ECONOMIC ANALYSIS OF CONSUMPTION PATTERN AND LIVING STANDARD OF RURAL-URBAN POPULATION IN NORTH WEST FRONTIER PROVINCE OF PAKISTAN

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We hereby recommend that the dissertation entitled

"Economic Analysis of Consumption Pattern and Living Standard of Rural-Urban Population in North West Frontier Province of Pakistan"

be accepted as fulfilling this part of the requirement for the degree of Doctorate of Philosophy in Economics.

By

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Approved by:

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ABSTRACT

The activities related to maintaining life and improving its condition encompass both consumption and production. The pattern and composition of consumption determine the standard of living, while the sole purpose of production is to provide the means of consumption and to increase the income. Higher consumption and its appropriate pattern improve the standard of living and economic development. The rural-urban division of population also influences the economic development. Therefore, topic of the dissertation was stated as "Economic Analysis of consumption pattern and living standard of Rural-Urban population in the North West Frontier Province of Pakistan" and an attempt was made to achieve the following main objectives:

- *To asses the socio-economic conditions of Rural-Urban households and to analyse their budgetary position and*
- *To discuss their consumption pattern and living standard and to verify the following main assumptions:*
    - *Socio-economic conditions and the budgetary position were not conducive to improve their living standard.*
    - *Significant fraction of income was spent on uneconomic pursuits. The consumption pattern was substandard.*

Scope of the study was confined to the NWFP. Both the primary and secondary sources of data were used for collection of data. A comprehensive interview schedule was used to collect primary cross section data. A sample size of 120 households was distributed among six villages from rural region and six streets from urban region of the different strata of the province, determined on the basis of developed districts and under developed/backward districts. The sample

households were selected using a combination of Stratified Random Sampling and Simple Random Sampling techniques.

According to Keynes psychological law of consumption, the simple and multiple linear consumption functions were estimated and the Marginal Propensities to Consume and to Save (MPC and MPS) were determined. For the size distribution (income) and determination of degree of poverty, the Lorenz curve, Gini-coefficient and the ratio of bottom 20% to top 20% were used. The study is organized in seven chapters followed by appendices and annexures. Chapter-1 and 2 focus on the introduction and review of literature respectively. Demographic features of the sample households are analysed in chapter 3 and chapter 4 is devoted to "Budgetary Position of the sample households". It was observed that the overall average family size was nine. More than half of the population consisted of dependent class. Females were greater in number. Majority (70%) of the sample population lived in the rural region depending on agriculture. Only 34.10% of the labour force could get employment. A remarkable proportion (84.13%) of unemployed females was recorded in the rural areas. Main occupation in the urban area was business, while it was farming in the rural areas. Majority of the sample households fell in the low income brackets. Very few families could reach higher income brackets. The level of consumption was very low. In absolute terms it was Rs. 120 lac per month for 2080 individuals. The consumption pattern was also not on the proper track. Allocations to uneconomic pursuits and unproductive expenditures were greater as compared to spending on education, health and balanced foods. As a consequence the standard of living was substandard and all the indicators did not prove to lead to the economic development.

The empirical results also supported that the standard of living was substandard, because a very low autonomous consumption and a high marginal propensity to consume (due to the level of income on or closer to the break even point) led to

less savings and in turn a lower level of investment, which adversely influenced production capacity and economic growth. This situation slowed down economic development. The techniques used for the size distribution showed that very few individuals of the society could receive a greater portion of income, while a greater number of households shared a very small fraction of the national income. It was concluded that in addition to some other factors, the unequal distribution of income and its severity were the main obstacles in achieving proper level and pattern of consumption, appropriate standard of living and desirable rate of economic development.

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CHAPTER 1

INTRODUCTION

1. Statement of the Problem

As a social science, economics focuses upon one major aspect of social life: the activities related to maintaining life and to improving its condition. These activities encompass both consumption, whose pattern and composition determine the standard of living of an individual or of a group and production, whose sole purpose is to provide the means of consumption.

Rural-Urban division in Developing countries has assumed a paramount importance through out the world. Although there is large scale industrialization / and urbanization especially in advanced countries yet all developing nations of the world are faced with the challenge of growing rural sector along with its peculiar socio-economic problems and development.

A large part of the World's population is poor, because more than 3/4th of them are living in rural areas. About 40% of rural people in LDCs live in absolute poverty.[1]

If this condition has to change "Progress"[2] should mean the alleviation of poverty especially absolute poverty[3] and the major battle of the war on poverty has to be fought and won on the rural front. Urbanization does not appear to solve the problems. There is not much land left in most countries for further development either. Development of people with minimum spatial dislocation is a necessity at present. This is one of the challenges of development in the next few decades - a challenge of rural development.

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[1] IBRD World Development Report (Washington 1981).
[2] To advance or develop, especially to a better state, here it refers to the alleviation of poverty.
[3] A situation where population or a section of population is able to meet only its bare subsistence essentials of food, clothing and shelter to maintain minimum level of living.

There are various indicators for the determination of poverty and economic development. One of them is the consumption pattern and living standard of the inhabitants in a region. The main purpose of this study was to ascertain the overall consumption pattern and living standard in the North West Frontier Province of Pakistan with special focus on the differentials of Rural-Urban population.

1.1 Justification of the Problem

The main determinant of economic development is the National Income of the economy. According to the Keynes Theory of consumption, the aggregate consumption is affected by GNP. Thus the higher consumption and its appropriate pattern enhance the living standard and economic development. The former is the indicator of the later, while the later is the determinant of the former.

The division of population into Rural-Urban regions plays a vital role in the development process and it was assumed that there was significant difference between living of Rural-Urban Population. Therefore, topic of the Research problem under question was stated as "Economic Analysis of consumption Pattern and Living Standard of Rural-Urban Population in NWFP".

This piece of research will be an addition to the existing stock of knowledge in the partial analysis of economic development. The tools and quantitative approaches used in this study will help the future research scholars in ascertaining the existence and degree of poverty and economic development. Different directions and new research problems will stem from this piece of research. It will open ways for further researches in the relevant field.

The conclusions drawn and suggestions offered by this research attempt may help policy makers in poverty alleviation, which is a big challenge for the developing nations.

2 Research Design

2.1 Main Objectives

The dissertation had the following main objectives.

i. To assess the Socio-economic conditions of the Rural-urban households

ii. To analyze the existing budgetary position with special reference to determinants of income and expenditure.

iii. To identify the item wise spending of the sample households.

iv To determine the living standard by estimating the linear consumption function and finding the Marginal Propensity to Consume(MPC)[4] and Marginal Propensity to Save(MPS)[5].

v. To draw the line of demarcation between necessities and luxuries on the basis of nature of jobs and income.

vi. To infer broad conclusion based on the said objectives.

2.2 Hypotheses to be tested

The following hypotheses were tested through this dissertation. It was assumed.

i. That the Socio-economic conditions of the households were substandard.

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[4] MPC:- the change in consumption as a result of an additional unit of income i.e. $MPC = \frac{\Delta C}{\Delta Y}$

[5] MPS:- the change in saving as a result of an additional unit of income i.e. $MPS = \frac{\Delta S}{\Delta Y}$

ii. That the existing budgetary position was not conducive to enhance the living standard.

iii. That greater fraction of income was spent on un-economic pursuits such as Litigation, Customs and Traditions etc.

iv. That the consumption pattern is substandard.

v. That distribution of income is unequal, which affects the standard of living adversely.

2.3 Scope

As is obvious from the title of the dissertation, the geographical coverage of this study was confined to the North-West Frontier Province of Pakistan with special focus on the consumption pattern and standard of living of rural-urban population of the Province.

3. Research Methodology

This section of the chapter highlights the sources and nature of Data, Research Instruments, sample size and its distribution and analytical techniques.

3.1 Sources and Nature of Data

It was clear from the nature and main objectives of the study that the primary data was to be used. However, in certain cases the Secondary Source of data could also be used. For the collection of primary data the following research instrument was to be used.

So for as the nature of data and period of study was concerned, a cross section data obtained from the sample Rural and Urban house holds during the survey period

was used. The respondents were asked to provide data on the variables mentioned in the sub sequent section for the preceding year i.e. 2001 during survey.

3.2 Research Instrument

A comprehensive interview schedule addressed to the Household Heads was evolved. The schedule pertained to the following information from the sample households.

A. Social Features

- Family size
- Age composition
- Sex distribution
- Marital status
- Literacy status
- Level of education of literate members
- Type of family

B. Economic Features

- Working status of household members.
- Nature of job of employed members.
- Reasons of unemployment.
- Income from salaries or wages.
- Income from other sources by sources of incomes.
- Budget position (Balanced/Surplus/Deficit).
- Wealth (Land, House, Shops, Gold, Saving Certificates etc.)

C. Expenditure On

- Food
- Health
- Education
- Social activities (Customs/Traditions etc.)

- Others

D. House

- Tenurial status (owned, rented in or Govt etc.)
- House structure (Pucca/Semi Pucca/Kacha)
- Provision of utilities
  - Electricity
  - Drinking water
  - Natural Gas
  - Sanitation

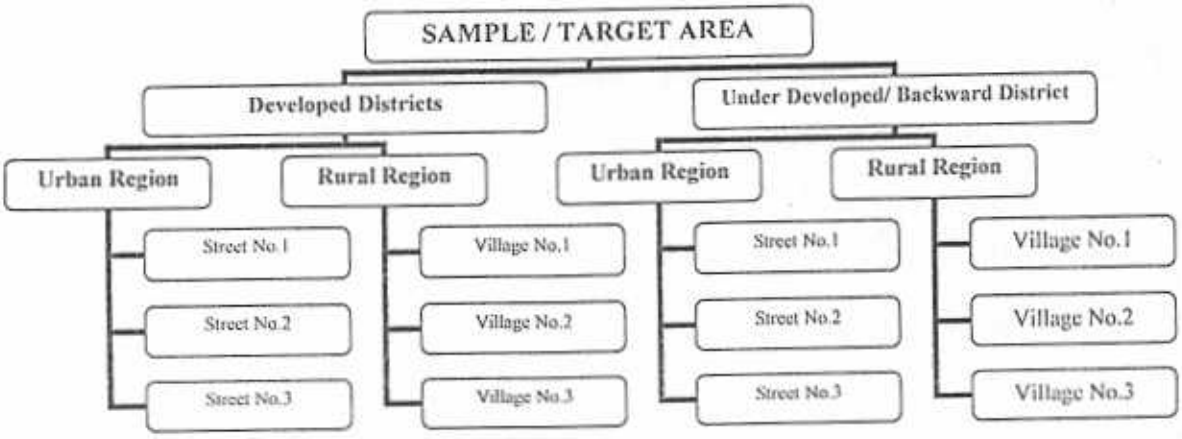
E. Other Provisions

- Car
- Motorcycle
- Refrigerator
- Freezer
- Washing Machine
- TV
- VCR
- Tape Recorder
- Radio.
- Any other (Please specify)

3.3 Sample Size and its Distribution

The whole province was divided into various areas in such a way that the basic characteristics of the households within each area would remain homogenous. It was therefore assumed that a small sample from each area could fairly represent the whole province. So it was proposed that a total sample size of 120 households would be the true representative of the whole province. So far as distribution of the sample size was concerned, an area random sampling technique was used for the allocation of sample size to each area. The whole province was classified into two broad groups on the basis of developed districts and backward districts. One

district each from the two groups was randomly selected. The two sample districts were split into urban and rural regions. Again three streets/Mohallahs from each urban region and three villages from each rural region were selected purely on random basis. In this way there would be 12 sub areas. A list of all the households in twelve streets and villages will be prepared. This list served as a sampling frame and all the households constituted the universe of the study. The sample size of 120 was distributed among these sub-areas. Thus 10 households from each sample street/Mohallah and village were chosen randomly. Heads of all these households were to be interviewed and the relevant information for the year 2001 obtained directly from the respondents. The sample selection as discussed above was shown in the form of a flow chart as under.



3.4 Analytical Technique

Most of the analysis here based on the primary data. Therefore appropriate tabulation, percentages and averages of different variables were used. In addition to these techniques the following quantitative approaches were also applied.

To determine the MPC and MPS, according to the psychological law of consumption, developed by Keynes, the following Linear Consumption functions estimated for rural and Urban regions.

$$C_i = C_a + cY_i + U_i$$

Moreover the following multiple consumption function was estimated for both the regions.

$$C = \beta_0 + \sum_{i=1}^{3} \beta_i x_i + \gamma_z + u_i$$

Where

C = Consumption
X_1 = Total income
X_2 = Family Size
X_3 = Sum of others
Z = a dummy variable for region (Z = 1 for urban and Z = 0 for rural)

- To determine the level of poverty, the distribution of income was examined with the help of LORENZ Curve and GINI Co-efficient[6].

$$G = 1 + \frac{1}{n} + \frac{2}{n^2 \bar{y}}[y_1 + 2y_2 + 3y_3 + \ldots\ldots\ldots\ldots + ny_n]$$

- To highlight the investment pattern a linear investment function was estimated.
- For testing the significance of parameter estimates the R-Square, F-Ratio and t-test statistics were used.
- The Chow test was used for testing the equality of co-efficient obtained from two different samples of different regions- Urban and Rural.

4. Organization of the Study

The first chapter highlighted "Introduction" of the study. The review of literature was discussed in Chapter-2. The demographic features of the sample households were analyzed in Chapter-3. Chapter-4 focused on the budgetary position of the

[6] Micheal P. Todaro "Economic Development" 6th Edition, P: 141 & David, W. Pearce. "The Dictionary of Modern Economics", 3rd Edition, p=170

sample household. The chapter-5 was devoted to the consumption and investment pattern. The consumption pattern and standard of living were determined in chapter-6. The main findings conclusion and suggestions were presented in the last chapter-7. The text was followed by appendices, tables and annexes.

