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Fuel Choices in Rural Maharashtra

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Abstract

Traditional biomass remains a large source of energy in developing countries, particular in rural areas. Use of biomass can contribute to deforestation and hence climate change as well as indoor air pollution. Therefore, significant efforts have been made to improve the efficiency with which it is used and to reduce particulate emissions through the adoption of improved stoves and to transition households to modern energy carriers. We report on and analyze the results of an energy use survey in two tribal villages in rural Maharashtra, India. Though there is significant heterogeneity between the effects of the variables in the two villages there are some robust results. We find modest evidence for the 'energy ladder' hypothesis and that use of higher quality energy sources reduces total energy use ceteris paribus. Income elasticities of fuel demand are small. Additionally, we demonstrate that household size, stove ownership, and season influence rural energy choices. However, the effects of improved stoves are small and not consistent across the villages.

Keywords:
Household energy, income elasticity, improved stoves, India

JEL Classification:
Q41, O13

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1. Introduction

An increasingly large share of global energy use and carbon emissions are accounted for by developing countries, yet the unique features of energy use in the developing world are often not accounted for adequately in international analyses (Toman and Jemelkova, 2003; van Ruijven *et al*., 2008). Traditional biomass is still a significant fraction of energy use in developing countries and is simply ignored by many global models. 2.7 billion people still rely on traditional biomass as the main source of energy for cooking and heating and 1.3 billion people do not have access to electricity with the majority of these living in sub-Saharan Africa and South Asia (Behrens *et al*., 2012). Where electricity is available in rural areas, supply is often intermittent and/or unreliable. The absence of efficient energy options limits the development scope of households (Toman and Jemelkova, 2003) and may increase deforestation and hence contribute to climate change and biodiversity loss, as well as harming the health of those who prepare the meals due to indoor air pollution (Barnes and Floor, 1996; Ezzati and Kammen, 2002; Fullerton and Bruce, 2008; Edwards and Langpap, 2012). Significant efforts have been made to improve the efficiency with which it is used and to reduce particulate emissions through the adoption of improved stoves and to transition households to modern energy carriers. It is, therefore, important to understand the factors affecting energy choices in rural areas in developing countries as well as to evaluate which strategies can mitigate the negative effects of traditional biomass use.

In India, urban centers monopolize much of the country's modern energy infrastructure and dominate energy use (Pachauri and Jiang, 2008). Rural energy choices are constrained not only by low incomes, but also by thin markets for commercial fuels and equipment. Often, local availability constrains energy use more than either household budget limitations or energy prices (Farsi *et al.*, 2007). Moreover, cooking accounts for the majority of rural residential energy consumption (Khandker *et al*., 2012). With limited resources and access to alternatives, households effectively rely on biomass for their most important daily activity.

An effective public policy framework in developing countries themselves also requires analysis of the factors that affect energy demand in the developing world (Farsi *et al*., 2007). Though data is now more available than in the past (Khandker *et al*., 2012) there is still a need to better understand the factors determining energy use in the rural context. In this paper, we examine the factors affecting fuel choices and total energy use of households in two villages in Maharashtra state using a primary data set collected by the first author.

Economic theory suggests that "households consume more of the same goods and shift towards higher quality goods as household income increases" (Ammah-Tagoe, 1995) and this applies to energy services too. Higher quality fuels are those that provide more economic value per joule of energy content by being converted more efficiently, being more flexible or convenient to use, and producing less pollution (Stern, 2010). We would expect that lower income households would be more willing to tolerate the inconvenience and pollution caused by using lower quality fuels to produce energy services. So as household income increases, we would expect households to gradually ascend an "energy ladder" by consuming higher quality fuels and more total energy (Farsi *et al*., 2007). Many studies (e.g. Hosier and Dowd, 1987; Onyebuchi, 1989; Macauley *et al*., 1989; Hosier, 2004) have concluded that such an energy ladder exists. However, more recent studies often find a more ambiguous picture where multiple fuels are used simultaneously with "fuel-stacking" as modern fuels are added to the use of traditional fuels (e.g. Masera *et al*., 2000) or that there is reluctance to move up the ladder (Heltberg, 2004). Gupta and Köhlin (2006) test the energy ladder hypothesis in India by estimating regressions for the individual energy demands of wood, coal, kerosene, and liquid petroleum gas (LPG) in Kolkata. They determine that wood, coal and kerosene act as inferior fuels, while LPG is normal. This implies that as incomes rise, households in Kolkata switch from less-efficient fuels to more-efficient ones. Reddy (1995) researched energy choices for households in Bangalore employing a series of binomial logit models to evaluate the choice between energy pairs. His results suggest that households ascend an energy ladder and that income and some socio-demographic variables are important determinants of energy demand. Most recently, Farsi *et al*. (2007) applied an ordered probit model to cooking fuel choices in urban households. Their results indicated that a lack of sufficient income is one of the main factors constraining households. Additionally, several social and demographic factors, including education and sex of the head of the household, were also found to be important. Other relevant studies for India include Gundimeda and Köhlin (2008) discussed below, Heltberg *et al*. (2000) who study total energy consumption, consisting of wood, dung and crop residues, in four Rajasthani villages, Köhlin and Amacher (2005) who model fuelwood collection in Orissa, World Bank (2003) who employ a multinomial logit model to represent household fuel choice for both rural and urban households, and

Khandker *et al*. (2012) who analyse a large national survey. Together, these studies tepidly support the 'energy ladder' hypothesis for India.

Nevertheless, it is interesting to note that many estimated income elasticities of low-efficiency fuels are actually insignificant or even positive (Amacher *et al*., 1993; Cooke, 2000; Foster and Rosenzweig, 2003; Mekonnen, 1999). This suggests that for many rural households, wood, crop residues, and dung may actually represent normal goods. Hosier and Dowd (1987) concede that the energy ladder may not be applicable to all households. In fact, cultural and social preferences may be equally important as economic ones (Farsi *et al*., 2007). Khandker *et al*. (2012) find that even total energy use is not responsive to increased income in the low half of the income distribution in large sample of households in rural India.

