CONSUMPTION EXPENDITURE PATTERN OF RURAL AND URBAN HOUSEHOLDS IN NAMIBIA: A QUANTILE REGRESSION APPROACH

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Selected poster prepared for presentation at the Southern Agricultural Economics Association (SAEA) Annual Meeting, Atlanta, GA, January 31- February 3, 2015

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INTRODUCTION

- Consumption is final purchase of goods and services
- National income is important variable to model consumption pattern
- In Namibia, at the national level (NHIES 2009/2010):
  - Total consumption in rural area 73%
  - Total consumption in urban area 27%
  - Urban area consumption > 3 times the rural area consumption

EMPIRICAL MODELS

- Empirical specification of consumption: General Model
- Log(C) = β0 + β1 lnConsCash + β2 lnConsKind + β3 lnConsumption + ε
- Where:
  - Log(C) = Lagarithm of household annual consumption
  - lnConsCash = Logarithm of total annual income
  - β0 = Household size
  - β1 = Square of household size
  - β2 = Number of hours worked per household
  - β3 = Age of head of household
  - ε = Dummy variable if head of household is female
  - ε = Dummy variable if household having own business

RESULTS FOR RURAL AREA

- 1% increase in household total income
  - Household cash consumption by 0.59% (+0.56% (25%), 0.52% (50%), 0.48% (75%), and 0.43% (90%)).
  - Household kind consumption by 0.64% (20%), 0.11% (90%), 0.17% (75%) and 0.27% (90%) but by 0.10% (50%)
- Rural household with farming as will have significantly lower cash consumption by 0.042% (5%), 0.025% (25%), 0.014% (50%), 0.012% (75%) and 0.005% (90%) than HH WITH OTHER MSIs
- Rural household with farming as MSJ will have significantly lower kind cash consumption by 0.014% (25%), 0.008% (50%), 0.004% (75%) and 0.002% (90%) than HH WITH OTHER MSIs

RESULTS FOR URBAN AREA

- 1% increase in household total income
  - Household cash consumption by 0.47% (5%), 0.53% (25%), 0.34% (50%), 0.23% (75%) and 0.18% (90%)
  - Household kind consumption by 0.25% (25%), 0.38% (50%), 0.44% (75%) and 0.27% (90%) and by 0.2% (95%)
  - Urban household with farming as MSJ will have significantly lower cash consumption by 0.025% (25%), 0.025% (50%), 0.025% (75%) and 0.01% (90%) than HH WITH OTHER MSIS
  - Urban household with farming as MSJ will have significantly higher kind cash consumption by 0.005% (25%), 0.003% (50%), 0.002% (75%) and 0.0002% (90%) than HH WITH OTHER MSIS

CONCLUSIONS

- HH total income and MSJ in Namibia are key explanatory variables
- HH with own business have higher cash consumption in both rural and urban area of Namibia
  - For same % increase in HH income in Namibia:
    - Rural HHs will have higher cash consumption than urban households in all quantiles
    - Urban HHs will have higher in kind consumption than rural HHs in all studied quantiles
    - Rural HHs having farming as MSJ will have low cash consumption than Rural HH WITH OTHER MSIS. However, the result is opposite in Case of Urban HHs

IMPLICATIONS

- Explicit image of rural and urban HHs consumption pattern of Namibia
- Helpful to implement any future activities related to HH consumption
- There is higher possibility to increase the total consumption of both rural and urban HHs by increasing per capita income, strengthening people to build up their own business and reducing rural and urban inequality of income distribution.

REFERENCES