CHAPTER 2

REVIEW OF LITERATURE

2.1 Introduction

The main objective of this chapter is to define various terms used in the study and to review the relevant literature. Such a review will provide conceptual insight for further development of a framework for empirical analysis. This is provided in the subsequent sections that follow:

2.2 CONCEPTUAL REVIEW

i. **Households:** An economic unit, which is defined for the purposes of the census of population as a single person living alone or a family or group voluntarily living together, having meals prepared together and benefiting from housekeeping shared in common.

ii. **Household members:** All those persons in a household who normally live and eat together in a family style and who consider the living quarter/living space occupied by them as their usual place of residence.

iii. **Family members:** Family members include husband, wife/wives, unmarried sons and daughters and other direct dependents such as parents, unmarried sisters, brothers, separated/divorced sisters and daughters. Other related persons, servants, boarders and lodgers who have no other place of residence elsewhere and live and eat within the household with or without payment are considered members of the household, but not members of the family.

iv. **Household expenditure:** Covered expenses during the survey year, whether or not payment was made during the year. Payment made during the year for purchases during an earlier period are not recorded as expenditure. In other words, recording is on the basis of accruals rather than on cash basis.

v. **Developed and under developed or backward area:** Almost all the less developed countries of the world including Pakistan have dualistic economies. One is the developed or the market economy which is in or near the towns, the developed economy is ultra modern with all the amenities of life, viz, the TV, internet, radio, car, bus, train, telephone, cinema houses, palatial buildings, educational institution such as schools, colleges and universities. Here the govt offices, the business houses and chambers, the banks, the hospitals and a few factories are visible. The under developed economy is the subsistence economy which is backward and is mainly agricultural.

vi. **Development:** Development is a strategy to alleviate poverty and bring social changes in the social system in order to increase per capita income and standard of living through modern productive methods and improved social organization. It is the process of improving the standard of living and well being of the population of developing countries by raising per capita income.

vii. **Lorenz curve:** A graphical representation showing the degree of inequality of a frequency distribution in which cumulative percentages of a population (e.g. tax payer, firms) are plotted against the cumulative percentages of variable under study (e.g. incomes, employment). A straight line rising at an angle of 45 degree from the start of the graph will indicate perfect equality; for instance if 10 percent of firms employ 10 percent of the total labour force, 20 percent of firms employ 20 percent of the total labour force and so on. However, if there are a large number of small firms which employ few people and a small number of large firm employing many people, the distribution will be unequal. When such a distribution is plotted, a curve will be traced below the 45 degree line and the degree of curvature will be greater, the greater the inequality.

viii. **Gini-Coefficient:** A coefficient based on the Lorenz Curve showing the degree of inequality in a frequency distribution such as personal income. It is measured as:

$$G = \frac{Area\ between\ Lorenz\ Curve\ \&\ 45^{o}\ line}{Total\ Area\ under\ the\ 45^{o}\ line}$$

If the Lorenz curve would coincides with 45° line income is equally distributed and G = 0.

ix. **Income:** The amount of funds, goods or services received by an individual corporation or economy in a given time period. or a flow of money, goods or services to any economic agent or unit. Such flows can take a variety of forms. At the level of individuals, income is usually a return to a factory of production labour yields wages; capital yields interest, land yields rent, and entrepreneurship yields profit.

2.3 EMPIRICAL REVIEW

This section reviews the literature relevant to the study.

2.3.1 Consumption pattern: The consumption pattern of households in Pakistan has been analysed in a number of studies. These studies differ not only in their scope but also by the source and the period of the data. While most of these studies have used the cross section data (like the one in hand, except that it is primary data) reported in the household income and expenditure surveys (HIES). The analysis in the majority of them is based on the single equation estimates. It is also worth mentioning that the most important factor determining the pattern of consumption is the level of income. However, certain other variables, such as distribution of income, level and distribution of assets, size and composition of households, number of earners in household, prices, structural, geographical and climatic differences, etc., may also significantly affect the pattern of consumption. However, of these determinants the important ones are income and household size. The consumption behaviour of an urban household is

income and household size. The consumption behaviour of an urban household is considerably different from that of a rural household because of differences in income relative product price pattern, needs and tastes and the existence of structural and cultural differences between the two areas. Economists usually have two types of data for analysis, namely cross section and time series data. As time series data are not easily available. The cross section data have been used intensively by the researchers. The same is the case here.

For the purpose of this study, the cross section data have been used. The present chapter deals with the review of pioneering and recent studies related to the consumption pattern and living standard. Both the time series and cross section studies are discussed, which have been conducted at national and international levels. As the present analysis deals the cross section data, the major portion of this chapter cover studies based on such data. However the pioneer worked on time series data will also be reviewed due to its significance in the literature.

Houthakker (1957) made a comparison of elasticities for food clothing housing, and miscellaneous items with respect to total expenditure and family size, based on regression analysis of about 40 surveys from about 30 countries. The elasticity's are found to be similar but not equal. Engel's law, formulated in 1857, is confirmed by all surveys.

Irshad (1961) presented estimates of income elasticities for various commodity groups in former East Pakistan. The sources of data in this paper was the third round of the National Sample survey (NSS) carried out by the Pakistan Central Statistical Office during the first six month of 1961. The study was based on cross section data, which limited its predictive value in an environment where rapid economic and social changes were taking place. In this study, use of per-capita figures had been made. The result showed that an average East Pakistan; rural

person consumed about 97% of his income; 67% is spent on food (43%) on cereals and only 6% on clothing. The result also showed that there was a marked difference in the consumption of various food items between the two wings of Pakistan. This difference is because of climatic differences in the two wings. A typical West Pakistan rural person spends 11% of his total expenditure on clothing and footwear, while his counter part in East Pakistan does not spend more than 6% on these items.

Siddiqui (1982) reported that consumption functions for urban and rural areas have been estimated separately. These functions are shown to be determined by total expenditure and household size. Engel's law is confirmed for some commodity groups but not for all. Following tests of urban rural homogeneity and of stability of urban and rural consumption functions, demand growth rates for different food and non-food items have been calculated, assuming different growth rates of total expenditure and household size.

Cheema and Malik (1985) analysed that the demand and employment effects of alternative distributions of the existing as well as the additional income generated through growth of the economy. The results showed that income redistribution in favour of the low income households would increase the demand for basic necessities like wheat, pulses, edible oils, etc. while the demand for certain other commodities would decrease. The results also showed that the consumption levels of the poor households could be significantly increased with income redistribution without much adverse effects on the rich. The employment effects are found to be positive and substantial.

Ali (1985) developed a complete set of income and price elasticities of household consumption and saving for Pakistan by applying the Extended Linear Expenditure System (ELES) to the data of the 1979 Household Income and Expenditure Survey. Items like Rent on Housing, Furniture & Fixture, Education,

Recreation, and Travelling & Transportation were found to be income elastic as well as fairly sensitive to changes in (own) prices. As regards the cross price effects, food prices turned out to be the most important determinant of demand for all other commodities and also of total expenditure (hence of saving). Expenditure on education is particularly affected by the rising cost of food.

Ahmad & Ludlow (1987) analysed the regional demand estimates for the four proviences of Pakistan using the household income and expenditure survey (HIES) 1979, and for rural and urban areas. The results of the paper were compared with those derived from the 1976 MNS by Ahmad, Ludlow and stern (1987) suggested that there were many similarities. The own price elasticity for wheat 1979 appears lower than those for the equivalent sectors in 1976. There also appeared to had been a substantial reduction in the own price elasticity's of rice, pulses and meat and eggs with the 1979 HIES data. Own price elasticity's for milks, vegetables, fruits and spices, edible oils, sugar and tea are all slightly lower using the HIES data. However there was no significant changes in the elasticities for housing, or other non-food items although that for clothing was lower with the HIES data while that for other foods was higher. He further suggested that there were significant differences in consumption pattern between rural and urban areas and cross provinces. The stability of these estimates over time had been examined with reference to similar work for 1976.It was important to correctly specify a model given policy purpose, since the resulting elasticity's could vary (considerably in some cases) for alternative functional forms. The comparison between AIDs and the modified LES suggested strong similarities for the urban results, but a divergence for rural estimates. However, this range of estimates could present the policy maker with an "acceptable" sensitivity of policy issue.

Malik et al. (1987) attempted to establish econometrically the existence of rural urban differences in consumption behaviour in each for the years in which the survey data are available. The income and family size as the two determinants of

family consumption. The results verifed Engel Law, a decline in marginal food expenditure on clothing, footwear, fuel and lighting.

Malik et al. (1988) The study concluded that the need for taking explicit cognizance of the differences across provinces within each sector and across sectors within each province. These results highlight the need for careful disaggregated analysis based on carefully collected data from all the provinces data to be freely available at the household level to researchers. The level of aggregation at which these data are available marks a lot of the variation that exists in reality.

Malik et al. (1988) attempted to econometrically establish the existence or otherwise of rural urban differences in the consumption patterns of five major food items in each province. The result is needed for taking explicit cognisance of the differences across provinces within each sector and across sector with in each province.

Burney and Khan (1991) examined the household consumption patterns separately for the urban and the rural sectors in Pakistan by estimating the marginal expenditure shares and expenditure elasticities, for twelve broad commodity groups, using household level data for the year 1984-85. At the sectoral level, the marginal expenditure shares are estimated both with and without the 'community effect'. Furthermore, by dividing households within each sector into different income groups, income specific marginal expenditure shares and elasticities are also obtained. This level of disaggregation reveals much richer consumption patterns as compared to the ones based on grouped data. The estimated marginal expenditure shares indicate that in examining the household consumption patterns one can safely assume that all the households in the sample face the same price structure. While the findings of the paper support the validity of Engel's law, the estimates presented indicate that expenditure elasticities for different commodity

groups vary with income and, in general, exhibit a cyclical pattern, which is explained in terms of quantitative as well qualitative changes in the households' consumption basket. For a majority of the commodity groups, both structural and behavioural differences in the consumption patterns are found to exist between the urban and the rural households. Furthermore, their results also confirm the existence of economies of scale in the consumption of majority of the commodity groups. The degrees of these economies of scale are not only different across commodities but also between sectors and across the income groups within each sector.

Burney and Khan (1992) examined household consumption patterns in Pakistan by estimating three different functional forms of the Engel curve, namely linear, double logarithmic, and Working Leser, for six different income, groups. Using household level data for the year 1984-85, focussing on the impact of household size and household composition on expenditure pattern. Estimates indicate that the coefficients corresponding to total household expenditure follow a cyclical pattern across different in the consumption basket. They also point to the existence of economies of scale in the consumption of some of the commodities. The economies of scale are not only different across commodities but also vary widely across income groups. The evidence significant impact on the consumption pattern in Pakistan.

Malik and Sarver (1993) observed pattern of use of remittances by emigrant families reduces their effectiveness for economic development and growth. A large school of thought believes that a considerable portion of the remittance money is spent on raising current consumption, in making unproductive investment in real estate such as residential houses, and in acquiring consumer durables, etc. such expenditure, apart from being inflationary in nature, also has a strong demonstration effect on the consumption patterns of families that do not receive remittances. Another aspect of the alleged consumption oriented use of

remittances is the relatively high import content of the consumption-oriented use of remittances is the relatively high import content of the consumption demand generated by remitted funds. This has the adverse implication of offsetting some of the balance of payments gains. There is, therefore, a need to critically examine the utilisation pattern of remittances in terms of statistically testing for differences in consumption behaviour between households that receive remittances and those that do not. This study attempts such an analysis based on the data from the Household Income and Expenditure Survey of 1987-88.

CHAPTER 3

DEMOGRAPHIC FEATURES OF SAMPLE HOUSEHOLDS

3.1 Introduction

Development of an economy is judged by the consumption pattern and living standards of the inhabitants of its society, while in turn they are significantly affected by the overall socio-economic conditions and the environment around them. Demographic features of the households and their rural-urban distribution are assumed to be the main determinants of consumption levels and living standard in the cross sections of the society.

This chapter focuses on the detail analysis of the demographic features like family size, age, sex, literacy status, labour forces and working status etc. This analysis will provide a base for and will determine the direction of the achievement of the goals of the study.

3.2 Family Size and Region-wise Distribution

The total population in the 120 households in the sample area irrespective of age and gender was 1080. Out of it 70% lived in the rural areas with the average family size of 12.6. Contrarily only 30% with a relatively small average family size of 5.4 resided in the urban areas (see table 3.1).

TABLE 3.1: DISTRIBUTION OF SAMPLE POPULATION BY REGION

Region	Total	%age	Average
Rural	756	70	12.6
Urban	324	30	5.4
Total	1080	100	9.0

Source: Field survey.

The data revealed that the overall family size was 9.0, which needs to be reduced if the desirable level of consumption and living standard are to be achieved. The data also pointed out that greater attention is required for the development of rural area, because it will positively affect the larger part of the population.

3.3 Type of Family

Distribution of the sample household by type of family and region is shown in the following Table 3.2.

TABLE 3.2: DISTRIBUTION OF SAMPLE HOUSE HOLD BY TYPE OF FAMILY AND REGION

Type of family	Rural		Urban		All	
	No.	%age	No.	%age	No.	%age
Nuclear	23	38.33	34	56.67	57	47.50
Joint	37	61.67	26	43.33	63	52.50
Total	60	100	60	100	120	100

Source: Field survey.

A slightly greater proportion was recorded in case of joint families. It was 52.50 percent in the sample area. However, the percentage of nuclear families was lower in the rural areas (38.33%) as compared to the urban areas (56.67%). Inspite of certain advantages of joint families and large family size adversely affect the standard of living and consumption level.

3.4 Age Composition and Gender Distribution

The most relevant factors of the demographic features viz age and gender are analysed in this section. The number of household members below 12 years and by sex is presented in table 3.3.I below:

TABLE 3.3.I: NUMBER OF HOUSEHOLD MEMBERS BELOW 12 YEARS BY SEX

Sex/age	Rural		Urban		All	
	No.	%age	No.	%age	No.	%age
A. Male						
Upto 5 years	40	44.94	19.00	46.34	59.00	45.38
6-12 years	49	55.06	22.00	53.66	71.00	54.62
Total	89	100.00	41.00	100.00	130.00	100.00
B. Female						
Upto 5 years	44	42.31	18.00	42.86	62.00	42.47
6-12 years	60	57.69	24.00	57.14	84.00	57.53
Total	104	100.00	42.00	100.00	146.00	100.00
C. Both sex (A+B)						
Upto 5 years	84	43.52	37.00	44.58	121.00	43.84
6-12 years	109	56.48	46.00	55.42	155.00	56.16
Total	193	100.00	83.00	100.00	276.00	100.00

Source: Field survey.

More than half of the children (56.16%) were found in the school going age (6-12 years), where the proportions of male and female were 54.62% and 57.53% respectively. The region wise distribution of school going children was equal in case of female and slightly greater in favour of rural in case of male children. Only 43.84% of 276 children in the sample area were recorded in the age group of upto 5 years with no significant difference in the gender.

It is worth mentioning that approximately 50% of the school going age children actually went to school. The respective percentages of boys and girls were 47.10% and 52.9% (see table 3.3.II) below. It is also important to note that the proportion

of female was greater than the proportion of male in this regard. It was observed that at primary level the number of female school going children was larger in the rural areas as compared to the urban area. The overall rural urban ratio of school going children was (109/46) 2.3. This implies that at primary level the number of school going children is more than double in case of rural. But it diminishes as the level of education rises. This may be verified from the subsequent tables about literacy. The dropouts may be attributed to the poverty and engagement of children in farming to assist their parents.

TABLE 3.3.II:NUMBER OF SCHOOL GOING CHILDREN (6- 12 YEARS AGE) BY SEX

Sex/age	Rural		Urban		All	
	No.	%age	No.	%age	No.	%age
Male	49	44.95	22	47.83	71	45.81
Female	60	55.05	24	52.17	84	54.19
Total	109	100	46	100	155	100

Source: Field survey.

The frequency distribution of total sample population for both the rural and urban regions by age and sex is shown in the following table 3.3.III. The total population of above 12 years age was 804 in the sample area.