Obviously, prices are a major determinant of energy use, though as is well known, energy demand is very inelastic (Hyde and Köhlin, 2000). Substitution between fuels due to changes in relative prices may also not be so easy in the short run (Hyde and Köhlin, 2000; Stern, 2012). However, Gundimeda and Köhlin (2008) found Marshallian (uncompensated) own price elasticities (ranging from -0.59 to -1.05) for various fuels in rural India, which is more elastic than is typical for fuels, and (compensated) cross-price elasticities as high as 0.843 for the effect of a rise in LPG on demand for fuelwood in low income rural households. In common with some other rural Indian studies (e.g. Heltberg *et al*., 2000) we did not obtain price data from our field study and energy use was dominated by self-collected firewood. In any case, with data collected from two neighboring villages over the course of a year, price variation was probably limited.

More efficient energy conversion technologies, such as improved stoves and electricity, can reduce energy use (Amacher *et al*., 1992; Hyde and Köhlin, 2000). There is mixed evidence, however, as to whether technological change actually reduces demand (Amacher *et al*., 1993; Edmonds, 2002; Heltberg *et al*., 2000; Nepal *et al*., 2011). There are many factors, which may reduce or even eliminate any efficiency gained through better technology. For example, stoves may be in disrepair, operated improperly, used sparingly, designed with features other than efficiency in mind or cause households to consume more energy through the rebound effect (Cooke *et al*., 2008; Rema *et al*., 2012). Jeuland and Pattanayak (2012) carry out a Monte Carlo simulation cost-benefit model that shows that for plausible ranges of parameter values that the private net benefits of improved cooking stoves will sometimes be negative, and in many instances highly so. Rema *et al*. (2012) found that a large share of the 2600 households that received free improved stoves in a randomized control trial failed to maintain them properly so that usage declined significantly after the first year of the trial.

Beyond the traditional energy choice determinants of price, income and substitutes, the importance of contextual factors are well documented in the literature (see Amacher *et al*., 1993; Mekonnen, 1999; Heltberg, 2005). Household characteristics, including number of members, gender composition, and education, are all associated with ‘fuel switching’ (Heltberg, 2004). Similarly, cultural characteristics, such as religion or caste, can have a pronounced influence on energy use (Masera *et al*., 2000). Fuel characteristics other than price may also play a role in household decision-making, including: ease of use, availability and pollution (Masera *et al*., 2000). Finally, spatial and temporal characteristics, such as geographic location and season, affect household practices.

The model we develop in this paper tests the importance of the various factors described above on energy demand and fuel choice in two tribal villages in Maharashtra State, India. The remainder of the paper is organized as follows. First we describe the location in India where our data were collected followed by the design of the survey in section three, the econometric model in section four, and results and analysis in section five. The final section of the paper presents a discussion and conclusions.

2. Location

The survey described below was carried out in two tribal villages in Maharashtra State northeast of Mumbai: Kohane and Purushwadi. Figure 1 shows the location of Purushwadi. Kohane is a few kilometers to the southeast of Purushwadi, which is close to 800m above sea level. Both Kohane and Purushwadi are dominated by the Hindu Mahadev-Koli caste constituting 95% of those surveyed. The Indian Constitution classifies this group as a ‘scheduled tribe’, which identifies them as a backward caste (Republic of India, 1950). This tribal group is concentrated in the Maharashtran Districts of Pune, Ahmednagar and Nasik, near the Mahadev Hills. Their principal occupation is agriculture but they also engage in wage labor, cattle breeding, and dairy and poultry farming.

The majority of households in both Kohane and Purushwadi are situated in a centralized village, surrounded by agricultural fields. All families relied on a chulla – a biomass fueled cooking device with a ‘U’-shaped enclosure situated on the floor and made of brick, mud or concrete - for their primary cooking needs. Most families also owned additional cooking devices, typically used as secondary appliances for activities requiring minimal supervision or a localized flame, such as making chai, cooking rice, or warming food.

Since the primary cooking device is the chulla, families rely heavily on biomass. The villagers' preferred fuel is wood, which is occasionally supplemented by dung. Also, many households use a small amount of kerosene as a fire starter. Plant residues are not used for cooking purposes; instead they are stored and used for soil enrichment prior to the planting season. Depending on household size, wood is collected about two times per week in approximately 25 kg headloads. It is obtained from private stocks grown between fields or from the surrounding hills. Dung, on the other hand, is collected daily from the household livestock.

The overwhelming majority of households in both villages prepare and eat two meals per day. The first is close to midday, acting as both breakfast and lunch, while the second occurs in the evening. At the start of each day, a fire is used to prepare morning chai and to heat water for bathing purposes. The same fire is kept going throughout the morning and is eventually used to prepare the midday meal after which it is extinguished. It is reignited in the evening for both meal preparation and heating purposes. Thus, there are two lengthy fuel-burning events per day.

Both Kohane and Purushwadi are connected to the electricity grid. Almost all houses near the central areas of the villages have a connection, legal or otherwise. The region's electricity schedule is eight days of power followed by eight nights of power. Thus for long periods electrical lighting is unavailable. Kerosene is a ubiquitous substitute. As per Indian law, each household is permitted a quota of five liters of kerosene per month. Since this quantity is insufficient for cooking needs, it is almost exclusively used for lighting. All households own at least one kerosene lamp, with many using two or three. Kerosene markets are absent in the surrounding region and it could not be purchased in either village. Although limited black market sales occur, most kerosene purchases are made in the nearest towns, around three hours distance by share jeep.

3. Survey Design and Data Collection

The survey was designed and implemented by Gregory in 2009-10 for Watershed Organisation Trust (WOTR), an Indian NGO based in Pune, Maharashtra. Their mission is “to provide committed development support that motivates, energizes and empowers individuals, groups, communities and other organizations and to undertake integrated ecosystems development for enhancement of well being on a sustainable basis” (WOTR, 2011). The NGO’s activities focus on halting land degradation and reducing water scarcity by developing social cohesion and human capital in rural villages. It works with communities to ameliorate both economic and environmental outcomes. The data for this study was originally requisitioned for the quantification of rural greenhouse gas emissions as part of a larger environmental accounting process throughout the WOTR’s region of operation.

