CONSUMER EXPENDITURE DISTRIBUTION IN INDIA, 1983-2007: EVIDENCE OF LONG PARETO TAIL

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This work presents an empirical study of the evolution of the consumer expenditure distribution in India during 1982-2007. We have used the National Sample Survey Organization data and analysed the expenditure distribution for the urban and rural sectors. It is found that this distribution is a mixture of two distributions, more particularly; it follows a lognormal in the lower tail and a Pareto distribution in the higher end. The Pareto tail consists of a remarkable 30-40% of the population in the upper end and the lower end is suitably modeled by the lognormal one. The goodness-of-fit tests endorse the proposed distribution. Moreover, the Pareto tail is widening over time for the rural sector. The Gini coefficient, a prominent measure for quality, for the expenditure distribution is found to be stable for the entire time span.

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