TABLE 3.3.III: DISTRIBUTION OF THE SAMPLE HOUSEHOLD MEMBER BY AGE AND REGION

Sex/age	Rural		Urban		All	
	No.	%age	No.	%age	No.	%age
Up to- 12	193	25.53	83	25.62	276	25.56
13-17	118	15.61	50	15.43	168	15.56
18-60	366	48.41	156	48.15	522	48.33
60 and above	79	10.45	35	10.80	114	10.56
All	756	100	324	100	1080	100

Source: Field survey.

Approximately three fourth of the total sample population (that is 74.44%) fell in the age group of 13 years and above. The percentages of retiring age (60 and above) and children (upto 12 years) were 10.56% and 25.56 respectively. The proportion of 18 to 60 years age group was 48.33 percent, which forms the labour force of the sample population. Alternatively stating that more than half of the population (i.e. 51.67%), irrespective of gender fell in the dependent class. The observations are in conformity with the situation in the developing countries. So far as the regional distribution is concerned, the percentage in each age group was exactly the same with negligible differences of decimals in the rural and urban regions.

Distribution of the sample household members by sex and region can be observed in the following table 3.3.IV.

TABLE 3.3.IV: DISTRIBUTION OF THE SAMPLE HOUSEHOLD MEMBERS BY SEX AND REGION

Sex/age	Rural		Urban		All	
	No.	%age	No.	%age	No.	%age
Male	347	45.90	152	46.91	499	46.20
Female	409	54.10	172	53.09	581	53.80
Total	756 (70.00)	100	324 (30.00)	100	1080 (100.00)	100

Source: Field survey.

Note: Figures in parentheses show the %ages between the two regions.

The proportion of female (53.80%) was higher than the proportion of male (46.20) in the sample area. The ratio of female to male was 1.16. The regional situation in this regard was more or less the same within the region. However the percentage of population residing in the rural areas was 70.00% or the rural urban ratio was 2.33. Gender wise trend was also the same; the situation was found in conformity

with the national figure. It was observed that inspite of the migration to urban areas, majority of the population lived in the rural areas, directly or indirectly depending on agriculture.

3.5 Marital Status

Gender wise distribution of the household members by marital status and region is given in the following table 3.4.A and 3.4.B in total and percentage respectively:

TABLE 3.4.A:SEX WISE DISTRIBUTION OF THE HOUSEHOLD MEMBERS BY MARITAL STATUS AND REGION IN TOTAL

Marital status	Rural			Urban			All		
	Male	Female	Both	Male	Female	Both	Male	Female	Both
Unmarried	74	87	161	40	49	89	114	136	250
Married	165	176	341	54	66	120	219	242	461
Widowed	18	40	58	16	12	28	34	52	86
Divorced	1	2	3	1	3	4	2	5	7
N.A	89	104	193	41	42	83	130	146	276
Total	347	409	756	152	172	324	499	581	1080

Source: Field survey.
N.A: Not Applicable

TABLE 3.4.B: SEX WISE DISTRIBUTION OF THE HOUSEHOLD MEMBERS BY MARITAL STATUS AND REGION IN PERCENTAGE

Marital status	Rural			Urban			All		
	Male	Female	Both	Male	Female	Both	Male	Female	Both
	%age	%age	%age	%age	%age	%age	%age	%age	%age
Unmarried	21.33	21.27	21.30	26.32	28.49	27.47	22.85	23.41	23.15
Married	47.55	43.03	45.11	35.53	38.37	37.04	43.89	41.65	42.68
Widowed	5.19	9.78	7.67	10.53	6.98	8.64	6.81	8.95	7.96
Divorced	0.29	0.49	0.40	0.66	1.74	1.24	0.40	0.86	0.65
N.A	25.65	25.43	25.53	26.97	24.42	25.62	26.05	25.13	25.56
Total	100	100	100	100	100	100	100	100	100

Source: Field survey.

N.A = Not applicable (up to 12 years age)

The percentage of married population was 42.68% of the total population. If we include the categories of widows and divorced, it increases to 51.29%. But the percentage further increases to 68.91% of only 13 and above year age population (i.e. 804) is considered for the marital status. Only 23.15 percent population was unmarried, the proportion of never married population increased to 31.09 if it is based on marriageable age population. The high percentage of married group may be attributed to the early age marriage practices in the province, which may in turn positively affects the population growth, as shown in section 3.2 in this chapter. A very small percentage (0.65%) was recorded in the divorced category. This is because divorce is not considered a good practice in Islam as well as in Pakhtoon society.

So far as gender wise national status is concerned there was no notable difference between the two sexes. However, regional disparities were obvious. The

proportion of married in the rural areas was higher as compared to urban localities and opposite was true in the category of unmarried individuals.

3.6 Literacy Status and Level of Education

Education is the foundation for all spheres of life. All paths to the improvement of socio-economic conditions, economic growth and development, solutions to the problemssuch as pollution, terrorism and the living standard stem from education. The number of literates in a society and their levels of education lead to the progress in all respect. This section of the dissertation highlights to investigate the region wise and gender wise situation regarding literates and their level of education.

The following table 3.5.I.A exhibits the distribution of household members by literacy status and region.

TABLE 3.5.I.A: DISTRIBUTION OF HOUSEHOLD MEMBERS (SCHOOL GOING AND ABOVE AGE) BY LITERACY STATUS AND REGION

Literacy status	Rural		Urban		Both Regions	
	Number	%age	Number	%age	Number	%age
Literate	266 (66.83)	39.58	132 (33.17)	45.99	398 (100.00)	41.50
Illiterate	406 (72.37)	61.42	155 (27.63)	54.01	561 (100.00)	58.50
Total	672 (70.07)	100.00	287 (29.93)	100.00	959 (100.00)	100.00

Source: Field survey

Note: Figures in parentheses show the percentage within the literacy status between the two regions.

The table reveals that 41.50% of the sample population (excluding children upto five years age) irrespective of the gender and region were literate. Considering the under age children as not applicable then the percentages of literates decreases to 36.50% of all the household members (1080) in the sample area. The proportion of illiterate members was 58.5% in the study area. However including the 11.20% of the population in the age group of "not applicable" (i.e. upto 5 years age), the

proportion of illiterate remains becomes 51.94%, which suggests that further improvements in this sector are required. Region wise differentials between the urban and rural areas were also notable. The proportions of literate members were 45.99% and 39.58% respectively. A lot of work and motivation is needed in the rural areas to correct the situation in this regard.

So far as the gender wise literacy status is concerned, it is shown by the following Table 3.5.I.B.

TABLE 3.5.I.B: DISTRIBUTION OF THE HOUSEHOLD MEMBER (SCHOOL GOING AND ABOVE AGE) BY LITERACY STATUS AND GENDER

Literacy status	Rural		Urban		Both Regions	
	Number	%age	Number	%age	Number	%age
Literate	250 (62.81)	56.82	148 (37.19)	28.52	398 (100.00)	41.50
Illiterate	190 (33.87)	43.18	371 (66.13)	71.48	561 (100.00)	58.50
Total	440 (45.88)	100.00	519 (54.12)	100.00	959 (100.00)	100.00

Source: Field survey

The table depicts that it also needs serious attention, because, only 28.52% of the females were literate against the 56.82% in case of male in the sample area. A remarkable difference between literate males and females in both the regions was recorded. Only 7% females were literate in the rural area. The corresponding figure was five times of it in the urban areas. It is generally assumed that literacy is relatively lower in the rural areas as compared to the urban region but in case of male, this assumption was rejected because the number of literate males was higher in the former case as compared to the later ones. In percentage term the relevant figures were 82.13 and 78.29% respectively.

Only number of literate is meaningless unless it is followed by a higher level of education. Because fewer highly qualified individuals may have relatively more impact on the enhancement of literacy as compared to the greater number of less

qualified. Distribution of literate household members by level of education and region is shown in the following table 3.5.II.A.

TABLE 3.5.II.A: DISTRIBUTION OF THE LITERATE HOUSEHOLD MEMBERS BY REGION AND LEVEL OF EDUCATION

Level of Education	Rural		Urban		Both Region	
	Number	%age	Number	%age	Number	%age
Primary	75	28.20	30	22.73	105	26.38
Middle	72	27.07	26	19.70	98	24.62
Matric	98	36.84	40	30.30	138	34.67
F.A/FSc	9	3.38	15	11.36	24	6.03
B.A/BSc	4	1.50	11	8.33	15	3.77
M.A/MSc	3	1.13	6	4.55	9	2.26
Professional	3	1.13	2	1.52	5	1.26
M.Phil/Ph.D	2	0.75	2	1.52	4	1.01
Total	266	100.00	132	100.00	398	100.00

Source: Field survey

The statistical table reveals that 85.67% of the literate members could studied only for ten years and could achieve secondary school certificate (Matric) of which more than fifty percent were either primary pass or middle pass (26.38% and 24.62% respectively). Only 9 members out of 398 literate individuals (i.e. 2.26%) could receive a master degree and a negligible proportion of 1.01 that is only four out of 398 literate individuals was recorded in the group of M.phil/Ph.D qualification.

The region wise situation did not show a very significant difference between the levels of education. However, the percentage of literates upto matric was higher in the rural areas as compared to the same level of urban areas, the respective proportions were 92.11% and 72.73%. but the inverse situation was recorded regarding the level of education after matric. This regional differentials of higher education in favour of urban areas may be attributed to the lack of educational institutions and greater degree of poverty in the rural areas. It is important to note that the only two M.phil/ Ph.D literate members were recorded in each region. However in relative terms, the percentage was higher in the urban region.

Gender wise level of education was observed in favour of males in the rural areas and about indifferent in the urban areas. Distribution of the literate members by sex and level of education is exhibited in the following table 3.5.II.B.

TABLE 3.5.II.B: DISTRIBUTION OF LITERATE MEMBERS BY SEX AND LEVEL OF EDUCATION

Level of Education	Male		Female		Both Sexes	
	Number	%age	Number	%age	Number	%age
Primary	58	23.20	47	31.76	105	26.38
Middle	52	20.80	46	31.08	98	24.62
Matric	97	38.80	41	27.10	138	34.67
F.A/FSc	17	6.80	7	4.73	24	6.03
B.A/BSc	11	4.40	4	2.70	15	3.77
M.A/MSc	7	2.80	2	1.35	9	2.26
Professional	4	1.60	1	0.68	5	1.26
M.Phil/Ph.D	4	1.60	--	--	4	1.01
Total	250	100.00	148	100.00	398	100.00

Source: Field Survey

It is very interesting though not unusual that majority of the literate females could get education upto middle only. It was evidenced that 62.84% of the literate female left their education after eight years. The percentage of literate males in this regard was 44.00%. It is also important to note that the highest percentage (38.80) of the literate males could studies only for ten years. The table indicates that the percentages of literate females decreases as the number of years of education (level of education) increased contrarily the opposite situation was observed in case of literate males. A single female in the sample area could not get a degree of M.Phil/Ph.D and a negligible proportion was recorded in the group of higher education. Males also did show an encouraging figure in getting higher education. Only 5% was observed, who could study upto the master level or above. The gender-biased level of education against female may be attributed to male dominated society and other socio-cultural factor. But the overall lack of higher education and greater dropouts in the lower classes may be due to poverty and non-existence of appropriate educational institution, especially in the rural areas and females.

3.7 Labour Force and Employment

For the purpose of this study, all those individuals who fell in the age bracket of 18 to 60 years, irrespective of gender were included in the labour force. Labour force by gender and region is presented in the following table 3.6.I

TABLE 3.6.I: LABOUR FORCES (18 TO 60 YEARS AGE) BY GENDER AND REGIONS

Gender	Rural		Urban		All	
	No.	%age	No.	%age	No.	%age
Male	177	48.36	74	47.44	251	48.08
Female	189	51.64	82	52.56	271	51.92
Total	366	100	156	100	522	100

Source: Field survey.

The total labour force recorded in the sample area was 522, which is 48.33% of the total sample population. Slightly more than half of the labour force was reported in the category of female. The same situation was found in both the regions.

The higher employment rate significantly improves the socio-economic conditions of the households, and as a result the economic development takes place. Employment status of the labour force by gender and region is shown in the following table 3.6.II.

TABLE 3.6.II: EMPLOYMENT STATUS OF THE LABOUR FORCE BY GENDER AND REGION

Sex/age	Rural		Urban		All	
	No.	%age	No.	%age	No.	%age
A. Male						
Employed	80	45.20	51	68.92	131	52.19
Unemployed	97	54.80	23	31.08	120	47.81
Total A	177	100.00	74	100	251	100
B. Female						
Employed	30	15.87	17	20.73	47	17.34
Unemployed	159	84.13	65	79.27	224	82.66
Total A	189	100	82		271	100
C. Both sex (A+B)						
Employed	110	30.05	68	43.59	178	34.10
Unemployed	256	69.95	88	56.41	344	65.90
Total A	366	100	156	100	522	100

Source: Field survey.

The table reveals that 65.90% of total labour force was unemployed. Only 34.10% could be engaged themselves in the economic activities. The percentage of unemployment was higher in rural areas than that of the urban areas. Females had the disadvantage in this regard in both regions. A remarkable proportion of female (i.e. 84.13%) was unemployed in the rural areas.

A detail of the working status of the sample population in terms of frequency distribution by sex and region is indicated in table 3.6.III below.

TABLE 3.6.III: REGION WISE CLASSIFICATION OF THE HOUSEHOLD MEMBERS BY WORKING STATUS AND SEX

Working status	Rural						Urban						All					
	Male		Female		Both Sexes		Male		Female		Both Sexes		Male		Female		Both Sexes	
	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age
Employed	80	23.05	30	7.33	110	14.55	51	33.55	17	9.88	68	20.99	131	26.25	47	8.09	178	16.48
Unemployed and looking for job	91	26.22	13	3.18	104	13.76	19	12.50	58	33.72	77	23.77	110	22.04	71	12.22	181	16.76
Volunteer unemployed	6	1.73	146	35.7	152	20.11	4	2.63	7	4.07	11	3.4	10	2.00	153	26.33	163	15.09
Student	42	12.10	15	3.67	57	7.54	20	13.16	11	6.40	31	9.57	62	12.42	26	4.48	88	8.15
Housewife	0	0	61	14.91	61	8.07	0	0	19	11.05	19	5.86	0	0	80	13.77	80	7.41
Overage (18 and above)	39	11.24	40	9.79	79	10.45	17	11.18	18	10.47	35	10.8	56	11.22	58	9.98	114	10.56
NA	89	25.65	104	25.43	193	25.53	41	26.97	42	24.42	83	25.62	130	26.05	146	25.13	276	25.56
Total	347	100	409	100	756	100	152	100	172	100	324	100	499	100	581	100	1080	100

Source: Field survey.

N.A = children up to 12 years age.

Out of total population 36.12 percent were either in the retiring age, over aged or not applicable (children). Only 16.48% of the total population was employed. Those individuals who were unemployed and were looking for job constituted 16.76% of the population. The percentage of voluntarily unemployed labour force was 15.09. a very significant portion of the workable class remained unemployed voluntarily. These white colour men did not contribute to national income, which may truly be termed as a burden on the society. A very small proportion (8.15%) of the population fell in the category of students. Similarly only 7.41% of the population worked as a housewife.