We defined a household as a group of people who regularly use common cooking devices. In total, there were 257 households in the two villages. Villagers assigned households to wealth ranks: very poor, poor, average, and better off. The village people themselves agreed on the criteria for the rankings, and thus, they reflect the socio-economic circumstances of a specific village. We randomly selected 110 households so that the distribution of wealth ranks in the sample roughly matched those in the population (see Table 1). This ensured that we would have a sample of at least 100 households after eliminating erroneous surveys. However, out of a survey sample of 100, only 13 households were either ‘very poor’ or ‘better off’.

Data collection was performed in-person using a structured survey. The head male or female of each household was the preferred respondent although all family members were encouraged to participate. The survey was primarily composed of questions relating to fuel usage, specifically regarding cooking and lighting; although, it also covered some basic socio-economic indicators, such as family size, market income, and caste. It was field tested during May 2009, in the village of Sattichewadi, Maharashtra. Data was collected in three survey rounds in June 2009, January 2010 and October 2010 corresponding to the summer, winter, and monsoon seasons, respectively. We completed our on-site work for each survey round over a single week.

We instructed the survey respondents to provide us with a physical sample of their daily fuel use. Interviewers measured the sample using a 25 kg hanging scale, a 2-5 kg basket scale or a 200 ml graduated cylinder. Where measurements of this type could not be made, participants' educated guesses were accepted. We converted all mass and volume data to energy units so that the different fuels could be compared on a common basis. Energy conversion factors for wood, dung and kerosene are taken from Smith *et al*. (2000, 70), while density values are provided by the World Bank (1998, p. 134). As the original purpose of the survey was to provide an estimate of greenhouse gas emission patterns in tribal villages no data on prices were collected. Opportunity cost variables, such as collection time and alternative wage rates can be used in place of market prices where fuels are largely produced through subsistence activity but we did not collect such data either. Ekholm *et al*. (2010) does provide average rural fuel prices in 2000, including biomass and kerosene. But this national average data is not useful for explaining the variation in behavior across households and seasons.

From conception of the survey to data collection there were three main interfaces: between the survey developers and the translators, the translators and the interviewers, and the interviewers and the respondents. Each additional step was an opportunity for the intention of the survey, which was originally prepared in English and then translated into Marathi, to be confused. We worked closely with a small team of translators to ensure the essence of the questions remained unaffected. Furthermore, the field test assisted in highlighting inconsistencies that we were able to correct prior to commencing the actual data collection. We facilitated the interviewers' understanding through a training program, which instructed them on the objectives and methods of the survey so that they could link questions to the desired information. We also engaged them in a number of mock interviews, which provided an opportunity to teach through practice.

Even with careful field-testing and well-prepared interviewers, it is impossible to guarantee the reliability of respondents' answers. We encouraged interviewers to be creative and persistent in searching for the necessary information. We found the best way to develop such skills was to share experiences on a regular basis. After each day, a group debriefing session was held. The meetings reinforced our objectives and the proper interview techniques. Unfortunately, the same team leaders did not carry out the three seasonal surveys. Therefore, many of the on-site practices may not have followed the exact methods outlined above. Moreover, even though the same households were interviewed each time, it was impossible to identify specific households through time.

4. Empirical Specification

We estimate regressions for total energy use and the quantity shares of the various fuels in total energy use. Lacking price data, we assume that energy demand is a function of income per capita, household size, the quantity shares of the various fuels and other control variables. The first two variables are uncontroversial. Household size is included separately from income per capita to allow us to test for economies of scale in household size and income effects separately. The quantity shares of the fuels are included because we hypothesize that a household with a higher quality energy mix, will, *ceteris paribus*, consume less energy. Following Gupta and Köhlin (2006) we estimate a double log specification for total energy demand:

$$\ln(E_i) = \alpha_0 + \alpha_1 \ln(y_i) + \alpha_2 \ln(h_i) + \sum_{j=3}^{4} \alpha_j s_{ji} + \sum_{k=5}^{5+K} \alpha_k x_{ki} + \varepsilon_i \qquad (1)$$

where E_i is the total energy used for cooking and lighting per household i, y is income per household, h is the number of household members, s_j are the quantity shares of wood and kerosene in energy demand, and the x_k represents the K other exogenous determinants. The α_i are the regression coefficients and ε is a random error term.

Various approaches have been taken to estimating fuel choice equations depending on the data available. With complete price and quantity information fully flexible demand systems such as AIDS can be estimated (e.g. Gundimeda and Köhlin, 2008). With more restricted information various logit and multinomial logit (e.g. Hosier and Dowd, 1987; Koumoin, 1998) or probit (e.g. Gupta and Köhlin, 2006) specifications are typically used. Given that in our sample most households use some of all the fuels we choose a simpler specification for fuel choice equations, assuming that the quantity shares, s_j, are linear functions of logs of income, household size, and the control variables:

$$s_{ji} = \frac{e_{ji}}{E_i} = \beta_{j0} + \beta_{j1} \ln(y_i) + \beta_{i2} \ln(h_i) + \sum_{k=3}^{3+K} \beta_{jk} x_{ki} + \nu_{ji} \qquad (2)$$

where j is the index for the fuels – wood, dung, and kerosene, e_j represents the fuel used per household, and ν_j represents a random error term, while all other variables are defined as in (1).

We also estimated energy demand regressions for each individual fuel. The results were reasonably consistent with those for the shares. A variety of alternative models exist for compositional data of this type but the most common approach of log ratios of the shares cannot be estimated where some shares are zero (Fry *et al*., 2000), which is the case here for dung in some households. Fry *et al*. (2000) recommend replacing the zeros with a small number but Aitchison and Egozcue (2005) argue that this is not appropriate where the true value really is zero. The income elasticities of individual fuels are given by:

$$\frac{\partial \ln(e_j)}{\partial \ln(y)} = \frac{\partial \ln(E)}{\partial \ln(y)} + \frac{\beta_{j1}}{s_j} \tag{3}$$

which states that each elasticity is equal to the sum of the income elasticity of total energy demand and the ratio of the income effect from (2) to its quantity share. Evidently, as a household uses greater quantities of a given fuel relative to other fuels, the second term shrinks and its income elasticity gets closer to that of total energy demand. The income elasticity of total energy demand is:

$$\frac{\partial \ln(E)}{\partial \ln(y)} = \alpha_1 + \sum_{j=1}^{2} \alpha_{2+j} \beta_{j1} \tag{4}$$

Similar expressions can be derived for the elasticities with respect to the other exogenous variables.

