

The Conspicuous Consumption and the Visibility of Consumer Behavior: Special Reference to Low middle Income and Poor in Jaffna, Sri Lanka

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Abstract. Jaffna, Sri Lanka is experiencing major shifts in her socio-cultural structure during the last ten years, especially post war. With increased penetration of electronic media, affordable home entertainment systems, cinema, and the internet, consumers are opening up to the great outside world. The developed worlds are constantly creating reality for the consumers. This is not different in case of Jaffna. After having finished civil war, people in Jaffna are more enthusiastic to imitate others because of seeking social status and they strive to show the impression that they are better off than before. The main objectives of the present study were to find out the significant determinants for conspicuous consumption and size of that between male and female and to what extent poor tend to display their conspicuous consumption in a society. The results bring to light the fact that income is main determinant of the amount to be allocated but sex and age have insignificant impact on the amount to be allocated for social status. Further, this finding clearly shows the fact that people in Jaffna are making significant allocation of their income to maintain social status than satisfaction and at the same time, poor people in Jaffna are also enthusiastic to have conspicuous consumption for expressing their position that they are better off than before.

Keywords: Conspicuous consumption, social status, poor people, income, age.

1. Introduction

Commodities do not only serve the purpose of satisfying direct needs in the production and consumption process. Some of them are also used to display social status and to affect the position of an individual in society. Several economists have maintained that consumers' concern for social status has important economic consequences. Veblen (1899) argued that Wealthy individuals often consume highly conspicuous goods and services in order to advertise their wealth and thereby achieving concern for social status which induces people to engage in conspicuous consumption in order to signal wealth. Keynes (1883-1946) argued that consumption of households depends upon their absolute income or current income. Namazie and Sanfey (2001) confirm that personal comfort depends strongly on the absolute level of income of the household to which one belongs. Powdthavee (2003) also stated that absolute income matters significantly in the evaluation of well-being. Dusenberry (1949) argued that a concern for status causes people to imitate the consumption standard of those above them in the income hierarchy. Thus, Dusenberry contended that an individual is less concerned with absolute level of consumption than by relative levels of income. Graham and Pettinato (2002) argue that the absolute income is not the sole determinant of satisfaction among the poor. According to Graham and Pettinato (2002), "relative income differences are, no doubt, influencing the well-being". This implies that people's comfort is influenced by their relative positions in a society than their absolute income. Generally, consumer behavior theory describing the market behavior of consumer is based on some basic assumption in which the absence of conspicuous consumption is sole one. But, validity of this assumption has not been supported through empirical inquiry which confirms the importance of conspicuous motivation in consumer behavior; the conspicuous consumption belongs to not only rich consumers but also poor and low middle income people. Therefore, in Sri Lanka, little research has been made on particular

issue. Not only that post war, people in Jaffna strive to imitate relatives neighbors and the people of high class and at the same time, foreign remittance receiving from their relatives who live in Europe and Canada has been flowing to Jaffna. This is also one of the reasons for increasing purchasing capacity of people of Jaffna. Under this backdrop, researcher tries to bring the new insight to the society in regard to conspicuous consumption by doing research.

2. Objectives of Study and Methodology

In addition to people of middle income, poor also has conspicuous consumption in their behavioral character while purchasing good and services. Jaffna is experiencing major shifts in her socio-cultural structure after post-war. Thus, a society which has been traditionally known as “collective” in nature is showing increased evidence of individualism. With increased penetration of electronic media, affordable home entertainment systems, cinema, and the internet, consumers are opening up to the great outside world.. Thus, the paper tries to focus on the behavior of both low middle income people and poor in Jaffna, Sri Lanka in regard to their conspicuous consumption. The people of low middle income and poor are more enthusiastic to purchase durable and related goods due to status seeking even though income is limited. Jaffna people strive to imitate in consuming goods and services with their relatives, neighbors. Further, people strive to combat the impression that they are poor. Therefore, main objectives of this study are to identify the significant variables determining the amount to be allocated for social status, to find out the size of conspicuous consumption between male and female and to what extent the poor and low middle income people spend on conspicuous consumption and to what extent people concentrate the status seeking than satisfaction of consuming goods. The study is fully poised on primary data. 300 low middle and poor people have been taken for the research in which 51(20.2%) poor whose per capita income is below \$ 2 per day have been taken for the analysis. Stratified and simple random sampling technique was used. There are two strata, namely low middle income families and poor families. The data were collected using 09 statements based on Liker scale. The analysis has been carried out with the use of Ordinary Least Square Method (OLS) of simple linear regression model and descriptive statistics and further Statistical Package for Social Science (SPSS) was used for the analysis.