Regional situation was also not very encouraging. Voluntarily unemployment was more in rural areas than the urban region. The employment rate in the urban areas was relatively higher. The performance of female regarding the participation in economic activities was very poor. Only 3.18 percent unemployed female were interested in looking for job, in the rural areas, where as the proportion in the same category from the urban areas was higher. The table reveals that over all employment situation in the urban areas was relatively better in both the gender. However a serious attention for the improvement is suggested.

3.8 Occupations of the Employed Labour Force

This section analyses the occupations of employed labour force in the study area. As mentioned in the previous section that the total number of household members, which constituted the labour force irrespective of gender was 522. Only 178 individuals in both the sexes were engaged in the economic activities. Occupation directly affects the income and standard of living of the household. The region and sex wise distribution of the employed members by profession is presented in the table 3.7 below.

TABLE 3.7: REGION AND SEX WISE DISTRIBUTION OF THE EMPLOYED HOUSEHOLD MEMBERS BY PROFESSION.

Profession	Rural						Urban						All					
	Male		Female		Both		Male		Female		Both		Male		Female		Both	
	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age
i. Wage earner	24	30.00	1	3.33	25	22.73	8	15.69	0	0	8	11.77	32	24.43	1	2.13	33	18.54
ii. Self employed	6	7.50	10	33.33	16	14.55	6	11.76	3	17.65	9	13.24	12	9.16	13	27.66	25	14.05
iii. salary service class																		
a.Private sector	8	10.00	10	33.33	18	16.36	4	7.84	2	11.76	6	8.82	12	9.16	12	25.53	24	13.48
b. Public sector	4	5.00	1	3.33	5	4.55	9	17.65	6	35.29	15	22.06	13	9.92	7	14.89	20	11.34
iv. Farmers	27	33.75	0	0	27	24.55	0	0	0	0	0	0	27	20.61	0	0	27	15.17
v. Business	5	6.25	0	0	5	4.55	17	33.33	4	23.53	21	30.88	22	16.79	4	8.51	26	14.61
vi. Artisans	3	3.75	0	0	3	2.73	2	3.92	0	0	2	2.94	5	3.82	0	0	5	2.81
vii. Others	3	3.75	8	26.67	11	10.00	5	9.80	2	11.77	7	10.29	8	6.11	10	21.28	18	10.11
Total	80	100	30	100	110	100	51	100	17	100	68	100	131	100	47	100	178	100

As can be seen from the last column of the table majority of the employed members (i.e. 18.54%) were the wage earners, which constituted one fifth (approximately) of the total labour force. It is also important to note that this category was followed by the occupation of farming and self employed with 15.17% and 14.05% respectively. If we include private service and other minor occupation with these categories it is remarkable to note that 70.79% of the employed household members were engaged in the occupations, which were either casual or seasonal. The earnings from these types of jobs were generally uncertain with very low levels of income. Only 11.34% could get the government jobs. The proportion of business class (14.61%) was also encouraging.

Region-wise distribution of employed household members was not very much unusual. It is worth mentioning that the percentages of farmers in the rural areas and business class in the urban areas were maximum. The respective proportions were 24.55% and 30.88 % respectively. The second largest occupation in the rural region was wage earning (with 22.73%) and it was the "govt. job" in the urban region with same percentage. Only 4.55% could get the govt. job in the rural region.

Gender wise classification of rural and urban employed members was in conformity with the expected reality. Majority of the males were engaged in business (33.33%) while majority of the females were employed in the public

sector (35.29%) in the urban region. Absolutely reverse situation was observed in the rural areas. Majority of the male (i.e. 33.75%) were farmers. And 66.67% females engaged in the occupations of "self employed" and "service" in the private sector. They were equally divided in these two types of occupation. It is also important to note that majority of the household members in the rural areas could get employment in the occupation, which were casual, seasonal and uncertain with less wage/salary. Contrarily the situation was not very discouraging in this regard in the urban region.

CHAPTER 4

THE BUDGETARY POSITION OF THE SAMPLE HOUSEHOLDS

4.1 Introduction

The demographic features of the sample households discussed in chapter 3 provided a sound base for the analysis of total income and consumption. This chapter highlights the levels of income and their sources, the levels of consumption expenditure on various items and the overall budgetary position of the households in the target area. The distribution of income among various cross sections of the sample area are in both the regions, rural and urban is discussed in the next chapter. The severity of inequality if any will be determined, which in fact will identify the degree of poverty as a base for the standard of living and investment potential, which are also discussed in the subsequent chapter.

4.2 The Levels of Income and their Sources

All the economists agree unanimously that INCOME is the main determinant of consumption expenditure, standard of living and the economic development. This section attempts to explore the main sources of income and its level in the sample area. For the purpose of this study sources are divided into two broad groups viz profession or occupation of employed members of the households and other sources.

4.2.1 Occupation

The following table 4.2.I indicates the region and sex wise distribution of the employed household members by profession/occupation.

TABLE 4.2.1: REGION AND SEXWISE DISTRIBUTION OF THE EMPLOYED HOUSEHOLD MEMBERS BY PROFESSION/OCCUPATION

Profession	Rural						Urban						All					
	Male		Female		Both Sexes		Male		Female		Both Sexes		Male		Female		Both Sexes	
	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age
Wage earner	24	30.00	1	3.33	25	22.73	8	15.69	0	0	8	11.76	32	29.43	1	2.13	33	18.54
Self employed	6	7.50	10	33.33	16	14.55	6	11.76	3	17.65	9	13.24	12	9.16	13	27.66	25	14.04
Salary/service class																		
i.Private	8	10.00	10	33.33	18	16.36	4	7.84	2	11.76	6	8.82	12	9.16	12	25.53	24	13.48
ii.Public	4	5.00	1	3.33	5	4.55	9	17.65	6	35.29	15	22.06	13	9.62	7	14.89	20	11.24
Farmers	27	33.75	0	0	27	24.55	0	0	0	0	0	0	27	20.61	0	0	27	15.17
Business	5	6.25	0	0	5	4.55	17	33.33	4	23.53	21	30.88	22	16.79	4	8.51	26	14.61
Artisans	3	3.75	0	0	3	2.73	2	3.92	0	0	2	2.94	5	3.82	0	0	5	2.81
Others	3	3.75	8	26.67	11	10	5	9.80	2	11.76	7	10.29	8	6.11	10	21.28	18	10.11
Total	80	100	30	100	110	100	51	100	17	100	68	100	131	100	47	100	178	100

Source: Field survey.

We observe that majority of the employed household members fell in the salary or service class private as well as public (24.72%) followed by the category of wage earners (18.54%). Being an agrarian economy the percentage of farmers (15.17%) in the employed group of the sample area is very low. But if we compare the formal (Service) and informal (wage earner, self-employed, farmers etc.) jobs, the former is less than the one fourth of the later. Where the uncertainty in the availability of jobs and their rewards is the main feature of informal sector. It is important to note that 30.88 percent of the urban population was engaged in business. Only 4.55 percent of the rural mass was found in this category. In the urban region, the public service was the second large source of income contrarily a very small proportion in this regard was recorded in case of rural population, because majority of them was directly or indirectly absorbed by the agricultural sector. So far as gender wise distribution of the employed labour force is concerned, only 47 female out of 178 persons or 26.40% were employed of which more than 50% were either self employed or on private service. The percentage of female in public sector (35.29%) in the urban area was significantly higher than corresponding figure (3.33%) in the rural areas. It is concluded that the major sources of income in the rural areas were farming, daily wage and private service, whereas business, public service and self-employment were the main sources of income in the urban areas. This situation is in conformity with the national scenario.

4.2.2 Income from Occupations

The levels of income earned by the employed members from their occupations are analysed as follows: Table 4.2.II shows the region and sex wise classification. The employed member by income groups from their occupation.

TABLE 4.2.II: REGION AND SEX WISE CLASSIFICATION OF THE EMPLOYED MEMBERS BY INCOME FROM THEIR OCCUPATION

INCOME GROUP (IN RS. P.M	Rural						Urban						All					
	Male		Female		Both Sexes		Male		Female		Both Sexes		Male		Female		Both Sexes	
	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age
Upto 2000	20	25.00	9	30.00	29	26.36	5	9.8	2	11.76	7	10.29	25	19.08	11	23.40	36	20.22
2000- 4000	16	20.00	7	13.33	23	20.91	8	15.67	3	17.65	11	16.18	24	18.32	10	21.28	34	19.10
4001-6000	21	26.25	6	20.00	27	24.55	10	19.61	4	23.53	14	20.59	31	23.66	10	21.28	41	23.03
6001-8000	11	13.75	3	10.00	14	12.73	10	19.61	3	17.65	13	19.12	21	16.03	6	12.77	27	15.17
8001-10000	8	10.00	4	13.33	12	10.91	9	17.65	2	11.76	11	16.18	17	12.98	6	12.77	23	12.92
10001-12000	2	2.5	1	3.33	3	2.72	7	13.23	2	11.76	9	13.24	9	6.87	3	6.38	12	6.74
12000 and above	2	2.5	0	0	2	1.82	2	3.92	1	5.88	3	4.41	4	3.05	1	2.13	5	2.84
All	80	100	30	100	110	100	51	100	17	100	68	100	131	100	47	100	178	100

Source: Field survey.

Slightly above one fifth (23.03%) of the employed household members in the study area fell in the income bracket of Rs.4001 to 6000 per month, which was lower than the subsistence level of households having a family size of 9 members in the sample area. The remarkable proportion of 77.52 could earn only upto Rs. 8000 per month from their occupations. Only 2.81% employed population earned Rs.12000 and above. Regional distribution was uneven. A higher percentage of working members (71.82%) in the rural areas, as compared to the corresponding figure (47.06) of urban population fell in the income group of Rs. 6000 and below per month, where the family size in the former case was 12.6 and it was 5.4 in the later case. The worse situation in the rural areas was attributed to the less opportunities of business and government jobs, as mentioned above. A reverse situation was found in case of high income brackets (Rs. 8000 p.m and above) in the rural urban regions. The corresponding figures were 15.49 percent and 63.83 percent respectively. So far as the gender wise classification is concerned, a very high proportion of very few employed female was observed in the lower income groups and a very lower percentage in the higher income groups. The table reveals that the overall earning position of the employed members from their occupation was not very encouraging. It was also regional and gender bias in favour of urban areas and male members of the study areas.

4.2.3 Income from other Sources

A detail of distribution of the sample households by total and average amount received from other sources in both the regions are presented in the following table 4.2.III.

TABLE 4.2.III: DISTRIBUTION OF SAMPLE HOUSEHOLD BY AMOUNT RECEIVED FROM OTHER SOURCES

Source	Rural			Urban			All		
	No.	Am.	Average	No.	Am.	Average	No.	Am.	Average
Rent received from shop/ houses	3 (5.00)	4500 (3.31)	1500	8 (13.33)	40000 (6.80)	5000	11 (9.17)	44500 (6.15)	4045
Interest received from S.C/ Bound	2 (3.33)	2800 (2.06)	14000	12 (20.00)	42000 (7.14)	3500	14 (11.67)	44800 (6.19)	3200
Business	5 (8.33)	17325 (12.76)	3465	31 (51.67)	490730 (83.43)	15830	36 (30.00)	508055 (70.17)	14112
Agriculture	38 (63.33)	106400 (79.34)	2800	2 (3.33)	7000 (1.19)	3500	40 (33.33)	113400 (15.66)	2835
Others	12 (20.00)	4800 (3.53)	400	7 (11.67)	8470 (1.44)	1210	19 (15.83)	13270 (1.83)	698
Total	60 (100.00)	135825 (100.00)	2263	60 (100.00)	588200 (100.00)	9803	120 (100.00)	724025 (100.00)	6033

Source: Field survey.
Note: Figures in parentheses are the percentages.

The other sources of income were broadly categorized as

- Rent received from shops/houses
- Interest received from S.C/Bonds etc.
- Business (as a secondary source)
- Agriculture (as a secondary source)
- Others

Out of Rs. 724 thousand per month Rs. 508 thousand per month (or 70%) were received from business in the project area, followed by agriculture and rent received from shops/houses or interest received from saving certificates etc. with approximately 15 percent or 6% of the total amount received. The main other source (other than the primary occupation) in the rural area was agriculture with 78.34% contribution to income, while it was business in case of urban areas with a percentage of 70.17. These results are approximately matching the national figures.

4.2.4 Income from all Sources

It is the total income of households from all sources, which may help us in the determination of appropriate direction towards goal of the study (consumption pattern and living standard). Distribution of the sample households by income of all sources is shown in table 4.2.IV below.

TABLE 4.2.IV: DISTRIBUTION OF THE SAMPLE HOUSEHOLDS BY INCOME FROM ALL SOURCES

INCOME GROUPS IN RUPEES (PER MONTH)	Rural		Urban		All	
	No.	%age	No.	%age	No.	%age
Upto 5000	19	31.67	10	16.67	29	24.17
5001-10,000	20	33.33	14	23.33	34	28.33
10001-20,000	12	20.00	21	35.00	33	27.50
20001-30000	5	8.33	6	10.00	11	9.17
30001-40000	3	5.00	4	6.67	7	5.83
40001-50000	1	1.67	4	6.67	5	4.17
50001 and above	0	0	1	1.67	1	0.83
All	60	100	60	100	120	100

Source: Field survey.

The table reveals that majority of the sample households (28.33%) earned a monthly income of rupees ranges between 5001 to 10,000. or approximately more than half of the sample household (52.50%) could receive only upto Rs. 10,000 p.m from all sources. in case of a large family size, even fifty percent of the household were below the subsistence level. A proportion of 15.00 of sample families fell in the income bracket of Rs. 20,001 to 40,000 p.m. it is important to note that only one individual household out of 120 sampling units (i.e. 0.83%) was observed in the income group of above Rs. Fifty thousand per month. The regional scenario was totally against the rural population. The evidence reveals that 65.00% of the rural households earned upto Rs. 10,000 per month, while only 40.00% of the urban households fell in this income bracket. The percentages of rural and urban households reported in the income bracket of Rs. 30,000 and above were 6.67 and 15.01 respectively. Two points are important to note:

a. The percentage of urban households in all income brackets above Rs. 10,000 were relatively higher than the corresponding figures of rural households.

b. The number of sample households in the high income groups was very few and it was very high in the lower income in the study area. This implies that the unequal distribution among the sample house holds was a very serious problem in the project area, which adversely affected the standard of living.

4.3 The levels of Consumption/Pattern

The standard of living can be judged not only by the level of consumption but also the pattern of consumption. By pattern of consumption for the purpose of this dissertation, we mean the total expenditure on various items as follows.

- Food
- Cloths
- Health
- Education
- Social activities, litigation, custom and traditions etc.
- Utility bills
- Other expenditure

The following table 4.3.I indicates the item wise expenditure in the sample area by region.