Equations (1) and (2) form a recursive system, which we estimate by SUR. The sample has large observed variations in both household size and income, which could be a source of heteroskedasticity. Therefore, we use heteroskedasticity robust standard errors.

5. Results and Analysis

(a) Summary Statistics and Correlations

Table 2 provides an overview of the variables utilized for our analysis. The first four are household socio-economic observations. The average monthly income per capita is Rs 526, while the average household size is approximately 6 people. This is market income only and does not include the value of subsistence production. The mean exchange rate in 2009 was approximately $1 USD for every Rs. 46 INR. This income level is only around 1/10 of Indian GDP per capita but is above the poverty line for rural India of 358 INR per capita per month in 2005 (Khandker *et al*., 2012). It would be good to have a broader measure of income, but unfortunately such data were not collected. As noted in the previous section, both values have a high variance. The shares of females and of children less than or equal to 14 years-of-age are important variables because these groups typically eat less food and might use less energy than an average adult male.

The following four variables represent the energy data. We combined wood, dung, and kerosene measurements into a common unit. On average, households in Kohane and Purushwadi consume 221 MJ per day, though consumption varies over a wide range. Of the energy consumed, most is derived from wood, followed by dung, and then kerosene. Over 90% of daily energy need results from cooking, which is primarily satisfied by wood or dung. Kerosene is primarily reserved for lighting purposes, which requires much less energy input. Only 19% of kerosene was used for cooking purposes. Average per capita household energy use in rural India is 24 MJ per day and excluding electricity 90% is derived from biomass. But only 64% of traditional energy is provided by fuel wood (Khandker *et al*., 2012).

Figure 2 illustrates the range and relationship of the income and energy use per capita variables. There is a very large variation in per capita energy use at any given level of per capita income and a wide range of incomes. There is a weak positive linear relationship between the two variables and there are no obvious outliers when logarithmic axes are used.

Actually, there appears to be a significant difference in the relationship between income and energy use in the two villages, which will be explored in the econometric analysis. Figure 3 shows per capita energy use in each village arranged by per capita income quintile. There is little variation in energy use by income quintile in Kohane with the middle quintile having the highest energy use. In Purushwadi per capita consumption of both wood and kerosene increase strongly with income. Neither pattern is typical for rural India as a whole, where biomass consumption seems to be constant with income while the use of modern fuels increase with income (Khandker *et al*., 2012).

The final three variables in Table 2 relate to technological advances. We have included two types of stoves – kerosene and other – along with access to electricity. Kerosene stoves were of two types, pressure and wick, while the other stoves included both improved biomass stoves and LPG stoves. These more technological advanced appliances should reduce household energy use. The default is, therefore, an unimproved traditional stove.

In addition to those listed in the table, we also defined village and seasonal dummies. The village dummy is equal to 1 for Kohane so that the default results are for Purushwadi. Two seasonal dummies were used as markers for the summer and monsoon seasons. Their regression coefficients represented the difference in energy usage between those listed and the winter period, which is the default.

Table 3 presents the correlation coefficients between the dependent variables and income and household size and all the other variables. As we expected, total energy use is negatively correlated with the share of kerosene and positively correlated with the share of wood. Higher total income and larger household size are positively associated with total energy use but higher per capita income is in fact negatively correlated with total energy use. This is probably because income per capita is negatively correlated with household size and there are economies of scale in energy use. Income per capita is positively correlated with energy use per capita. The various improved types of stoves are only slightly negatively correlated with total or per capita energy use. Electricity is associated with higher energy use, likely because it is positively correlated with household size and income. A larger share of children is associated with lower per capita energy consumption as expected. Residents of Kohane have higher income and larger households and use less wood and more kerosene and dung but total energy use is lower in Kohane. Energy use is lower in summer and the monsoon season relative to winter as might be expected. Total income does have the expected relationship with the four wealth rankings but per capita income does not. It seems that villagers assessed households by total resources rather than per capita resources when assigning them to wealth rankings or it is possible that market income substitutes for wealth in the form of land.

(b) Regression Results for the Base Model

Estimates of the base model are presented in Table 4. These estimates include in each equation all of the exogenous variables discussed above as well as the shares of kerosene and wood in the energy demand equation.

The effect of income is small in each equation and is not very statistically significant. The income elasticity of energy demand is just 0.05. There are several likely explanations for this. First, income only includes market income and if subsistence income and market income are substitutes they may not be very correlated. As discussed above there is a low correlation between the wealth rankings and income. Second, this may be the result of thin markets and environmental constraints. The kerosene market is restricted through monthly household consumption limits, and while wood is clearly the most abundant fuel available, there may be limits to the amount that can be collected. Third, there may be a ceiling at which point basic cooking and lighting needs are met, causing households to shift consumption towards other goods especially as electricity use is not included in our measure of energy use. Khandker *et al*. (2012) find that increased income has no effect on total energy use in the lower half of the income distribution of a large sample of households. Therefore, our result is not so surprising.

Increased income has very small positive effects on the shares of kerosene and wood and, therefore, a negative effect on the share of dung, as the coefficients of each variable sum to zero across the three quantity share equations. The signs on the income variables are consistent with expectations. Corresponding to the energy ladder, greater incomes encourage more energy use as well as a shift towards higher-quality fuels, in this instance kerosene and wood. Nonetheless, any general conclusions should not be overstated, as the coefficients are close to zero and not very statistically significant.

Unsurprisingly, household size is a highly statistically significant driver of energy demand. There are, however, economies of scale such that the coefficient of the log of household size in the energy use equation is only 0.46. Household size appears to have little impact on the fuel shares. The share of wood is possibly larger in larger households, which could be connected to having more labor available to collect it and constraints on the quantities of the other fuels available.

The shares of wood and kerosene in particular have a negative effect on energy demand. The relationship between the kerosene share and energy demand is statistically significant at the 1% level, which should be expected as it is a much more efficient fuel than either wood or dung. Wood also appears to be a higher-quality fuel in our context but the effect is smaller and less significant.