Table1. Sample Profile

SEX	Male	60%
	Female	40%
Age	15-20 yrs	6.3%
	21-30yrs	32.7%
	31-50yrs	53%
	Over 50yrs	8%
Monthly income	4000-7000	20.2%
	Rs 7001 -10000	8%
	Rs 10001 -13000	13.8%
	Rs 13001 -16000	16%
	Rs 16001-19000	20.8%
	>19001	17.3%

3. Literature review

The wealthy individuals often consume highly conspicuous goods and services in order to advertise their wealth and thereby achieving social status (Veblon,1899).In other words, Veblen (1899) introduced this concept to describe the lifestyle of members of the upper class who purchase goods and services out of

necessity but instead as indicators of their wealth and status. Conspicuous consumption is lavish spending on goods and services acquired mainly for the purpose of displaying income or wealth. In the mind of conspicuous consumers, such display serves as a means of attaining or maintaining social status. More recently, several economists have shown that an incorporation of a concern for social status alters results of traditional growth models (Cole et al., 1992; Konard, 1992; Fershtman et al, 1996; Rausher,1997; Corneo and Jeanne,1999;Brekke and Howarth,2002)). People's concern for social status is important for tax policy (Bernheim,1996; Corneo and Jeanne1997) .Moreover, several analysis suggest that a concern for social status can sustain different social norms (see e.g. Akerlof,1980; Lindbeck and Snower,1988; Holl ander,1990; Bernhein,1994; Lindbeck,1997;Lindbeck, et al., 1999).The people consume goods and services not only to derive satisfaction from them but also to publicize their social status(Sezgin,2008). The consumer behavior is subject to the pressure of social norms(Engel et al.,1999).There is a sizable literature in economics that tries to explain the persistence of poverty. Most of this literature assumes that individuals are fully rational and that the poor like Other individuals, care about their own and their offspring's future well-being, and therefore are willing to give up part of their present consumption for the sake of the future. Poor families around the world spend a large fraction of their income on the consumption of goods that appear to be useless in alleviating poverty. This consumption can be interpreted as an attempt to signal status, and therefore, that the persistence of poverty may be partly due to an inefficient signaling equilibrium. Specifically, what is important is that there is a trade-off between conspicuous consumption and human capital as signals for unobserved income. This trade-off produces a signaling equilibrium in which the expected fraction of expenditure on conspicuous consumption out of total income is decreasing with human capital, which gives rise to a poverty trap (Omer Moav Zvika Neeman, 2008). What is observable factor is that the conspicuous consumption belongs to not only rich consumers but also low middle and poor people. Therefore, the identification of the extent and the determinants of conspicuous consumption among the poor have important explorative character since little research has been done on this particular issue. However, researchers in this area have not studied the phenomenon of conspicuous consumption in the context of Sri Lankan low middle and poor people. Therefore, the findings of this study may provide a valuable insight for the innovative marketers who struggle for crafting competitive strategies for their businesses.