TABLE 4.3.1: ITEM WISE EXPENDITURE IN THE SAMPLE AREA (RUPEES PER MONTH)

INCOME GROUPS IN RUPEES	Rural		Urban		All	
	Amount	%age	Amount	%age	Amount	%age
Food	235600 (39.91)	40.01	354800 (60.09)	40.99	590400 (100.00)	40.59
Clothes	55780 (34.95)	9.47	103800 (65.05)	11.99	159580 (100.00)	10.97
Health	76520 (38.70)	12.99	121200 (61.30)	14.00	197720 (100.00)	13.60
Education	47100 (25.38)	7.99	138500 (74.62)	16.00	185600 (100.00)	12.76
Social Activities, Litigation, Customs & Traditions	87900 (55.95)	14.93	69200 (44.05)	7.99	157100 (100.00)	10.80
Utility bills	29380 (32.87)	4.99	60000 (67.13)	6.93	89380 (100.00)	6.15
Other expenditure	56520 (75.74)	9.60	18100 (24.26)	2.09	74620 (100.00)	5.13
Total	588800 (40.48)	100	865600 (59.52)	100	1454400 (100.00)	100

Source: Field Survey.
Note: Figures in parentheses are percentages of region within item of expenditure.

The total level of consumption of 120 households was approximately fourteen and a half lac per month of which approximately more than eight and half lac were recorded in the urban region and less than six lac in the rural regions. Naturally if standard of living is linked with the level of consumption, then urban population may enjoy higher living standard as compared to the rural population. Analysis related to this issue will be discussed in the next two chapters.

A greater portion of expenditure (40.59%) went to the consumption of food items, which is necessary for lively-hood. Regional situation was not significantly different between the two regions. The respective proportions in rural and urban were 40.01% and 40.99%. But between the two regions, rural and urban, the expenditure on food items was significantly different. They were 39.91% 60.09%

respectively. This implies that quality of food and in turn standard of living in the urban areas was better than the one in the rural area. This is because of not only greater expenditure on food in the urban area, but also a small family size as discussed in chapter 3. The consumption pattern indicated that 13.60% and 12.76% were spent on health and education respectively, which are not conducive to improve the human resource. Within the two regions expenditure on education in the urban areas was threefold greater than the expenditure on it in the rural areas. The respective proportions were 74.62 and 25.38 more or less the same trend was reported about the spending on health, cloths and utility bills etc. however expenditure on the social activities, litigation, customs and traditions or other expenditures were greater in rural areas as compared to the urban region. It is evident from the overall picture of the item wise expenditure that the consumption pattern was not appropriate, specially spending on education and health were very lower and on extravagance were higher than the desirable level, which may affect living standard adversely. For comparison at a glance the monthly average expenditure by items for both the rural and urban regions, is shown in the following table 4.3.II.

TABLE 4.3.II:MONTHLY AVERAGE EXPENDITURE BY ITEM (IN RUPEES)

Items	Rural	Urban	All
Food	3927	5913	4920
Clothes	930	1730	1330
Health	1275	2020	1648
Education	785	2308	1547
Social Activities	1465	1153	1309
Utility Bills	490	1000	745
Other Expenditure	942	302	622
Total	9813	14427	12120

Source: Field survey.

4.4 Budgetary Position

In this section an attempt is being made to identify whether the sample households have surplus or balanced or deficit budget position, where in the first case savings are possible and in tern investment takes places which leads to the higher standard of living, while in the last case (deficit budget) may lead to poverty, poor health, greater illiteracy etc. The following table 4.4.I presents the distribution of the sample households by position of budget.

TABLE 4.4.I: DISTRIBUTION OF THE SAMPLE HOUSEHOLD BY POSITION OF BUDGET

Budget Position	Rural		Urban		All	
	Number	%age	Number	%age	Number	%age
Surplus	42	70.00	45	75.00	87	72.50
Balanced	6	10.00	7	11.67	13	10.83
Deficit	12	20.00	8	13.33	20	16.67
Total	60	100.00	60	100.00	120	100.00

Source: Field survey.

The table reveals that 72.50% of the sample households had greater monthly income than their monthly consumption expenditure. But 27.5% of the households had either balanced budget or deficit budget (expenditures are greater than the incomes). This implies that more than one fourth of the families in the project area earned less than or upto the subsistence level, while the $3/4^{th}$ of them were capable to save. But it is also important to note that the magnitude or levels of saving were very low (see appendix-I). Regional situation went in favour of urban households. The percentages of surplus and balanced budget families were higher in the urban region, while the proportion of deficit budget families was lower in the urban area.

The overall budget position can be judged by using the total and average income consumption and their differences approach. Data related to these variables by region are presented in table 4.4.II below.

TABLE 4.4.II:TOTAL AND AVERAGE MONTHLY INCOME CONSUMPTION AND THEIR DIFFERENCE BY REGION (IN RUPEES)

Region	Income		Consumption		Difference/ Savings	
	Total	Average	Total	Average	Total	Average
Rural	672950	11216	588800	9813	84140	1403
Urban	1033800	17230	865600	14426	168200	2804
Total	1706750	14223	1454400	12120	252350	2103

Source: Field survey.

The total income in project area earned by 120 households was rupees 17 lac approximately, while the total consumption expenditure was Rs. 14.5 lac approximately. The total income was greater than the consumption by 2.5 lac. The average figures were in thousand rupees as follows.

Income: Rs.14223
Consumption: Rs. 12120
Difference: Rs.2103

Regional wise income and consumption indicate that both the variables were higher in urban area as compared to the rural areas. Applying the "t" statistics, the significance of all mean values were tested at 5% level of significance and found them statistically reliable.

CHAPTER 5

CONSUMPTION AND INVESTMENT PATTERNS

5.1 Introduction

Analysis of consumption pattern is essential for development planning because priorities and investment targets have to be based on demand forecasts for different commodities. Forecasting demand requires, among others variables reliable estimates of income elasticities. The most important factor that determines the pattern of consumption is the level of income. However, in addition to income other variables too, significantly affect the pattern of consumption, such as size and composition of households, number of earning hands prices, structural, geographical and climatic differences, etc. However, among these determinants, the most important are income and family size.

Similarly, there are various determinants of economic development and different methods are used for its measurement. One of them is the "Economic Welfare". Economic development is regarded as a process whereby there is an increase in the consumption of goods and services of individuals. According to Okun and Richardson, "Economic development is a sustained secular improvement in material well being, which we may consider to be reflected in an increasing consumption of goods and service".[7] In measuring alone social welfare without additional considerations caution has to be exercised with regard to the total income that is giving rise to an increase. Consumption. Social indicators of the measurement of economic development include food, health, education, employment income, consumption and investment. A brief discussion related to the first five factors has been done in the preceding chapters and the last two are being analysed in this chapter.

[7] O.Okun and R.W. Richard, Studies in Economic Development, P.230.

5.2 Income-Consumption Relationship

According to a well-known economist "Keynes" other things remaining the same consumption increase with a rise in income. Keynes propounded the fundamental psychological law of consumption stating that "men are disposed as rule and on the average to increase their income increases but not by as much as the increase in their income."[8] This law identifies the concept of marginal propensity to consume (MPC) which specifies the fraction of each additional rupee of disposable income received to be spent on consumption. Thus, the greater MPC implies the higher standards of living and vice versa. The vertical intercept of the linear consumption function, indicating the level of consumption at zero level of income also leads towards rising standard of living.

An attempt is being made to verify this statement with the help of following econometric model:

5.2.1 Specification of the Model

A number of factors like income in the current period, income in the preceding period, consumption in the preceding period, family size region etc. are going to determine the level of consumption expenditure. But for the sake of simplicity and determining the exact relationship between income and consumption, let the total household consumption expenditure "HC" is the function of total household income "HI" where both the variables are measured in rupees per month. Further assuming that relationship between these two variables is linear as shown in the following mathematical form.

$$HC = \beta_0 + \beta_1 HI + \in$$

Where

HC = Dependent variable, Household consumption (Rs P.M)

HI = Independent variable, Household income (Rs. P.M)

[8] Shapiro, Edward, "Macro Economics" 2nd Ed. P.118. National Book Foundation, Islamabad.

β_0 = constant, intercept or autonomous consumption

β_1= Marginal propensity to consume

$\in$ = Residual term, which absorbs the influence of all those other factors, which are not included in the model.

In this case β_0 is the autonomous consumption and β_1 is the marginal propensity to consume (MPC). After analysing the simple linear consumption function two more explanatory variables, family size of households (HF) and dummy variable for region (RD) were added to the model then the model became as follows:

$$HC = \beta_0 + \beta_1 HI + \beta_2 HF + \beta_3 RD + \in$$

RD is equal to one shows the urban region and zero otherwise (Rural region). Three simple consumption functions each one for rural areas, for urban areas and for the whole sample area was estimated that is

Model-I $HC_r = \beta r_0 + \beta r_1 HIr + \in r$

Model-II $HCu = \beta u_0 + \beta u_1 Hlu + \in u$

Model-III $HCs = \beta s_0 + \beta s_1 HIs + \in s$

And one multiple regression model was estimated and analysed.

5.2.2 Estimation of Models/Results

The relevant data on monthly income and monthly consumption of the sample households from annexure-1 was entered into the computer and the Ordinary Least Squares (OLS) method of estimation with the help of "SPSS" package was applied for the model estimation. In case of simple regression it was assumed that there was one way causation that is HI was the truly exogenous for the multiple regression it was also assumed that there is no multicollenority, among the explanatory variables, the residual terms of two serial values are not related to each other (i.e. no autocorrelation) and the problem of hetroscadacity does not exist. Complete results of the three estimated simple regressions are annexed in

appendix-2, however for analysis purposes the brief results of the models are reproduced below:

Model I: For Rural Areas

$$HCr = 1864.20 + 0.917\ Hir$$
$$(7.50) \qquad (0.003)$$

R square = 0.840

Model II: For Urban Areas

$$HCu = 3620.29 + 0.839\ Hiu$$
$$(2.51) \qquad (0.04)$$

R square = 0.704

Model III: For the whole sample Area

$$HCs = 2531.73 + 0.874\ His$$
$$(6.44) \qquad (0.07)$$

R square = 0.765

Note: Figures in parentheses are the respective standard errors

5.2.3 Verification of the Model/Test of Significance

Since the standard errors of parameter estimates of all the three models are less than the half values of their respective values, hence the individual parameter estimates of each model are statistically significant. Similarly the observed values of student "t" statistics in all cases are greater than the theoretical values at 5% level of significance with (n-k) degrees of freedom. Therefore, this test also suggests that the estimated parameters are statistically significant. The co-efficient of determination R squares in all the three cases were remarkably higher than 0.50, therefore fits are GOOD. The observed values of F-ratios obtained from the ANOVA tables (304.487, 137.895 and 383.240) were greater than their respective tabulated values at 5% level of significance with V_1 and V_2 degrees of freedom. Thus all the three estimated models are overall significant.

To test the significance of difference between the coefficients of estimated functions for sample households of the Rural and Urban regions. The following Chow F-ratio was calculated.

$$F = \frac{\dfrac{\sum e_p^2 - \left(\sum e_r^2 + \sum e_u^2\right)}{K}}{\dfrac{\left(\sum e_r^2 + \sum e_u^2\right)}{n_1 + n_2 - K}}$$

Where

$\sum e_p^2$ = Residual sum of squares (RSS) from the pooled data

$\sum e_r^2$ = RSS of rural households

$\sum e_u^2$ = RSS of Urban households

n_1= Sample size of rural region

n_2 = Sample size of urban house region

K = Total number of parameters

It is important to note that in all cases the observed value of F ratio was greater than the tabulated and was concluded that the consumption pattern and the saving attitudes in the rural region were significantly different from the ones in the urban region.

5.2.4 Analysis of Results

The estimated consumption function for the whole sample area indicates that its intercept was 2531.73 which means that the autonomous consumption that is the consumption at zero level of income would be rupees 2531.73 per month. The slope of the estimated function or the rate of change in consumption with respect

to change in income or technically the marginal propensity to consume was 0.784. This implies that 87% of the increased income went to the consumption expenditure and the rest was saved. These results are not unusual. They match with situation in most of the developing countries.

So far as the regional comparison of the consumption pattern is concerned, very interesting results were observed in the rural and urban regions. The autonomous consumption in the former case was lower than the one in the later case. They consumed Rs. 1864 p.m and Rs. 3620 p.m respectively at zero levels of income. The autonomous consumption of rural population was approximately half of the autonomous consumption of the urban population with more than double family size (12.6 members) in the rural areas as compared to the family size (5.4 members) in the urban area. If consumption is the sole measuring tool for living standard, then urban people are about two times better than the rural people in this regard. It seems to be amazing that MPC in the rural areas is greater than the MPC in the urban areas (i.e. 0.917>0.839), which is the sign of better living standard in the rural areas. But in fact MPC is always higher when incomes are lower than the break-even point (the point at which consumption is equal to income). The other indicators and the budgetary position in the rural areas evidenced that rural population earned their incomes on or in the neighbour hood of break-even point. It is concluded that the results reveal that residents of urban region were enjoying better life as compared to the residents of rural area.

The results of multiple regressions were as follows:

$$HC = 2864.35 + 0.741\ HI + 104.63\ HF + 0.804\ RD$$

(12.73) (0.13) (2.65) (0.021)

Note: Figures in parentheses show respective standard errors

R square = 0.805

As can be seen from the values of R squares, 81 percent change in the monthly household consumption was explained by the explanatory variables, hence the estimated model is overall significant. Applying "t" test all the individual parameters estimates are significant at 5% level of significance.

The Co-efficient of HF variable indicated that any increase in the family size by one unit, increased the monthly consumption by Rs. 105. Similarly region also had a significant impact on the level of consumption the coefficient of RD variable showed that the rate of change in consumption due to region was 0.804. The autonomous consumption in this case was Rs. 2864 and MPC was 0.74.

5.3 Saving and Investment Pattern

Generally the household income HI is either consumed or saved by the households that is

$$HI = HC + HS$$

Where monthly household saving HS is the function of monthly household income HI that is

$$HS = \gamma_0 + \gamma_1 HI + ei$$

And autonomous saving γ_0 is equal to minus autonomous consumption (i.e. $\gamma_0 = 1-\beta_0$). We also know that MPC + MPS = 1

Or MPS = 1- MPC

Or $\gamma_1 = 1 - \beta_1$

In this way the derived saving functions for Rural Urban and the whole sample area were estimated and the results were as follows:

HSr = - 1864.20 +0.083 HIr

Hsu = - 3620.29 +0.096 HIu

HSs = -2531.73 + 0.126 HIs

The third model showed that when income was zero the savings were negative equal to Rs. 2531.73 p.m. The marginal propensity to save or the rate of change in monthly savings with respect to monthly income was 0.126. This implies that only 13% of the increased income was saved. From the saving point of view, the situation in the urban areas was relatively better than the one in the rural areas. The marginal propensity to save in both the rural and urban regions were 20 percent and 10 percent respectively.

