs like housing rent, leaving health, education and services to grow slowly especially for rural and low-quintile households. Inflation, food volatility and climate shocks intensify this vulnerability, where rising non-food spending fails to deliver capability-enhancing investments, forming the core of the "hidden consumption inequality trap."

1.4 Relevance of SDG 12 and Study Objectives

In this setting, Sustainable Development Goal 12 (Responsible Consumption and Production) becomes particularly relevant. In contrast to SDG 1 or SDG 10, SDG 12 places emphasis on the structural quality of consumption and production systems that ultimately shape the sustainability of poverty reduction. Against this background, the present study seeks to analyse national patterns of consumption inequality using data from the Household Consumption Expenditure Survey (HCES) 2023–24, examine interstate differences in consumption outcomes, and propose SDG 12–based policy pathways to strengthen sustainable poverty alleviation in post-2025 India.

2. Objectives of the Study

The present study is undertaken with the following specific objectives:

1. To examine the structure and composition of household consumption expenditure in India using data from the Household Consumption Expenditure Survey (HCES) 2023–24.

2. To analyse the extent of consumption inequality across income groups, with particular focus on differences between food and non-food expenditure patterns among the lower consumption quintiles.
3. To assess interstate variations in consumption outcomes by comparing selected states that differ in levels of economic development and welfare performance.
4. To evaluate the relevance of Sustainable Development Goal 12 (Responsible Consumption and Production) in addressing post-poverty vulnerability and consumption-based inequality in the Indian context.
5. To identify the ways in which unequal and unsustainable consumption patterns contribute to a hidden consumption inequality trap, even in the presence of observed poverty reduction.
6. To propose policy pathways at both national and state levels that integrate poverty alleviation strategies with sustainable and equitable consumption frameworks.

3. Review of Literature

3.1 Poverty Reduction and Consumption Patterns

Banerjee and Duflo (2019) argue that income growth and targeted welfare programmes have significantly contributed to poverty reduction in developing countries, but these gains do not automatically ensure sustained welfare improvements when assessed solely through income or deprivation indicators. **Deaton (1997)** further emphasises that persistent subsistence-oriented consumption patterns restrict households' ability to invest in health, education, and productive assets, thereby constraining long-term welfare outcomes even after measured poverty reduction.

3.2 Consumption Inequality and Poverty Traps

Ghatak (2025) shows that a high reliance on food expenditure limits diversification of consumption and hampers the development of human capital, reinforcing conditions associated with poverty and inequality traps. **Deaton (1997)**, drawing on Engel's law, explains that declining food expenditure shares are generally associated with improvements in welfare; however, evidence from developing economies indicates that lower-income households continue to allocate a substantial share of their budgets to food even in the presence of income growth, pointing to structural constraints in consumption rather than short-term deprivation.

3.3 Sustainable Consumption and SDG 12

United Nations (2025) highlights that progress towards Sustainable Development Goal 12 on responsible consumption and production has been uneven across countries, with several targets especially those related to food waste reduction and resource efficiency showing limited movement. **UNDP (2025)** notes that unsustainable patterns of consumption and production generate adverse distributional outcomes, as low-income households disproportionately bear the economic and social costs of environmental degradation, resource stress, and price volatility.

3.4 Evidence from India and Research Gap

Using Indian consumption survey data, **MoSPI (2025)** and **NITI Aayog (2023)** document rising consumption inequality and a continued dependence on food expenditure among lower-income groups, indicating incomplete structural transformation in household consumption. The **World Bank (2025)** cautions that official estimates may understate the true

extent of inequality, while **Ghatak (2025)** and related policy analyses observe that the literatures on poverty, consumption, and sustainability have largely evolved separately, with limited efforts to integrate consumption inequality within the SDG 12 framework; the present study addresses this gap by linking recent consumption data with SDG 12 to analyse post-poverty inequality in India.

4. Data and Methodology

4.1 Data Sources

The study relies on secondary data drawn from official national and state-level sources. The primary dataset used is the **Household Consumption Expenditure Survey (HCES) 2023–24**, published by the Ministry of Statistics and Programme Implementation. This survey offers recent evidence on **Monthly Per Capita consumption Expenditure (MPCE)**, patterns of expenditure composition, and inequality indicators across both rural and urban areas.

To evaluate sustainable consumption performance, information related to Sustainable Development Goal 12 is drawn from the National Indicator Framework and the SDG India Index prepared by NITI Aayog. In addition, state-level economic survey reports are utilised to support and contextualise interstate comparisons.

4.2 Methodological Approach

The study follows a descriptive and comparative analytical approach. Consumption inequality is examined using quintile-wise monthly per capita consumption expenditure (MPCE) and the relative shares of food and non-food spending. Interstate differences are analysed through a comparative assessment of selected states that represent varying levels of economic development.

The analysis is primarily concerned with identifying structural patterns in household consumption rather than establishing causal relationships. Particular emphasis is placed on linking consumption structures with Sustainable Development Goal 12 performance in order to better understand post-poverty vulnerability.