4. Nature and conspicuous consumption in Jaffna, Sri Lanka

Sri Lanka is an island found in the South East of India surrounded by Indian Ocean. This is country that abounds in natural resources and fascinating natural scenery in which total acreage of Jaffna is 1020sq.km (102322Hec). 35% of the land is used for agriculture and for the cultivation of cash crops. 22% of the land has been used for buildings. 5% of the land is surrounded by the lagoons, 32% of the land is surrounded by rocks, sand, marshy areas and 6% of the land is abandoned unused for cultivation. Jaffna district which has had 15 divisional secretariats has average household of monthly mean income of RS 18917. The average monthly household expenditure is Rs.22725 in which 65% for food and 35% for non-food (Jaffna secretariat statistical hand book,2007, 2008). The poverty incidence in Jaffna is 16.1% .Jaffna has mineral resources such as salt, silicon, clay, limestone and fish and livestock. As already said, most of people are educated and they are attracted the government job because it gives minimum protection for life. In addition to government job, they engage partly in agriculture and allied work to obtain income. Jaffna has had long experience in civil war (30years).Most of the youngsters migrated to Europe such as England ,Germany, France, Norway, Sweden, Denmark ,Swiss land, and America and Canada after beginning of civil war. Now, they are citizen of such countries and sending money to their relatives and neighbors living in Jaffna. Thus, people in Jaffna are able to obtain huge money from this foreign remittance due to the exchange rate difference. For example, respondent in Jaffna can obtain RS150, 000 if somebody living in Europe send the Euro 1000 to Jaffna. But, people in Jaffna are spending this money for their conspicuous consumption even though they are poor or low middle income. Particularly, Jaffna is experiencing major shifts in her socio-cultural structure after post war. Thus, a society which has been traditionally known as“collective” in nature is showing increased evidence of individualism. With increased penetration of electronic media, affordable home entertainment systems, cinema, and the internet, consumers are opening up to the great outside world. Visual images, like elsewhere in the developed world are constantly creating reality for the consumers. This

is not different in case of Jaffna. After having finished civil war, people in Jaffna are more willingness to imitate others because of seeking social status and they Strive to show the impression that are better off than before.

5. Hypothesis, Data Analysis and Discussion

The poor people, generally, are vulnerable in any shock such as increase in oil and food price, natural disaster and economic crisis. The low middle income people are clustered little above poverty line. Therefore, they are also vulnerable in any shock such as natural disaster and economic crisis. Generally, to what extent the low middle income and poor people spending on conspicuous consumption which depends upon some factors and motivation for seeking conspicuous consumption may be satisfaction or seeking equal status with people who are in well position in society. Specially, in south Asian context, female tries to imitate to other high income and socially well established peoples' consumption pattern. Thus, researcher has put forwarded following hypothesis

H1: the income is significant variable in determining the allocation for social status rather than sex and age.

H2: People in Jaffna is making significant allocation of their income to maintain social status than satisfaction.

H3: Conspicuous consumption among female is high that of male and poor people also significantly engage the conspicuous consumption.

In this study, conspicuous consumption is function of three variables such as income, sex and age which is shown in following functional form.

$$\text{Allocation of amount for Conspicuous consumption} = f(\text{Income, sex, age}) \quad (1)$$

The equation one can be arranged in the following linear form for our purpose of study as follows

$$\text{ALLOCATION} = \beta_0 + \beta_1 \text{INCOME} + \beta_2 \text{SEX} + \beta_3 \text{AGE} + ut \quad (2)$$

Thus an OLS regression is used on equation (2) and the results of the OLS are summarized as follows.

Table2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.837 ^a	.701	.698	.54819

a. Predictors: (Constant), age, income, sex

H1: the income is significant variable in determining the allocation for social status rather than sex and age.

The summarized results of regression are shown in table 2 and 3. The value of R^2 of 0.701 means that about 70 percent of the variation in allocation of their income for status seeking is explained by above three variables such as income of respondents, sex and age. In other words, high R^2 (0.701) indicates the statistical fitness of the model used to analyze the determinants of allocation of income for status seeking in the society. In accordance with above regression result, income of the consumer (respondent) significantly affects the amount of income to be allocated for status seeking and there is positive relationship between income and allocation of income for status seeking. Thus, as income of respondent increases, allocation of income in the total income for status seeking also increases because he wants to have more allocation status seeking. The main reasons is that people strived to imitate to their relatives and high income groups and they feel themselves they are becoming better off than before. According to regression result, as income of respondent increases by 100%, amount to be allocated for status seeking will increase by 48% when other variables like age and sex remain constant and vice versa. Nevertheless, income of respondent has played significant and positive impact on amount to be allocated for status seeking. Conversely, sex has the impact on the allocation of income for status seeking but not significant. Age has insignificant and negative impact on the amount to be allocated for status seeking in the society. According to the survey findings, youngsters

are more willing and enthusiastic to maintain the social status. Therefore, the result brings the light the fact that income is main determinant of the amount to be allocated for social status. At the same time, even though sex and age also affect the decision of amount allocation for social status, they have insignificant impact on the amount to be allocated for social status.