During the field survey it was observed that whatever was saved was invested in different forms. Although the number of individual who could save (72.50 % see table 4.4.1) was encouraging, but the volume saved (Rs. 2103 on average) was not satisfactory. However there was not a single household, which put the saved money idle. They invested all the saved amount thus the monthly average investment by region was recorded as follows:

Region	Amount (Rs. P.M)
Rural Area	1403
Urban Area	2804
Sample Area	2103

Source: Based on text table 4.4.II.

We observe that investment in the urban areas were greater than the investment in the rural areas. It was reported by the respondents that almost all the investor of urban areas either invested in some small business or purchased the saving certificates or deposited in the commercial banks. Contrarily the investors of rural population, which were few in number invested either in farming or in knitting/embroidery. From these investments very small returns (or profit) were earned by investors (see table 4.2.III).

CHAPTER 6

INCOME DISTRIBUTION AND STANDARD OF LIVING

6.1 Introduction

Who gets how much of income? To answer this question, we need convenient way to approach the twin problems income distribution and poverty or standard of living. Economists usually like to distinguish between two principal measures of income distribution both for analytical and quantitative purposes: (i) the personal or size distribution of income, (ii) the functional distribution of income. This chapter focuses on the measurement of size distribution of income. It simply deals with individual households and the total income they receive. The way in which that income was received is not considered (i.e. employment or other sources like, interest, profits, rents, etc. moreover the occupational sources of income (e.g. services, commerce, agriculture etc.) are neglected. In addition to size distribution, an attempt is being made to determine the degree of poverty and in turn standard of living.

6.2 Income Distribution

Three distinct approaches viz. "Lorenz Curve", "Gini Coefficient" and the "Ratio of bottom 20 percent to the top 20% households" are being used for the measurement of the distribution of income, which leads to determine the extent of poverty and living standard of the sample households.

6.2.1 The Lorenz Curve Approach: Economists and statisticians suggest to arrange all individuals by ascending household income and then divide the total population or number of households into distinct groups. For the purposes of this dissertation, the sample size of 120 households was divided into ten groups of twelve households. Their cumulative percentages were presented in column 2 of table 6.2.1 as follows:

TABLE 6.2.1: GROUP WISE CUMULATIVE PERCENTAGE OF HOUSEHOLD INCOME

Groups of 12 H.Hs each	Cumulative percentages of sample H.H	Total Income earned by each group of 12 H.Hs	Percentage of income be each group of 12 H.Hs	Cumulative Percentages of Household income
1	10.00	30200	1.79	1.79
2	20.00	47350	2.81	4.60
3	30.00	64400	3.82	8.42
4	40.00	85000	5.04	13.46
5	50.00	108750	6.45	19.91
6	60.00	142450	8.45	28.36
7	70.00	188400	11.18	39.54
8	80.00	211700	12.56	52.10
9	90.00	311000	18.45	70.55
10	100.00	496300	29.45	100.00

H.H= Households

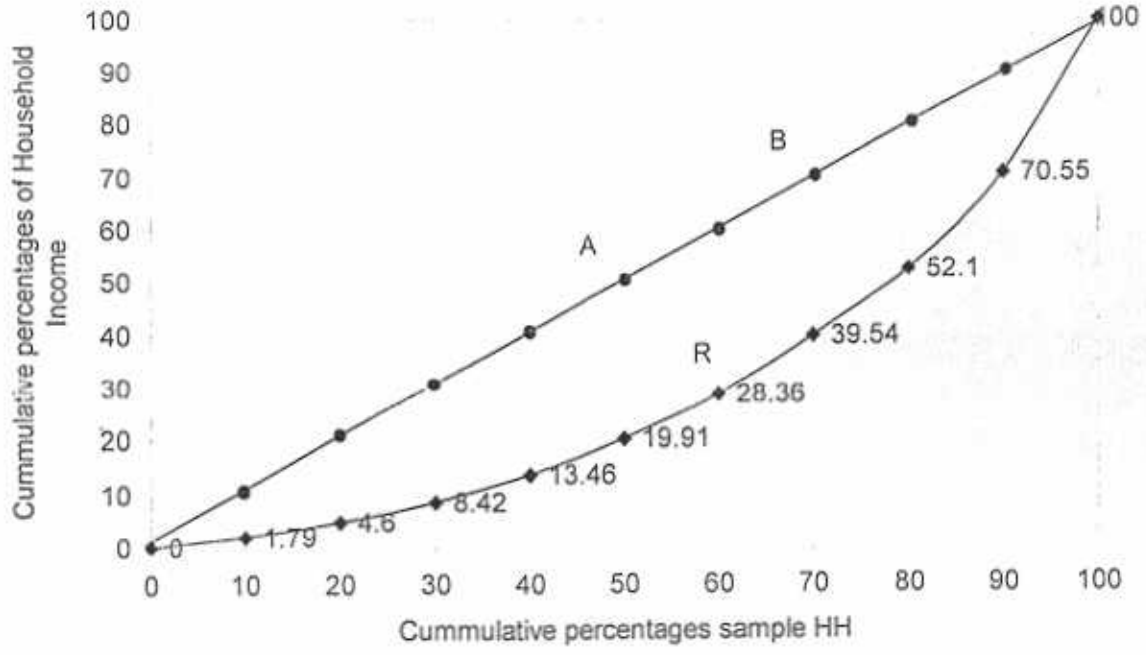
Source: Based on appendix table-I

The total income of each group in ascending order and their percentages are presented in columns 3 and 4 respectively. The cumulative percentages of household income are shown in column 5 of the table. The Lorenz curve is constructed by plotting the cumulative percentages of household income (measured along the vertical axis) as shows in the square box diagram 6.1.

Each point on the diagonal line shows perfect equality in distribution of income. For example at point "A" 50% of the households gets 50% of the income, similarly at point "B" 70% of the household receives 70% of the total income. LRZ is the Lorenz curve. Distance between the Lorenz curve and the diagonal line shows the absolute degree of inequality. The more the Lorenz curve away from the diagonal line (perfect equality line) the greater is the extent of inequality (or gap between poor and rich) and vice versa. The curve indicates the bottom 30% of the sample households gets only 8.42% of the total income while the top 30% receives 60.46% of the total income. The extent of inequality can easily be judged from the distance between the perfect equality line "LZ" and the Lorenz curve LRZ. It is important to note that the bottom 50% of the households received only 19.91% of

the total income. In other words approximately one fifth of the total income went to the half of the population, which fell in the low income brackets (or poor) and $4/5^{th}$ of the income is received by the rich people.

Diagram No. 6.2: Lorenz Curve for Household Income



6.2.2 The Gini Coefficient: A very appropriate quantitative measurement of size distribution is the Gini coefficient. It measures the relative degree of inequality. The severity of unequal distribution of income can be measured by this coefficient. If its numerical value is equal to zero the distribution is perfectly equal, but if it is equal to unity the distribution is perfectly unequal. For the calculation of Gini coefficient, the following expression was used.

$$G = 1 + \frac{1}{n} + \frac{2}{n^2 \bar{Y}}[y_1 + 2y_2 + 3y_3 + \ldots\ldots\ldots + ny_n]$$

Where

G = Gini Coefficient

$\bar{Y}$ = Average Income $(\frac{\sum y}{n})$

yi= Incomes of individual households

The Gini coefficient calculated from the data in appendix I is 0.68. It reveals that income distribution is significantly unequal, because it is close to unity.

6.2.3 The Ratio Measurement: The degree of inequality in the distribution of income can be measured quantitatively by the ratio of the cumulative percentages of income received by the bottom 20% of the households to the cumulative percentages of income got by the top 20% of the household. When the ratio is less than one, the inequality exists. The lesser the value of ratio "R" the higher is the degree of inequality. The ratio in this is as follows:

$$R = 4.60/47.90 = 0.096$$

Since the ratio "R" is significantly less than one or it is closer to zero, hence the inequality of the income distribution is a serious problem.

All three techniques, used for the measurement of size distribution suggested that there was a severe inequality of income distribution among the sample households. That is a very greater portion of income is received by a very few individuals of the society and hence enjoying a better standard of living. Contrarily a very large number of the member of the society got very small share in income and survive in substandard living conditions.

6.3 Standard of Living in terms of Physical Objects

Generally economists suggest two approaches for the measurement of living standard viz (a) consumption expenditure on food, cloths, health, education etc. and (b) availability of basic physical objects houses, facilities, provision and utilities. The former case was analysed in previous chapters and section and the later is focussed in this section of chapter 6.

6.3.1 Housing: Distribution of the sample household by tenural status of house is shown in the following table 6.3.I.

TABLE 6.3.I: DISTRIBUTION OF THE SAMPLE HOUSEHOLDS BY TENURIAL STATUS OF HOUSE

Tenurial Status of house	Rural		Urban		Total	
	No.	%age	No.	%age	No.	%age
Owned	18	30.00	33	55.00	51	42.50
Rented in	32	53.33	21	35.00	53	44.17
Govt	4	6.67	5	8.33	9	7.50
Other	6	10.00	1	1.67	7	5.83
Total	60	100	60	100	120	100

Source: Field Survey

The data reveals that less than fifty percent (i.e. 42.50%) of the sample households owned their house, while 57.50 percent did not have there own house. Among owner the situation was worse in the rural areas as compared to the situation in the urban areas. So far as the residential area (size of house) is concerned, majority of the households lived in a very small house upto 10 marlas. Only two out of 120 household resided in a house larger than three canals. The data in table 6.3.II below reveals that houses in the rural areas were relatively larger as compared to the houses in the urban areas.

TABLE 6.3.II:DISTRIBUTION OF HOUSEHOLDS BY TOTAL RESIDENTIAL AREA

Residential area (in marla)	Rural		Urban		Total	
	No.	%age	No.	%age	No.	%age
Upto 10	5	8.33	25	41.67	30	25.00
11-20	8	13.33	19	31.67	27	22.50
21-30	19	31.67	7	11.67	26	21.67
31-40	15	25.00	5	8.33	20	16.67
41-50	6	10.00	3	5.00	9	7.50
51-60	5	8.33	1	1.67	6	5.00
61 and above	2	3.33			2	1.67
Total	60	100	60	100	120	100

Source: Field Survey

6.3.2 House Structure

Not only the tenurial status and residential area of the house are the indicators of the living standard, but also appropriate structure of the house also improves the comfort and in turn the living standard. The following table 6.3.iii shows distribution of the sample.

TABLE 6.3.III: DISTRIBUTION OF THE SAMPLE HOUSEHOLDS BY HOUSE STRUCTURE

Household Structure	Rural		Urban		Total	
	No.	%age	No.	%age	No.	%age
Pucca	12	20.00	36	60.00	48	40.00
Semi pucca	14	23.33	16	26.67	30	25.00
Katcha	34	56.67	8	13.33	42	35.00
Total	60	100	60	100	120	100

Source: Field survey

Majority of the sample households had the pucca houses in which they resided. The corresponding proportion was 40.00%. if we include the semi pucca in the category of pucca structure the percentage increases to 65.00%. this implies that the population in the sample area led to the better standard of living with regard the house structure.

The region wise situation was consistent to the assumption of difference between urban and rural with regard house than 80% of the households were either pucca or semi pucca in the urban areas. While the percentage of katcha (mud made) or semi katcha houses was 48.00% in the rural areas. If house structure is the sole determinant of living standard. The urban masses were enjoying better facilities against the house the situation in the rural region.

6.3.3 Number of Rooms and Covered Area

One can have a rough idea, but not baseless, about the standard of living with the help of total number of rooms, covered area of the house and other emphasis this aspect of the house. The distribution of the sample households by bed rooms is presented in table 6.3.IV below.

TABLE 6.3.IV: DISTRIBUTION OF THE SAMPLE HOUSEHOLDS BY NUMBER OF BED ROOMS

Number of bed rooms	Rural		Urban		All	
	No.	%age	No.	%age	No.	%age
One	15	25.00	4	6.67	19	15.83
Two	24	40.00	6	10.00	30	25.00
Three	11	18.33	18	30.00	29	24.17
Four	8	13.33	25	41.67	33	27.50
Five and above	2	3.33	7	11.67	9	7.50
Total	60	100.00	60	100.00	120	100.00

Source: Field survey

Majority of the sample households lived in the houses, which had upto three bed rooms, irrespective of the size. The corresponding proportion was 65.00% only 7.5% enjoyed the facility of five and above bedrooms in their houses. The percentages of three and above bedrooms in the rural and urban houses were 34.99% and 83.34% respectively. In this way the population in urban areas could enjoy two and half-time (approximately) of the rural population in terms of bedrooms. It is also worth mentioning that very few households had dining rooms verandas proper sanitation facilities. The respective proportion was less than fifty percent. The corresponding figures about the provision of drawing rooms, kitchen, and wash rooms/toilets were more than fifty percent see table 6.3.V.

TABLE 6.3.V: DISTRIBUTION OF THE SAMPLE HOUSEHOLDS BY RESPONSES ON THE PROVISION OF BASIC FACILITIES IN THE HOUSE

Provision of basic facilities	Rural		Urban		Total	
	No.	%age	No.	%age	No.	%age
Dining Room						
Yes	8	13.33	26	43.33	34	28.33
No.	52	86.67	34	56.67	86	71.67
Total	60	100.00	60	100.00	120	100.00
Drawing Room						
Yes	27	45.00	41	68.33	68	56.67
No.	33	55.00	19	31.67	52	43.33
Total	60	100.00	60	100.00	120	100.00
Verandas						
Yes	13	21.67	28	46.67	41	34.17
No.	47	78.33	32	53.33	79	65.83
Total	60	100.00	60	100.00	120	100.00
Kitchen						
Yes	32	53.33	54	90.00	86	71.67
No.	28	46.67	6	10.00	34	28.33
Total	60	100.00	60	100.00	120	100.00
Wash Room						
Yes	30	50.00	48	80.00	78	65.00
No.	30	50.00	12	20.00	42	35.00
Total	60	100.00	60	100.00	120	100.00
Proper sanitation						
Yes	4	6.67	49	81.67	53	44.17
No.	56	93.33	11	18.33	67	55.83
Total	60	100.00	60	100.00	120	100.00

Source: Field Survey

So far as the total covered area and area under lawns / gardens are concerned they were not conducive to facilitate the life of the sample population. Because most of the people lived in the covered area less than 1000 square feet (i.e. 64.00%). Region wise situation in this regard favourd the rural households, which might be attributed to conventionally small houses with out lawns and gardens in the urban regions. However very few households from the high-income groups (business men) lived in the houses with sufficient covered area having lawns and gardens. The details of region wise distribution of the sample households by covered area of the house and area under lawns / gardens can be seen from the following table numbers 6.3.VI and 6.3.VII respectively.