4.3 Limitations of the Study

The study relies entirely on secondary data, which may lead to an underestimation of consumption at the upper end of the distribution. Moreover, the analysis is descriptive in nature and does not make use of advanced econometric techniques.

5. Data Analysis

This section examines household consumption patterns in India using HCES 2023–24 data from the Ministry of Statistics and Programme Implementation, focusing on expenditure composition and interstate variation to identify consumption-based inequality patterns.

Long-term HCES trends (1999–00 to 2023–24) show food shares declining (rural ~60%→47%, urban ~48%→40%) with slower rural progress, rising housing rent from urbanisation, and growing miscellaneous spending (health, education, services), confirming Engel's law yet persistent lower-quintile subsistence dependence.

5.1 Average Monthly Per Capita Consumption Expenditure

Table 1: All India Average Monthly Per Capita Consumption Expenditure (2011-12 prices, ₹)

Sector	NSS 68th (2011-12)	HCES 2023-24
Rural	1,501	4,122
Urban	2,630	6,996

Source: Ministry of Statistics and Programme Implementation (MoSPI). (2025). *Factsheet of Household Consumption Expenditure Survey 2023-24*.

Rural households allocate 47.04% of MPCE (₹1,939 out of ₹4,122) to food, restricting spending on education (3.24%) and medical care (6.83%). Urban households devote 39.68% to food (₹2,776 out of ₹6,996), with higher shares in rent (6.58%) and conveyance (8.46%). Processed foods, pan, tobacco, and beverages drive the food share rise, per HCES itemized breakdowns.

5.2 MPCE and Food Share by Fractiles

Table 2: MPCE and Food Share by Fractiles (2023-24, current prices)

Fractile	Rural MPCE (₹)	Rural Food (%)	Urban MPCE (₹)	Urban Food (%)
Bottom 5%	1,677	62.5	2,071	60.2
Bottom 10%	1,895	59.8	2,399	57.1
10-20%	2,214	56.4	2,854	53.9
Middle 60%	~4,500	~42	~7,500	~38
Top 5%	10,137	24.2	20,310	22.1

Source: Ministry of Statistics and Programme Implementation (MoSPI). (2025). *Factsheet of Household Consumption Expenditure Survey 2023-24*.

The fractile table illustrates widening consumption inequality in HCES 2023-24: bottom 5% (rural ₹1,677, urban ₹2,071) allocate ~60% to food, while top 5% (₹10,137 rural, ₹20,310 urban) spend only 22-24%. Middle 60% averages ~₹4,500 rural/~₹7,500 urban with ~40% food share, showing partial diversification but persistent gaps.

Bottom quintiles' high food reliance (56-62%) signals vulnerability to price shocks, limiting human capital investment. Top fractiles low food % reflects luxury spending, amplifying the "hidden inequality trap" despite overall Gini decline.

5.3 Rural–Urban Consumption Comparison

Table 3: Rural–Urban Consumption Comparison (HCES 2023–24)

Area	Average MPCE (₹)	Food Share (%)	Implication
Rural	4,122	47.0	Greater vulnerability
Urban	6,996	39.7	Better consumption diversification

Source: Ministry of Statistics and Programme Implementation (MoSPI). (2025). *Factsheet of Household Consumption Expenditure Survey 2023-24*.

Average Monthly Per Capita Expenditure (MPCE) from HCES 2023-24 confirms rural areas at ₹4,122 with 47.0% food share versus urban ₹6,996 at 39.7%, per official MoSPI factsheet. Rural households' higher food reliance signals greater vulnerability to inflation shocks, while urban diversification supports resilience.

5.4 Inter State Consumption and SDG 12 Performance

Table 4: Selected States – Consumption Inequality and SDG 12 Score

State	Rural Gini	SDG 12 Score	Key Consumption Issue
Tamil Nadu	0.225	76	Urban food waste
Kerala	0.192	78	High discretionary spending
Odisha	0.248	68	Tribal food insecurity
Uttar Pradesh	0.291	64	Rural consumption stagnation
Bihar	0.312	61	Nutrition deficit

Source: NITI Aayog. (2024). *SDG India Index & Dashboard 2023-24*. pii.gov.in.

The table synthesizes state-level rural Gini trends from HCES 2023-24 (national rural average 0.237) with SDG 12 scores from NITI Aayog's 2023-24 Index, highlighting consumption challenges consistent with state economic profiles. Tamil Nadu and Kerala show low Gini (<0.23) and high SDG 12 (76-78), reflecting better equity but urban waste/discretionary risks; Bihar/UP exhibit higher inequality (0.29-0.31) and lower scores (61-64) tied to nutrition/rural stagnation.

Key Insights from Data Analysis

The analysis shows that despite a decline in poverty levels, consumption inequality continues to persist due to high food expenditure shares among lower-income groups. These consumption patterns limit human capital formation and contribute to ongoing vulnerability even after households move out of poverty. Interstate differences further suggest that consumption outcomes are strongly influenced by variations in state-level policy capacity and the design of welfare interventions.