The following three regressors in the table are dummy variables for the various advanced technologies. None of these are significant and conventional significance in the energy demand equation. Improved biomass stoves do not, therefore, help in reducing energy use as Nepal *et al*. (2011) also found. It is likely that controlling for kerosene stoves while also controlling for the kerosene share makes little difference to energy use. Dropping this variable from the energy demand equation has little effect on the coefficient of the other stove variable but increases the size and significance of the wood share ($\beta = -0.471$, $t = 1.462$) and slightly reduces the effect of the kerosene share.

These dummy variables do, however, have statistically significant effects on the fuel share equations. Kerosene stoves are associated with increased kerosene and reduced wood shares and other stoves are associated with increased wood and reduced and dung shares. It is certainly odd that owning a kerosene stove is associated with a smaller share of kerosene use, *ceteris paribus*. We hypothesize that reduced smoke from improved stoves could result in more use of these stoves and hence higher wood consumption. However, research shows that possession of a stove does not mean that it is necessarily used (Hanna *et al*., 2012) and most households in our study area still retained traditional stoves in addition to the improved varieties. Electricity appears to substitute for kerosene, as we would expect.

Household demographic features have effects on total energy demand though they are not very statistically significant. A larger female share is associated with greater energy use and a larger share of children with less energy use, *ceteris paribus*. Presumably, more female household members means more cooking activity, while children need less food than adults.

The village dummy variable is statistically significant at the 1% level across all equations, symbolizing that geographical location is important. Kohane demands less energy on average, while consuming more kerosene and dung and less wood than Purushwadi. As Kohane has less woody biomass available, alternatives were more prevalent. The seasonal variables were also statistically significant. Less energy is consumed on average in the warmer periods – summer and monsoon – compared to winter. It is also interesting to note that the share of kerosene and wood decrease in the warmer periods, while dung increases. There are two likely explanations for this trend. First, dung may be used for different purposes during the warm and cold periods of the year. Traditionally, the dry or winter periods are when households make repairs to their dwellings, which consist primarily of a mud-dung mixture. As such, there would be less available for cooking purposes. Alternatively, it may be a result of less energy demand during the warmer periods. Households could cut back on costly fuels, and increase the share of cheap, easily accessible alternatives.

We analyzed our full energy demand specification for outliers. We identified these by calculating studentized residuals (Cook and Weisberg, 1982) and applying a Bonferroni t-test (Shaffer, 1995). We calculated leverage and influence – based on Cook's distance (Cook and Weisberg, 1982) – for each value; however, none were determined to significantly alter conclusions.

(c) Alternative Specifications and Data Groupings

The results in the previous section show that income only has small and not very statistically significant effects on total energy demand and the fuel shares. It is also possible that some of the variables are not exogenous but instead are affected by income. Specifically, the various stove technologies and electricity connections. Controlling for these variables will reduce the measured effect of income on energy use. However, in Table 3 the correlations between these technology dummies and income are low. We tested excluding these variables from all equations. However, the coefficients and standard errors of the remaining variables were hardly changed.

Gundimeda and Köhlin (2006) demonstrate that the level of expenditure influences income elasticities for fuelwood. They found that the elasticities were above unity until expenditures reached 750 Rs per month. Our first test of this hypothesis was to add the square of the logarithm of income to each equation. In the total energy demand equation the coefficient of the log of income is 0.706 ($p = 0.13$) and that of its square -0.042 ($p = 0.16$). This suggests that the income elasticity is higher at lower incomes though the joint significance of the two income terms is only p = 0.15. Other results were essentially unchanged. Looking at Figure 2 there is little sign of non-linearity in the relationship between income and energy use per capita.

We tested adding the wealth rankings to the regressions but these were all insignificant. Next we looked at whether the relationship between energy use and income per capita varies by season, wealth rank, and village. Table 5 gives correlations in subsamples. As shown in Table 3 the correlation between these two variables in the full sample is 0.24. However, the correlations in the two villages are very different: 0.12 and 0.53. There appear to be higher correlations between income and energy use in the better-off wealth rank and winter. But it turns out that better-off households only occur in Purushwadi and the correlation in winter in Kohane is only 0.17, while in Purushwadi it is 0.50. Across the various possible groupings the correlations are consistently higher in Purushwadi. We do not know the reason for this.

Adding an interaction between income and the Kohane dummy resulted in an income elasticity of 0.20 in Purushwadi (p = 0.0004) and negative but insignificant in Kohane. However, we decided to present separate estimates for the two villages in Tables 6 and 7. As expected, the results are quite different for the two villages. The coefficient of income in the energy use equation is 0.144 in Purushwadi but insignificantly different to zero in Kohane. Energy ladder effects are more mixed than in the pooled model. Seasonal effects also have a somewhat larger effect in Purushwadi. Both villages have similar energy quality effects on total energy demand, though they are stronger in Purushwadi.

Improved stoves have a negative effect on energy demand in Purushwadi and electricity a positive effect in Kohane. Improved stoves also have a significantly negative effect on the share of wood in Purushwadi and a positive one in Kohane. Several other significant effects have opposite signs in the two villages. Kerosene stoves increased the share of kerosene in Kohane but had no effect on shares in Purushwadi. Other stoves reduced the kerosene and wood shares in Purushwadi but increased the wood share in Kohane.

(d) Elasticities

Table 8 presents estimates of income elasticities for total energy and the individual fuels. The elasticities for the fuels are computed using (3) with the effects of income on the shares of kerosene and wood factored into the total effect of income on energy use. First the models were re-estimated using de-meaned explanatory variables so that the constants in the share equation are then the predicted sample mean shares (Stern, 1995). Equation (3) can then be computed for the sample mean as a function of regression parameters alone and standard errors computed using the delta method (via the SUMMARIZE command in RATS).

Because of the positive effects of income on the shares of wood and kerosene in the sample as a whole and the negative effects the shares of these fuels have on total energy demand the income elasticities of total energy demand are less positive than the coefficients of income in the energy demand equation. Income elasticities for kerosene are positive but small and not very statistically significant. The income elasticity of wood is positive in Purushwadi and negative in Kohane. Dung has a negative but insignificant income elasticity in each sample. These findings provide some support for the existence of an energy ladder in these villages.