TABLE 6.3.VI: DISTRIBUTION OF HOUSEHOLD BY TOTAL COVERED AREA OF HOUSE

Covered area of house (in sq.ft)	Rural		Urban		Total	
	No.	%age	No.	%age	No.	%age
Less than 500	27	45.00	16	26.67	43	35.83
500-1000	20	33.33	15	25.00	35	29.17
1001-1500	8	13.33	18	30.00	26	21.67
1501-2000	4	6.67	7	11.67	11	9.17
2001-2500	1	1.67	3	5.00	4	3.33
2501 and above	-	-	1	1.67	1	0.83
Total	60	100	60	100	120	100

Source: Field survey

TABLE 6.3.VII: REGION WISE CLASSIFICATION OF HOUSEHOLD BY AREA UNDER LAWNS / GARDENS OF THE HOUSE.

Area under Lawns and Gardens (in marlas)	Rural		Urban		Total	
	No.	%age	No.	%age	No.	%age
Nil	3	5.00	33	55.00	36	30.00
Up to 5	7	11.67	12	20.00	19	16.67
6-10	2	3.33	5	8.33	7	5.83
11-15	12	20.00	6	10.00	18	15.00
16-20	18	30.00	4	6.67	22	18.33
21-25	13	21.67	-	-	13	10.83
26-30	3	5.00	-	-	3	2.50
31 and above	2	3.33	-	-	2	1.67
Total	60	100	60	100	120	100

Source: Field Survey

6.3.4 Utility and Other Provisions

The availability of utilities (i.e. electricity, natural gas, water taps and telephone) directly improves the standard of living. As can be observed from table 6.3.viii, which shows the distribution of the sample households by availability of utilities in the house, hundred percent of the houses were provided electricity in the target area. Nearly fifty percent of the urban houses were facilitated by natural gas and telephone in the urban region. Very few houses in the rural areas were provided the natural gas (i.e. 6.67%) and about one fifty of the rural households had the facility of telephone. The proportions of availability of water taps in the rural and urban regions were 76.67% and 84.17% respectively. The table reveals that overall a serious notice about the availability of utilities in the study is still needed.

TABLE 6.3.VIII: DISTRIBUTION OF THE SAMPLE HOUSEHOLDS BY AVAILABILITY OF UTILITIES IN THE HOUSE.

Provision of basic facilities	Rural		Urban		Total	
	No.	%age	No.	%age	No.	%age
Electricity						
Yes	60	100.00	60	100.00	120	100.00
No.	00	00	00	00	00	00
Total	60	100.00	60	100.00	120	100.00
Natural Gas						
Yes	4	6.67	58	96.67	62	51.67
No.	56	93.33	2	3.33	58	48.33
Total	60	100.00	60	100.00	120	100.00
Water Tap						
Yes	46	76.67	55	91.67	101	84.17
No.	14	23.33	5	8.33	19	15.83
Total	60	100.00	60	100.00	120	100.00
Telephone						
Yes	13	21.67	54	90.00	67	55.83
No.	47	78.33	6	10.00	53	44.17
Total	60	100.00	60	100.00	120	100.00

Source: Field Survey

Some provision or facilities like car(s), refrigerators, dish/cable, etc. are the visible indicators of living standard. An inquiry was made to probe into the phenomenon. The relevant information related to the availability of certain /selected luxury items is shown in table 6.3.IX below. It was observed that majority of the sample households did not have a car, motor cycle, refrigerator, freezer, washing machine and dish /cable. The proportions of the corresponding figures in the rural areas were closer to hundred percent. However the reverse situation was recorded about the availability of T.V/V.C.R and tape recorder in the sample area. The overall

situation in this regard did not show a comfortable life of the population in the sample area.

TABLE 6.3.IX: DISTRIBUTION OF THE HOUSEHOLDS BY OTHER PROVISION/FACILITIES

Other provisions/ facilities	Rural		Urban		Total	
	No.	%age	No.	%age	No.	%age
Car						
Yes	8	13.33	32	53.33	40	33.33
No.	52	86.67	28	46.67	80	66.67
Total	60	100	60	100	120	100
Motor Cycle						
Yes	17	28.33	28	46.67	45	37.50
No.	43	71.67	32	53.33	75	62.50
Total	60	100	60	100	120	100
Refrigerator						
Yes	4	6.67	40	66.67	44	36.67
No.	56	93.33	20	33.33	76	63.33
Total	60	100	60	100	120	100
Freezer						
Yes	1	1.67	25	41.67	26	21.57
No.	59	98.33	35	58.33	94	78.33
Total	60	100	60	100	120	100
Washing Machine						
Yes	3	5.00	39	65.00	42	35.00
No.	57	95.00	21	35.00	78	65.00
Total	60	100	60	100	120	100
T.V/VCR						
Yes	16	26.67	56	93.33	72	60.00
No.	44	73.33	4	6.67	48	40.00
Total	60	100	60	100	120	100
Tape Recorder						
Yes	27	45.00	55	91.67	82	68.33
No.	33	55.00	5	8.33	38	31.67
Total	60	100	60	100	120	100
Dish/Cable						
Yes	2	3.33	31	51.67	33	27.50
No.	58	96.67	29	48.33	87	72.50
Total	60	100	60	100	120	100

Source: Field Survey

The personal views of the respondent, whether some selected goods are necessary or comforts or luxuries for them were probe into during the survey of the study. Classification of the sample households by responses on the goods as necessary, comforts or luxuries are shown in the following table. 6.3.X

TABLE 6.3.X: CLASSIFICATION OF THE SAMPLE HOUSEHOLDS BY ITEMS AS NECESSARY (N), COMFORTS (C)AND LUXURIES (L)

Other provisions/ facilities	Rural		Urban		Total	
	No.	%age	No.	%age	No.	%age
Car						
N	2	3.33	24	40.00	26	21.67
C	5	8.33	20	33.33	25	20.83
L	53	88.33	16	26.67	69	57.50
Total	60	100	60	100	120	100
Motor Cycle						
N	13	21.67	34	56.67	47	39.17
C	18	30.00	21	35.00	39	32.50
L	29	48.33	5	8.33	34	28.33
Total	60	100	60	100	120	100
Refrigerator						
N	4	6.67	25	41.67	29	24.17
C	11	18.33	27	45.00	38	31.67
L	45	75.00	8	13.33	53	44.17
Total	60	100	60	100	120	100
Freezer						
N	4	6.67	26	43.33	30	25.00
C	12	20.00	28	46.67	40	33.33
L	44	73.33	6	10.00	50	41.67
Total	60	100	60	100	120	100
Bicycle						
N	55	91.67	56	93.33	111	92.50
C	5	8.33	4	6.67	9	7.50
L	0	0	0	0	0	0
Total	60	100	60	100	120	100
Dish/cable						
N	2	3.33	34	56.67	36	30.00
C	6	10.00	17	28.33	23	19.17
L	52	86.67	9	15.00	61	50.83
Total	60	100	60	100	120	100

Source: Field Survey

The overall results indicated that most of the sample households considered car, refrigerator, freezer, dish/cable as luxuries for, because majority of them fell in the low income group. They presumed that these items were comfort for them. Contrarily motor cycle and bicycle were considered as necessaries for majority of respondents. Though a very mixed situation was recorded as can be seen from the above table, but it was frequently observed that a commodity, which was necessary good for urban population, it was luxury for rural population. Similarly the comforts of rural mass were extremely necessary good for urban population. This differences in the nature of commodities a significant difference between the living standards of rural urban population in favour of the later.

CHAPTER 7

SUMMARY, FINDINGS, CONCLUSION AND SUGGESTION

7.1 Summary and Main Findings

Demographic Features of Sample Households

- It was observed that 70% of the population lived in the rural areas with the average family size of 12.6 and 30% with a relatively small average family size of 5.4 resided in the urban areas. The overall average family was 9.0 in the target area.

- The proportion of joint families was 61.67 and that of nuclear families was 38.33 in the rural areas as compared to 43.33% and 56.67% of the urban areas respectively.

- More than fifty percent of the children i.e. (56.16%) were in the school going age, where the proportions of male and female were 54.62 and 57.53 respectively.

- Out of 276 children in the sample area, only 43.84% were recorded in the age group of upto 5 years with no significant difference in the gender.

- Approximately 50% of the school going age children actually went to school, with the percentage of 47.10 and 52.9 for boys and girls respectively.

- The overall rural urban ratio of school going children was (109/46) 2.3.

- Approximately three fourth of the total sample population (that is 74.44%) fell in the age group of 13 years and above.

- More than half of the population i.e. 51.67% consisted of dependent class.

- The percentages of male and female were 46.20 and 53.80 respectively.
- The study indicated that 70% of the population lived in the rural areas and majority of them directly or indirectly depended on agriculture.
- The percentage of married household members was 42.68% of the total population.
- Out of the total household members 1080, the percentage of literates was 36.25 of the total sample population. It increased to 41.5% by excluding children upto five years age from the population.
- So far as the regional break-up is concerned, the proportions of literate members in the urban and rural areas were 45.99 and 39.58 respectively.
- The percentage of literate males in the sample area was 56.82, while in case of female it was only 28.52.
- Just 7.00% of the females were literate in the rural area, where as it was five times of it in the urban areas.
- The number of literate males was higher in the rural areas as compared to the one in urban areas (i.e. 82.13 and 78.29% respectively).
- Those who just studied upto matric 85.67% of the literate members. Out of them of which more than fifty percent were either primary or middle pass (i.e. 26.38% and 24.62 respectively).
- Of the total 398 literate individuals only 2.26% received master degree, while the number of M.Phil/Ph.D was just 1.01%.
- The percentages of literates upto matric were 92.11 and 72.73 in the rural and urban areas respectively.

- Non of the female literate members in the sample area got a degree of M.Phil/Ph.D.
- The total labour force recorded in the sample area was 522 or 48.33% of the total sample population.
- The employed and unemployed proportion in the sample area were 34.10, only 16.48% of the total population was employed and 65.90 respectively.
- In the rural areas a remarkable proportion of female was unemployed which was 84.13%.
- Among the dependent household members 36.12% of the population were either in the retiring age/over aged or children.
- The proportion unemployed members who were looking for jobs 16.76%.
- A significant percentage (i.e. 15.09%) was voluntarily unemployed. It was higher in the rural areas as compared to the urban areas.
- Just 7.41% of the total females worked as housewife.
- The performance of females participating in economic activities was very poor.
- Only 3.18% of unemployed females were interested in looking for job in the rural areas while the corresponding figure was higher in the urban region.
- Majority of the employed members (i.e. 18.54%) were the wage earners, in the study area, which constituted one fifth approximately of the total labour force.

- It was estimated that 22.73% in the rural areas were the wage earners which was the largest figure and 4.55% of the total labour force were in the government jobs.

- Only in the whole project area 15.17% were the farmers while the number of self-employed in relative terms was 14.05% and the total employed household members in the public sector were 11.34%. Just 14.61% of the employed persons were from the business class.

- The percentages of farmers in the rural areas and business class in the urban areas were maximum i.e. the relevant proportions were 24.55 and 30.88 respectively.

- Most of the males were engaged in business (i.e. 33.33%) while in case of females it was the public sector, which employed 35.29% in the urban region.

- In case of rural areas most of the males were farmers (i.e. 33.75%) while 66.67% of the females were either self-employed or serving in the private sector.

7.2 Budgetary Position of the Sample Households

- The main sources of income in the urban areas were business, public services and self-employment where as it was farming in case of rural areas.

- Majority of the household members were from the service class i.e. 24.72% serving both the sectors private as well as public.

- 23.03% of the population in study area fell in the income bracket of Rs.4001 to 6000 per month. This was lower than the subsistence level of households having a family size of member in the sample area.

- There was uneven regional distribution of income, a higher percentage of working members (i.e. 71.82%) in the rural area as compared to the percentage of 47.06 the urban region had a monthly income of Rs. 6000 & below.

- A reverse situation was found in case of high income brackets (Rs.8000 p.m and above) in the rural and urban regions the respective figures were 15.49% and 63.83%.

- Approximately 70% of the income was received from business, while the second main source of earnings in the target area was agriculture.

- However, in case of rural area, the main source of income was agriculture, the contribution made by this sector was 78.34%, while this was business in case of urban area with a percentage of 70.17%. These figures, approximately were matching the national figures.

- The percentage of the sample households earned a monthly income of ranging between 5000 to 10,000 per month was 28.33.

- The proportions of urban households in all income brackets above Rs. 10000 was relatively higher than the corresponding figures of rural households.

- The number of sample households fell in the high groups was very few and it was very high in the lower income brackets in the study area.

- Due to uneven distribution of income 72.50% of the sample population had a surplus budget, whereas 27.5% of the households had either a balanced budget or a deficit budget.

- The percentages of surplus and balanced budget families were higher in the urban region and in the income brackets while the proportion of deficit budget families was lower in the urban area specially in the lower income groups.

- The total income of 120 households was Rs. 17 lac approximately, while their consumption expenditure was Rs. 14.5 lac approximately.

- The total level of consumption of 120 households was approximately fourteen and a half lac per month, of which approximately more than eight and a half lac were recorded in the urban region, and less than six lac in the rural region.

- The urban population might enjoy higher living standard as compared to the rural population because the consumption level in the former case was higher than the one in later case.

- It is also worth mentioning that 40.59% of the total consumption went to food items, which is necessary for life.

- A significance difference was recorded regarding the expenditure incurred on food items in both the region.

- Food quality in the urban area was better than the rural area.

- It was observed that 13.60% and 12.76% were spent on health and education in the study area.

- The expenditure on education in urban area was threefold greater than the expenditure on it in the rural area.

7.3 Consumption and Investment Patterns

Main determinants of consumption pattern, standard of living and economic development are income, consumption, savings and investment, and its distribution which are discussed below.

7.3.1 Income Consumption Relationship

- The estimated simple linear consumption function showed that the autonomous consumption in the sample area was rupees two and a half thousand per month approximately. While the marginal propensity to consume was 0.784, which means that a very slightly less than eighty percent of the income was consumed and the rest was saved.

- Comparison of the consumption pattern in both the rural and urban regions was very interesting. The autonomous consumption in the former case was nearly half the autonomous consumption in the later case. The respective figures were Rs. 1864 P.M and Rs. 3620 P.M. It is worth mentioning that the family size in the rural areas (12.6 members) was more than double of the family size in the urban areas (5.4 members). It indicates the lower standard of living in the rural region in contrast with urban region.

- It is also amazing that marginal propensity to consume in the rural region is relatively higher as compared to the one in the urban region (i.e. MPCr> MPCu or 0.917>0.839). But this might be attributed to the income earned by rural mass lower than level of income at the break even point (the point at which consumption is equal to the income).

- The region wise results revealed that the inhabitants of urban region were enjoying better standard of living as compared to the residents of rural region. A significant regional disparity was found in this regard.

- The multiple estimated linear consumption function (i.e. HC=(HI, HF,RD) indicated that the autonomous consumption was nearly rupees three thousand per month in the study area and MPC was reduced by 10% after adding the household family size HF and region RD as determinants in the model.

- The coefficient of HF showed that any increase in the family size by one members, resulted an increase in the monthly consumption by Rs. 105.