6. SDG 12 Pathways

Sustainable Development Goal 12 (Responsible Consumption and Production) offers a useful framework for addressing the hidden consumption inequality trap highlighted in this study. By emphasising the quality and sustainability of consumption patterns, SDG 12 strengthens poverty reduction efforts and contributes to more durable improvements in long-term welfare.

6.1 Strengthening Sustainable Consumption among Low Income Households

Long-term HCES trends show spending shifting from food to often inefficient categories like tobacco, fuel and clothing; policy must redirect this towards SDG 12 items—public transport, clean energy, education, health via subsidies and public provisioning, aligning poverty alleviation with sustainable human capital growth.

6.2 Promoting Responsible Production and Reducing Waste

Reducing food waste, improving storage and transport infrastructure, and encouraging resource-efficient production systems lower costs, reduce volatility, and improve access to

essential goods, particularly for vulnerable groups disproportionately affected by unsustainable production practices.

6.3 Fiscal and Policy Reorientation towards Consumption Equity

Higher taxation on luxury and resource-intensive consumption generates additional public revenue that can be redirected towards sustainable welfare programmes and green public provisioning, aligning consumption incentives with sustainability objectives while supporting lower-income households.

6.4 Role of State Governments and Decentralised Models

Successful state-level models that promote food security, nutrition, and basic service delivery should be scaled up and adapted to local conditions through decentralised planning and region-specific interventions to address diverse consumption challenges across states.

6.5 Strengthening Monitoring and Institutional Coordination

Regular consumption surveys and SDG reporting by institutions such as the Ministry of Statistics and Programme Implementation and NITI Aayog track progress and guide SDG 12 implementation, with improved coordination between national and state agencies enhancing effectiveness.

7. Findings and Suggestions

7.1 Major Findings

1. The analysis reveals that despite significant reductions in poverty, **consumption inequality persists** in India. A large share of households that have exited poverty continue to follow subsistence oriented consumption patterns.
2. Data from the Household Consumption Expenditure Survey (HCES) 2023–24 indicate that the **bottom 20 per cent of households spend more than half of their total expenditure on food**, leaving limited resources for education, healthcare, housing, and other capability enhancing expenditures.
3. Rural households exhibit **lower monthly per capita consumption expenditure and higher food expenditure shares** compared to urban households, making them more vulnerable to inflation and food price shocks.
4. Significant **interstate variations** are observed in consumption outcomes. States such as Tamil Nadu and Kerala show relatively diversified consumption patterns, while Bihar and Uttar Pradesh remain characterised by high food dependence and nutrition related vulnerabilities.
5. The findings suggest that poverty reduction alone is insufficient to ensure sustainable welfare, as **unequal consumption structures act as a hidden inequality trap**, reinforcing economic fragility even in a post poverty context.

7.2 Suggestions and Policy Implications

1. Poverty alleviation strategies should move beyond income based measures and explicitly focus on **improving the structure of household consumption**, particularly among lower income groups.

2. Strengthening **food security and price stabilisation mechanisms** is essential to reduce excessive food expenditure burdens on poor households and protect them from inflationary pressures.
3. Policies aligned with **Sustainable Development Goal 12 (Responsible Consumption and Production)** should be prioritised to promote efficient, affordable, and sustainable consumption practices.
4. State governments should adopt and scale **successful welfare and consumption models**, particularly those that enhance access to education, healthcare, and nutrition.
5. Regular and disaggregated consumption surveys should be conducted to monitor consumption inequality and guide evidence based policymaking by institutions such as Ministry of Statistics and Programme Implementation and NITI Aayog.

8. Conclusion

This study examined the persistence of consumption inequality in India's post 2025 development context by applying the framework of Sustainable Development Goal 12 (Responsible Consumption and Production). The analysis demonstrates that although India has achieved notable success in reducing poverty, a large proportion of households remain constrained by subsistence oriented consumption patterns. High food expenditure shares among lower income groups limit investments in health, education, and other capability enhancing goods, thereby sustaining economic vulnerability even after poverty exit.

The findings highlight that inequality in India is increasingly embedded in the **structure of consumption**, rather than income alone. Significant rural–urban and inter state variations further indicate that consumption outcomes are shaped by differences in state capacity, welfare design, and production systems. These patterns reveal the existence of a hidden consumption inequality trap that conventional poverty measures fail to capture.

By focusing on sustainable consumption and production, SDG 12 offers a critical policy lens to address this challenge. Integrating consumption equity into poverty alleviation strategies can strengthen human capital formation and improve resilience to inflationary and environmental shocks. Strengthened monitoring and coordinated action by institutions such as the Ministry of Statistics and Programme Implementation and NITI Aayog are essential to ensure effective implementation.

In conclusion, achieving durable and inclusive development in India requires moving beyond poverty reduction towards reshaping consumption structures. Aligning poverty alleviation with SDG 12 is therefore essential for sustaining welfare gains and reducing inequality in the long run.

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