Similar expressions to Equation (3) can be derived for the other variables in the model. Of particular interest are the technology variables. The positive effect of kerosene stoves in Kohane on kerosene use dominates due to the larger sample from this village. Kerosene stoves have negative effects on wood use and positive effects on dung use though none of these elasticities are significant. Other stoves have larger effects. They reduce kerosene use in all samples. They reduce wood use and increase dung use in Purushwadi and the opposite in Kohane. Electricity has small and insignificant effects in Purushwadi and increases the use of wood in Kohane.

6. Discussion and Conclusions

Though our study sheds light on a number of issues, it also has a number of limitations, particularly in the data that was collected, many of which are outlined above. We compare our results to recent studies of fuel use in rural India and Nepal. Our study is quite similar to Nepal *et al*. (2011) though we have a smaller sample, lack data on costs, and model choices apart from firewood quantity. The results in their Table 4 for villages in Nepal are more similar to our results for Kohane than to our results for Purushwadi. Nepal *et al*. (2011) find a small and insignificant income elasticity (0.014) and their estimate of the household size elasticity is about half ours at approximately 0.2. They find insignificant effects of improved stoves but a significant negative effect of kerosene stoves on firewood consumption. The results of Heltberg *et al*. (2000) are not easy to compare with ours as they lack variables such as market income or types of stoves. Gundimeda and Köhlin (2008) analyze a sample of more than 100,000 households from across rural and urban India. They find income elasticities of 0.76-1.01 for fuelwood and 0.56-0.67 for kerosene in rural areas. The authors note that these estimates are high compared to previous studies such as Hyde and Köhlin (2000) but do not elaborate on the reasons for this. Khandker *et al*. (2012) estimate a model using data from a survey of 24,191 households across rural India. They use per capita energy use as their dependent variable and so assume implicitly that the household size elasticity is unity. Also, they test the effect of income deciles rather than income on consumption and so do not produce an estimate of the income elasticity.

We found considerable heterogeneity across the two villages in our study and many estimated effects are subject to considerable imprecision but there are still some robust results that can be derived. These robust findings are:

- Use of higher quality energy sources reduces total energy use, *ceteris paribus*. In our study, dung is the lowest quality energy source and kerosene is the highest, with wood in between.
- Income elasticities and effects are small and at most 0.15 for the energy income elasticities.
- The data support the energy ladder hypothesis that households use more of higher quality energy sources as their income rises.
- There are economies of scale in household size with a household size elasticity of around 0.45
- Improved stoves do not have large or consistent effects on energy use. In one village they reduced the share of wood and in the other increased it.
- Electricity substitutes for kerosene.
- Energy use is higher in winter and lower in the summer and monsoon seasons.

The heterogeneity we found, in particular the lack of an income effect in Kohane and a strong income effect on energy use in Purushwadi raises the interesting question of whether such variation is common across India or what variables might explain it.

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Figure 1. Location of Purushwadi within Western Maharashtra, India

