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The Impact of Climate Change on Consumption Spending in Rural India

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Abstract

Climate change poses serious challenges to rural welfare in India, affecting agriculture, labour productivity, and overall living standards. This study investigates the long-term impacts of temperature and rainfall variability on Monthly Per Capita Consumption Expenditure (MPCE) using four decades of panel data. Employing a fixed-effects estimation strategy, the analysis finds that rising temperatures significantly depress rural consumption, with the effects being more severe in hotter and poorer regions, thereby deepening regional and social inequalities. Agricultural productivity emerges as a key transmission channel through which climate shocks influence rural living standards. These findings highlight the urgency of promoting climate-resilient agricultural practices (SDG 2), reducing inequalities (SDG 10), and advancing climate action (SDG 13) to safeguard livelihoods and foster sustainable, inclusive development.

Keywords: Climate Change, Consumption Expenditure, Rural Welfare, Sustainable