Table3. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.509	.161		3.162	.002
	income	.481	.018	.838	26.313	.000
	sex	.006	.065	.003	.093	.926
	age	-.003	.044	-.002	-.058	.954

a. Dependent Variable: allocation

H2: People in Jaffna are making significant allocation of their income to maintain social status than satisfaction

Table:4 Allocation and purpose Cross tabulation

		purpose		Total
		satisfaction	status	
allocation	<5%	43	30	73
	5-10%	30	63	93
	10-15%	15	76	91
	15-30% or >30	7	36	43
Total		95	205	300

In accordance with table 4, 14% respondents allocate less than 5% of income for the purpose of satisfaction, and 10% for status seeking. But, 21% respondents allocate 5-10% of income for status seeking and only 10% for satisfaction. Likewise 25.3% respondents allocate 10 -15% of income for maintaining social status and 14% respondents allocate 15 -31% or more than 30% for status seeking. Further, it can briefly be stated that 68% respondents in the out of total respondents are allocating their income for maintaining social status and to combat the impression that they are poor. As already defined, those who are getting income between 4000-7000 are poor in the society (World bank poverty line is \$ 2 per day, exchange rate is around \$ 1= RS110- 120).The 94% poor (out of total poor people) are willingness to spend less than 5% income for both satisfaction and status seeking (see table 5). Therefore, this statistics clearly prove the fact that people in Jaffna are making significant allocation of their income to maintain social status than satisfaction

H3: Conspicuous consumption among female is high that of male and poor people also significantly engage the conspicuous consumption

Table :5 sex and conspicuous consumption Cross Tabulation

		con.consumption		Total
		yes	no	
sex	male	122	58	180
	female	91	29	120
Total		213	87	300

In consonance with table 5, 65.3% male respondents accepted that they engage and allocate part of their income for conspicuous consumption for status seeking motive. Only 32% male respondents expressed the view that they do not engage in conspicuous consumption. Conversely, the table 5 clearly shows the fact that 75.2% female respondents engaged the conspicuous consumption for status seeking motives. Therefore, what

is observable from above descriptive statistics is that even though female respondents engaged little bit higher than that of male, there is no considerable difference between male and female with regard to conspicuous consumption.

Table 6: Conspicuous Consumption and Poor People Cross Tabulation

		Person		Total
		poor	middle	
con.consumption	yes	21	184	205
	no	30	65	95
Total		51	249	300

In consonance with table 6, 41.2 percentage of poor respondents accepted that they engage the conspicuous consumption for the reasons that may be status or satisfaction. 58.8 percentages of poor respondents do not accept that they engage conspicuous consumption for status seeking or satisfaction. But what is observable fact from above data is that significant percentages of poor are engaging conspicuous consumption even though they are struggling lack of income. This finding clearly shows the fact that Poor in Jaffna are more enthusiastic to have conspicuous consumption. Because, they strived to prove themselves that they are well position in a society and better off than before whether income is enough or not.

6. Conclusions

Jaffna, Sri Lanka is experiencing major shifts in her socio-cultural structure during the last ten years, especially after post war. This study clearly indicates that people in Jaffna are more enthusiastic to imitate others because of seeking social status and also they Strive to show the impression that they are better off than before. Not only that they increase his chance of making relationship with high ability and middle and upper class people. The value of R^2 of 0.701 indicates the statistical fitness of the model. As income of respondent increases by 100%, amount to be allocated for status seeking has increased by 48%. Thus, the results bring to light the fact that income is main determinant of the amount to be allocated but sex and age have insignificant impact on the amount to be allocated for social status. Further, 65.3% male and 75.2% female respondents accepted that they engage and allocate part of their income for conspicuous consumption for status seeking. Further, 41.2 percentage of poor respondents also accepted that they engage the conspicuous consumption. Therefore, these findings clearly show the fact that middle income people in Jaffna are making significant allocation of their income to maintain social status and at the same time, poor people in Jaffna are also enthusiastic to have conspicuous consumption for expressing their position that they are better off than before. This study will be giving different insight to researchers and policy makers because the literature for conspicuous consumption pays little attention on poor and low middle income people yet, especially in Sri Lanka. Further this study will help to marketing managers or firms in their decision about sales.

7. References

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