Figure 2. Energy Use and Income

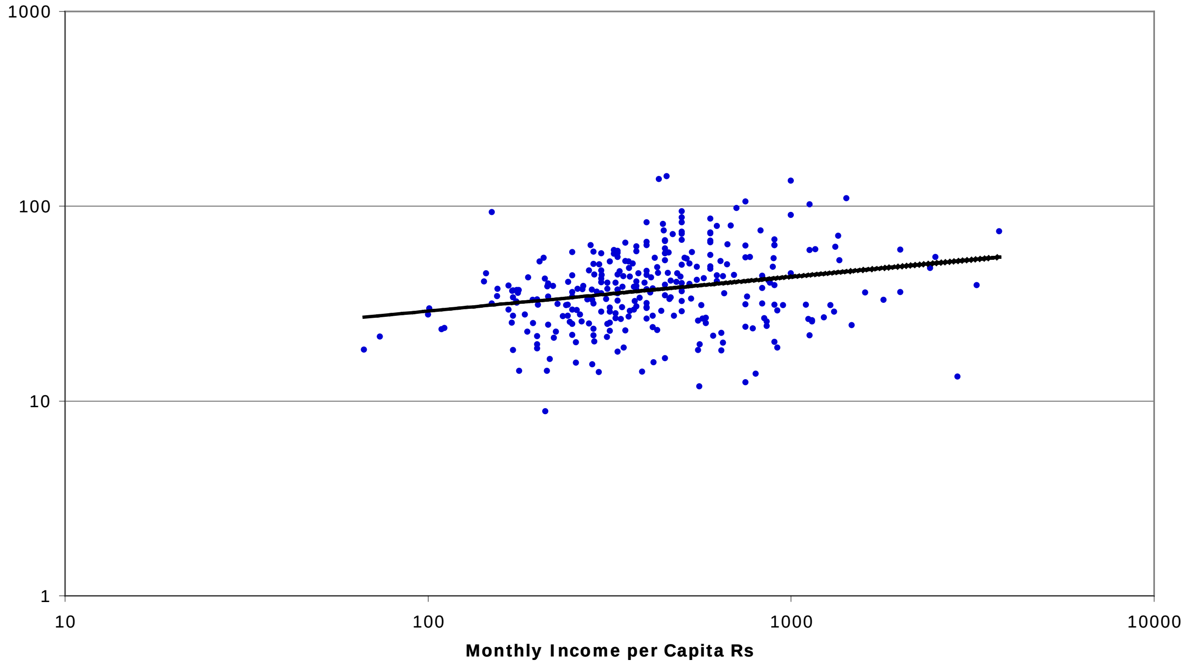

Figure 3. Per Capita Energy Use by Village and Per Capita Income Quintile

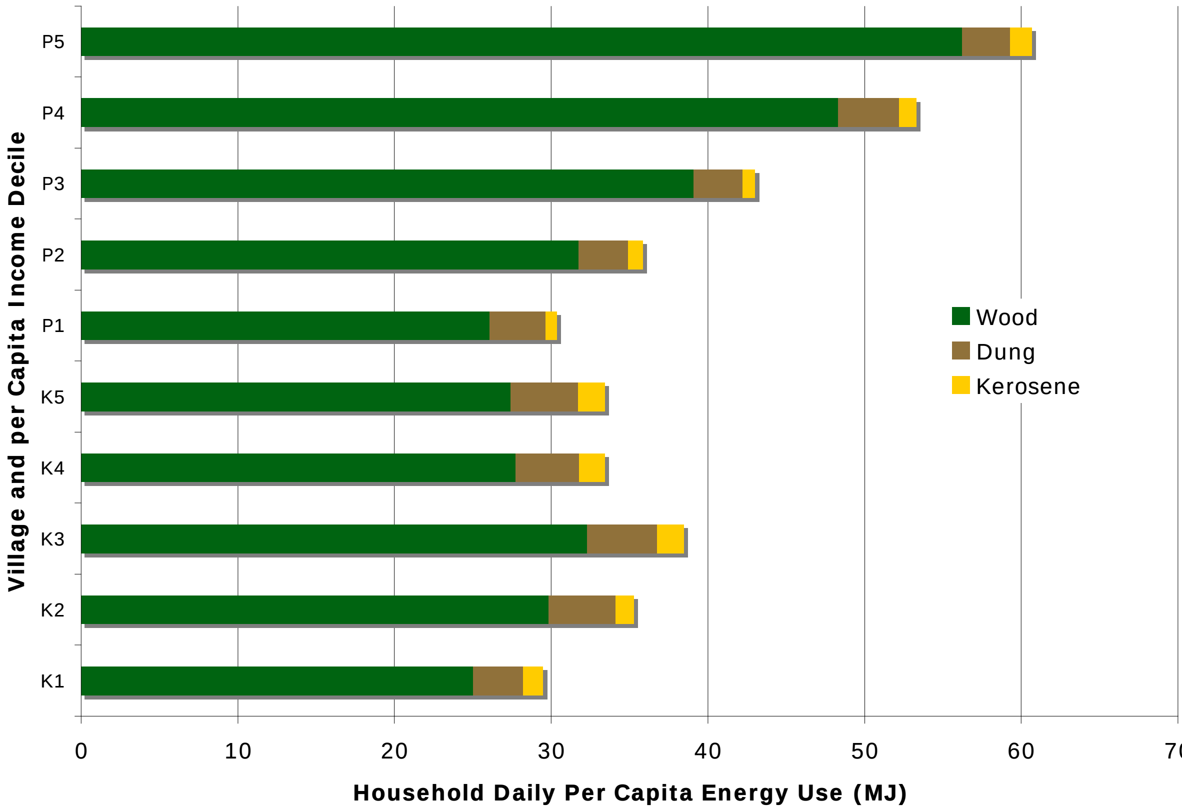

Table 1. Kohane and Purushwadi Household Population and Sample by Wealth Ranking

Wealth Ranking	**Total Households**	**Sample**	**Qualified Sample**
Very Poor	21	9	8
Poor	115	49	45
Average	107	46	42
Better Off	14	6	5
Total	*257*	*110*	*100*

Table 2. Summary Statistics

Variable	Units	Mean	Std. Dev.	Min	Max
Monthly Income p.c.	Rs/person	526	454	67	3750
HH Size	Persons	6.0	2.6	1	18
Share Females	%	0.49	0.15	0	1
Share Children	%	0.24	0.20	0	0.80
Daily Energy Use	MJ	221	107	31	875
Wood Share	%	0.86	0.09	0.36	0.99
Dung Share	%	0.11	0.08	0	0.57
Kerosene Share	%	0.04	0.04	0	0.35
Kerosene Stove	Dummy	0.18	0.38	0	1
Other Stove	Dummy	0.04	0.19	0	1
Electricity	Dummy	0.47	0.50	0	1

Table 3. Correlation Coefficients

	ln Energy	Share Kerosene	Share Wood	Share Dung	ln Income	ln HH	ln Energy /HH	ln Income /HH
ln Energy	1.00	-0.35	0.18	-0.04	0.19	0.52	0.42	-0.22
Share Kerosene	-0.35	1.00	-0.44	0.05	0.07	-0.06	-0.28	0.11
Share Wood	0.18	-0.44	1.00	-0.92	0.04	0.06	0.11	-0.01
Share Dung	-0.04	0.05	-0.92	1.00	-0.07	-0.04	0.00	-0.04
ln Income	0.19	0.07	0.04	-0.07	1.00	0.35	-0.18	0.70
ln Household Size (HH)	0.52	-0.06	0.06	-0.04	0.35	1.00	-0.55	-0.43
ln Energy/HH	0.42	-0.28	0.11	0.00	-0.18	-0.55	1.00	0.24
ln Income/HH	-0.22	0.11	-0.01	-0.04	0.70	-0.43	0.24	1.00
Kerosene Stove	-0.03	0.33	-0.25	0.13	0.02	0.06	-0.09	-0.02
Other Stove	-0.03	-0.06	0.10	-0.08	0.05	-0.03	0.00	0.07
Electricity	0.16	-0.05	0.06	-0.04	0.10	0.12	0.03	0.01
Share Female	0.02	0.02	-0.01	0.00	-0.02	0.02	0.00	-0.04
Share Children	0.18	-0.06	0.04	-0.02	0.12	0.43	-0.27	-0.21
Kohane	-0.19	0.32	-0.30	0.19	0.15	0.05	-0.24	0.11
Summer	-0.09	0.06	-0.17	0.17	-0.17	0.01	-0.11	-0.18
Monsoon	-0.16	-0.12	0.00	0.05	0.12	-0.05	-0.10	0.16
Very Poor	-0.12	0.01	0.10	-0.12	-0.12	-0.22	0.12	0.05
Poor	0.07	-0.10	0.05	-0.01	-0.08	-0.01	0.08	-0.07
Average	-0.04	0.14	-0.14	0.09	0.08	0.16	-0.21	-0.05
Better Off	0.07	-0.11	0.07	-0.03	0.15	-0.06	0.14	0.20

Table 4. Energy Demand and Fuel Shares: Regression Results

Regressors	Energy Demand (ln)		Kerosene Share		Wood Share		Dung Share	
	Coeff.	*t-stat.*	*Coeff.*	*t-stat.*	*Coeff.*	*t-stat.*	*Coeff.*	*t-stat.*
Constant	4.877	13.22	0.007	0.22	0.843	12.73	0.150	2.48
Income (ln)	0.050	1.55	0.005	1.23	0.005	0.54	-0.009	-1.26
HH Size (ln)	0.459	10.48	-0.007	-1.89	0.011	0.93	-0.004	-0.35
Kerosene Share	-4.472	-3.86						
Wood Share	-0.419	-1.29						
Kerosene Stove	0.064	1.147	0.024	3.20	-0.043	-2.61	0.018	1.25
Other Stove	0.002	0.025	-0.014	-1.80	0.057	2.43	-0.044	-1.84
Electricity	0.038	0.93	-0.007	-2.13	0.010	1.05	-0.003	-0.29
Female Share of HH	0.137	1.05	-0.003	-0.30	0.024	0.90	-0.020	-0.77
Children Share of HH	-0.168	-1.60	-0.007	-0.88	0.002	0.08	0.005	0.17
Kohane	-0.150	-3.24	0.019	6.32	-0.052	-5.22	0.034	3.44
Summer	-0.214	-4.34	-0.001	-0.19	-0.040	-3.29	0.041	3.53
Monsoon	-0.278	-6.34	-0.008	-1.68	-0.027	-2.58	0.035	3.68
DF	287		289		289		289	
R^2	0.475		0.205		0.187		0.117	

Table 5. Correlations Between Income and Energy Use per Capita by Group

	Total	Kohane	Purushwadi
Total	0.24	0.12	0.53
Very Poor	0.18	0.11	0.49
Poor	0.20	0.07	0.48
Average	0.19	0.15	0.60
Better Off	0.58		0.58
Summer	0.23	0.13	0.40
Monsoon	0.19	0.19	0.49
Winter	0.35	0.17	0.50

Table 6. Regression Results: Purushwadi

Regressors	Energy Demand (ln)		Kerosene Share		Wood Share		Dung Share	
	Coeff.	*t-stat.*	*Coeff.*	*t-stat.*	*Coeff.*	*t-stat.*	*Coeff.*	*t-stat.*
Constant	4.553	6.74	0.037	1.69	0.810	9.79	0.153	1.92
Income (ln)	0.144	2.27	-0.001	-0.33	0.018	1.73	-0.017	-1.69
HH Size (ln)	0.421	6.79	-0.003	-1.00	-0.011	-0.79	0.014	1.06
Kerosene Share	-8.467	-5.50						
Wood Share	-0.604	-1.20						
Kerosene Stove	-0.105	-1.30	-0.002	-0.35	-0.008	-0.23	0010	0.29
Stove Other	-0.255	-1.67	-0.01	-1.58	-0.124	-5.16	0.133	5.73
Electricity	-0.024	-0.42	-0.000	-0.02	-0.003	-0.22	0.003	0.24
Female Share of HH	0.143	0.71	-0.002	-0.24	0.028	0.62	-0.025	-0.62
Children Share of HH	0.052	0.30	-0.001	-0.10	-0.001	-0.03	0.002	0.06
Summer	-0.423	-4.92	0.003	0.62	-0.070	-4.66	0.067	4.94
Monsoon	-0.320	-3.93	0.003	0.95	-0.084	-6.28	0.081	6.22
DF	104		105		105		105	
R^2	0.619		0.028		0.344		0.361	

Table 7. Regression Results: Kohane

Regressors	Energy Demand (ln)		Kerosene Share		Wood Share		Dung Share	
	Coeff.	*t-stat.*	*Coeff.*	*t-stat.*	*Coeff.*	*t-stat.*	*Coeff.*	*t-stat.*
Constant	5.306	11.64	-0.001	-0.02	0.837	9.19	0.164	2.03
Income (ln)	-0.029	-0.73	0.010	1.55	-0.009	-0.71	-0.001	-0.14
HH Size (ln)	0.479	7.58	-0.014	-2.12	0.040	2.05	-0.026	-1.35
Kerosene Share	-3.900	-3.33						
Wood Share	-0.521	-1.29						
Kerosene Stove	0.041	0.66	0.028	3.42	-0.044	-2.54	0.016	0..99
Other Stove	0.006	0.07	-0.011	-1.21	0.071	3.55	-0.060	-3.31
Electricity	0.091	1.77	-0.011	-2.29	0.014	1.08	-0.002	-0.20
Female Share of HH	0.096	0.59	0.002	0.11	0.000	0.01	-0.002	-0.06
Children Share of HH	-0.227	-1.75	-0.005	-0.42	-0.002	-0.07	0.007	0.19
Summer	-0.058	-0.99	-0.006	-0.79	-0.017	-0.98	0.023	1.37
Monsoon	-0.211	-3.55	-0.019	-2.09	0.018	1.23	0.001	-0.11
DF	175		176		176		176	
R^2	0.435		0.163		0.142		0.072	

Table 8. Elasticities at the Sample Mean

Dependent Variable	Sample	Income	Kerosene Stove	Other Stove	Electricity
Total Energy	Pooled	0.026 (0.72)	-0.028 (-0.48)	0.039 (0.44)	0.066 (1.56)
	Purushwadi	0.141 (2.04)	-0.086 (-1.09)	-0.099 (-0.74)	-0.021 (-0.34)
	Kohane	-0.064 (-1.50)	-0.047 (-0.74)	0.014 (0.15)	0.128 (2.47)
Kerosene	Pooled	0.154 (1.62)	0.593 (3.52)	-0.31 (-1.60)	-0.118 (-1.46)
	Purushwadi	0.100 (0.84)	-0.153 (-0.83)	-0.488 (-1.94)	-0.024 (-0.20)
	Kohane	0.150 (1.17)	0.550 (3.68)	-0.225 (-1.19)	-0.112 (-1.14)
Wood	Pooled	0.031 (0.84)	-0.077 (-1.26)	0.106 (1.24)	0.078 (1.73)
	Purushwadi	0.162 (2.34)	-0.095 (-0.98)	-0.238 (-1.75)	-0.025 (-0.37)
	Kohane	-0.074 (-1.66)	-0.100 (-1.49)	0.099 (1.05)	0.145 (2.66)
Dung	Pooled	-0.069 (-0.78)	0.145 (0.93)	-0.381 (-1.42)	0.041 (0.43)
	Purushwadi	-0.064 (-0.44)	0.034 (0.09)	1.475 (4.32)	0.013 (0.08)
	Kohane	-0.076 (-0.74)	0.087 (0.55)	-0.496 (-2.52)	0.107 (0.86)

t statistics in parentheses