- Region as a determinant of level of consumption also indicated a significant impact on the dependent variable HC. Its coefficient was 0.804.

7.3.2 Saving and Investment Pattern

- The autonomous savings (i.e. savings at zero level of income) were negative equal to Rs. 2531.73 P.M in the target area.

- The marginal propensity to save was 13% approximately in study area.

- The regional results revealed that apparently savings in rural areas were tow times that of the savings in urban areas. The corresponding MPS were 20% and 10% approximately. But because of being below the break even point the savings of rural population were either negative or compulsory (payments to debtors in the forms of instalments or repayment of loans etc.)

- The empirical evidence showed that almost all the households applied the well known classical theory of economics of "Full level of employment". It was observed that whatever was saved was invested in different forms.

- Though the number of households which could save was higher (72.50%) but the volume saved was not very encouraging. It was rupee two thousand P.M. approximately.

- The average level of savings and in term the level of investment in the urban areas was exactly two times of the ones in the rural areas. The corresponding figures were Rs. 28.03 P.M and Rs. 1403 P.M Respectively.

- It is important to note that there was not a single household, which put saved money idle.

- Almost all the investors of urban region either invested in some small business or deposited in the commercial bank, or purchased the saving certificates. On the other hand rural investors (few in number) invested their micro savings in either farming or in knitting /embroidery, the net returns of which were very small.

7.4 Income Distribution and Standard of Living

- Who gets how much of income? To answer this question, we need convenient way to approach the twin problems income and standard of living.

7.4.1 Income Distribution

- Income distribution was measured using the well known three approaches viz.
  - The Lorenz curve
  - The Gini coefficient
  - The ratio of bottom 20% to the top 20% households.
- The Lorenze curve based on the cumulative percentages of income and households (see table 6.2.i) showed a significant gap between the diagonal line of perfect equality in the distribution of income and the Lorenze curve, (see diagram 6.2) which indicates the severe inequality in distribution. It

was inferred from the Lorenze curve that the bottom 50 percent of the households received only 205 (approximately) of the total income. This implies that one fifth of the total income was received by half of the population which fell in the low income groups (poor).

- The Gini coefficient "G" which measures the relative degree of inequality quantitatively, also suggested a severe inequality in the distribution of income. The closer the value of G to unity the more serious the problems of inequality. Its numerical value for the distribution of income in the study area was 0.68.
- The ratio "R" of the cumulative percentages of income received by bottom 20% of households to the cumulative percentages of income received by top 20% of the households was 0.096. this ratio also evidenced a very severe unequal distribution of income among the household of the sample area.

7.4.2 Standard of Living

- All the three approaches of size distribution indicated that a very greater portion of income was received by a very few individuals of the society and hence enjoying a better standard of living. On the hand very large number of sample households got very small share in income and just survived with a very substandard living conditions.
- Standard of living in terms of physical objects was measured in two ways.
    - Consumption expenditure: table 4.3.i reveals that the percentages of expenditure on the main items were as follows:

Items	Rural	Urban
Food	40.01	40.99
Clothes	9.47	11.99
Health	12.99	14.00
Education	7.99	16.00

- It is evident from the overall picture of the items wise expenditure that the consumption pattern was not conducive to improve the living standard specially spending on health and education were very lower which might affect the standard of living adversely.
- It can derived from the percentages of item wise expenditure between (rather than within) the two regions that the quality of food, health, education and in tern living standard in the urban areas was better than the one in the rural areas.
- Physical Objects: These are analysed below:
- The data show that less than fifty percent of the sample population had their own houses, while the rest of the population did not have any own house. The corresponding figures were i.e. 42.5% and 57.50% respectively.
- Majority of the households lived in small houses of area upto 10 marlas, while only two of 120 households lived in a house larger than three canals.
- So fas as the house structure is concerned, most of the sample house hodls had the pucca houses. More than 80% of the households in the urban areas had either pucca or semi pucca houses, while the percentages of katcha (mud made) or semi katcha houses were 48 in the rural areas.
- Majority of the sample households lived in the houses, which had upto three bedrooms irrespective of the size of house the corresponding percentage was 65.
- The proportion of those who lived in a house having the facility of five and above bedrooms was 7.5 regional break up showed that the percentages of three and above bed rooms in the rural and urban areas were 34.99 and 83.34 respectively.
- Most of the people resided in the covered area of less than 1000 square feet (i.e. 64.00%).

- So far as the utilities are concerned, 100% of the houses were provided electricity in the target area, while just 6.67% of the houses were having natural gas, the percentage in this regard was 96.67% in the urban region.
- As far as the comfort and luxuries items are concerned majority of the sample households did not have a car, motorcycle, freezer, dish/cable etc.
- Most of the sample households considered car, freezer, dish/cable, etc. as luxuries as majority of them fell in the low-income group.

7.5 Verification / Tests of Hypotheses

At the stage of research design, it was mentioned that an attempt will be made to verify the four main assumptions of the dissertation. The decision in this regard are as follows:

i. It was assumed that " the socio-economic conditions of the households were substandard". This assumption was totally accepted on the basis of evidences provided in all tables of chapter 3 "the demographic features of sample household".

ii. Chapter 4 of the study " the budgetary position of the sample households" proved that the second assumption that " the existing budgetary position was not conducive to enhance the living standard was accepted.

iii. The third assumption that "the greater fraction of income was spent on uneconomic pursuits such as litigation, customs and traditions etc." was partially rejected, because table 4.3.i reveals that only 10.80 percent was spent on these items. However, the significant fraction of income went to uneconomic pursuits, therefore the assumption was valid to some extent.

iv. The fourth assumption of the study was very broad. It was assumed that "the consumptions pattern was substandard". The results of consumption function $HC = \beta_0 + \beta_1 HI + \varepsilon$ in chapter 5, section 5.2.ii, data presented in tables 4.3.i & 4.3.ii and the total volume of

consumption spending (rupees fourteen and half lac) per month out of rupees seventeen lac per month suggested that the consumption pattern was substandard, thus the assumption was accepted in total.

v. It was also assumed that "distribution of income is unequal, which affects the standard of living adversely". The statement was proved correct on the basis analysis in the sections 6.2 and 6.3 of chapter 6, the "income distribution and standard of living".

7.6 Conclusion

The demographic features of the sample households were not significantly different from the ones in the developing countries. More or less all the characteristics were in consistency with the national figures. It was inferred from the empirical evidences that the average family size was 9.0 in the study area, which was three fold of the size suggested by demographers. The situation in the rural areas was relatively more harmful for the economy as compared to the one in the urban region. More than fifty percent families lived jointly. It is remarkable that half of the school going age children actually went to school. The overall literacy situation was very discouraging, the total number of literates in the study area was remarkably less than half of the total sample population. In relative terms it was 36.25 percent of the total population, while 41.5 percent of the population less the number of children upto five years age. Regional break up went in favour of urban area, while gender wise situation in this regard was biased against female. The percentages of literate females in the rural region was in one digit, whereas the corresponding figure was five times greater in the urban area. So far as level of education is concerned, 85.67 percent of literate population could studied upto matric/SSC, less than three percent received master degree and only one percent could did M.Phil/Ph.D. In this regard regional and gender-wise figures showed a worse situation in the rural region, specially and in the category of females remarkable worse situation was observed. The dependent class observed in the sample area was slightly more than half of the population. This implies that the

labour force irrespective of employment status was less than fifty percent of total population. The ratio of female to male was greater than unity. The number of unemployed labour force was nearly double of the employed labour force. Almost all of them were looking for job. It is important to note that 70.00% of the population directly or indirectly depended on agriculture. This is also worth mentioning that approximately $4/5^{th}$ of the female could not actively participated in the economic activities. The percentage of voluntarily unemployed household members was 15.09. So far as the occupation of employed labor force in the sample area is concerned, they could be ranked as wage earners, farmers, employed in private sector and business. Region wise situation was not unusual. Main occupation of the rural mass was farming, while business was the major source of earnings in the urban region.

The levels of income from the primary occupation and other sources revealed that about one fifth of the employed members were recorded in the income brackets of Rs. 4401 to 6000 per month, from their primary occupation. This level of income was lower than the subsistence level for households, having a family size of nine members in the target area. Considering all sources of earnings, approximately more than half of the sample households could receive upto Rs. 10,000 per month. The percentages of urban households in all income groups above Rs.10,000/- per month were relatively higher than the corresponding figure of rural households. So far as the share of females in the earnings is concerned, a very high proportion of very few employed females in the lower income brackets and a very lower percentage in the higher income brackets was observed. It was concluded that the number of households observed in the high income groups was very few and it was very high in the lower income groups in the whole study area. A very high percentage (i.e. 72.50%) of the sample population had a surplus budget in the high income groups. Majority of the deficit or balanced budget was recorded in the low income groups. Region wise situation was biased in favour of urban region.

This situation inferred that the consumption level and pattern and in tern standard of living was substandard. Only fourteen and half lac of the total income of rupees seventeen lac per month was consumed by 120 households. The phenomenon in this regard was relatively worse in the rural regions as compared to the urban areas. The consumption pattern was also not satisfactory. Less than half of the total consumption expenditure went to the food items, which in relation with the large family size might not provide a balanced food for one hundred and twenty households. Total spending on health and education were also less than the desirable level. It was recorded that the expenditure on education though significantly lower in the project area was threefold greater in the urban region as compared to the rural region. It could be concluded from the empirical evidences that the overall level and pattern of consumption was not conducive to achieve the required standard of living. From the physical objects point view the results evidenced that on the whole people of the study area did not enjoy the proper standard of living. Because majority of them resided in small and katcha (mud made) houses only fifty percent had their own houses. The covered area and number of rooms were also not conducive to facilitate the life. Among utilities, only electricity was provided the hundred percent of the sample households. Most of the people did not have a car, motorcycle, freezer, dish/cable etc. they considered these items as luxuries from them.

The empirical results of econometric and other mathematical techniques regarding the relationship between consumption, saving, investment, level of income, distribution of income and standard of living also supported the above mentioned conclusion of the dissertation. The autonomous consumption was lower and the marginal propensity to consume (MPC) was higher because of income earned was on or closer to the level of income at break even point. This implies that the overall lower level of consumption affected the living standard adversely. A significant regional disparity was found against the rural region in this regard. The average levels of savings and in tern the level of investment in the urban areas was

exactly two times of the ones in the rural areas. Almost all the urban investors either invested in some small business or purchased the savings certificates. A single household was not noticed which put its saved money idle. Contrarily the rural investors (few in number) invested their micro savings either in farming or in knitting/embroidery. The net returns of both the types of investors were very small. Thus investment could not prove to be an appropriate determinant of standard of living. The three well known approaches viz the Lorenze curve, the Gini-coefficient and the ratio of bottom 20 percent to top 20 percent suggested a very greater portion of income was received by a very few individuals of the society and hence enjoyed a better standard of living. On the other hand a very large number of households got a very small share in the total income and just survived with a very substandard living conditions. Thus unequal distribution of income and its severity were the main constraints in the achievement of proper level and pattern of consumption, appropriate standard of living and the desirable rate of economic growth and development.

7.7 Suggestions

The empirical results, main findings and broad conclusions drawn from the study suggested the following measures for the improvement of socio-economic conditions, correction of consumption pattern and achievement of better standard of living, which are the important indicators/determinants of economic development.

1. Serious attention was needed to improve the socio-economic conditions of all members of the society e.g.

    i. Effective population planning programmes to decrease the average family size from nine to three.

    ii. Control on the early age marriages and other uneconomic pursuits.

iii. Increase in the literacy rate, with special focus on females education by increasing the number of educational institutions and proper motivation for education through mass media

iv. Appropriate policies for poverty alleviation by making the necessities of life available with reasonable prices.

v. Creation of employment opportunities by the implementation of developmental labour intensive projects like Dam/water reservoirs, construction of houses and Roads, agrarian based projects and appropriate industrial/export promotion programmes.

vi. Minimizing gap between the incomes of low income groups (poor) and high income groups (rich) by increasing salaries/ wages of labour class, while taxing the higher income groups and by appropriate or equal distribution of income.

To standardize the socio economic conditions and considering the above mentioned measures various separate detail research studies by the relevant agencies are suggested, because the scope of this dissertations and lack of resources restricted the research scholar to leave these aspects.

2. It was also suggested that very practical and structural changes were needed for the improvement of the agrarian structure. So that this sector might be truly in a positions to accommodate 70.00 percent of the population in all respect. It would minimize the unemployment rate and would maximize the availability of food and earning opportunities. The regional disparities should also be decreased. The question is how the existing agrarian structure could be changed to achieve these objectives?

For this purpose again a comprehensive detail research study was required, which was beyond the scope of this dissertation.

3. It is proposed that for the correction of consumption pattern, improvement of standard of living and in turn economic development in the economy a very serious campaign for the political and economic stability, corruption free society, no class differentials, awareness free media/press policy, sectarian violation/terrorism free society was needed. Though these aspects could not be addressed directly through interview schedule of the dissertation, but were included in the personal observations, because the worse standard of living was attributed to these factors. To capture these aspects a detailed inquiry in various issues was suggested by this dissertation.

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APPENDICES

Appendix 1

S.No	Income and consumption of rural Areas		Income and consumption of Urban Area	
	Income	Consumption	Income	Consumption
1	1000	16001	2050	3000
2	1500	2000	3000	3500
3	2000	3400	3500	3900
4	2000	2500	3500	4000
5	2500	2500	3600	3600
6	2600	2800	4000	45000
7	3050	3000	4200	4000
8	3500	4000	4500	4000
9	3500	3000	4500	4500
10	3600	3500	4900	5000
11	3900	4000	5400	5000
12	4500	3000	5500	5900
13	4500	4500	6000	5700
14	4750	5000	6300	6000
15	4800	4000	7000	6000
16	4800	3900	7100	6900
17	5000	5500	7500	7000
18	5000	5000	8000	6800
19	5000	4300	8000	7000

S.No	Income and consumption of rural Areas		Income and consumption of Urban Area	
	Income	Consumption	Income	Consumption
20	5500	5000	8000	8000
21	5500	5100	9500	8000
22	5800	5300	9500	9000
23	6000	4800	10000	9500
24	6200	5200	10000	10000
25	6800	7000	11050	10000
26	7000	5700	12000	9000
27	7000	6500	12500	11500
28	7100	6800	13800	12000
29	7500	7500	13000	12100
30	7500	7900	14500	13300
31	8000	8000	14900	12900
32	8500	8000	15000	13000
33	9000	7500	15000	12900
34	9000	8900	15000	15000
35	9500	9000	17500	14300
36	9900	8100	18000	15000
37	9900	9000	18000	17500
38	9950	10000	18000	18000
39	10000	8020	19100	20000
40	11800	9400	19400	15000

S.No	Income and consumption of rural Areas		Income and consumption of Urban Area	
	Income	Consumption	Income	Consumption
41	12000	10500	19500	16000
42	13000	13000	19600	17600
43	13000	10400	19900	19900
44	13500	12000	20000	18000
45	14000	12000	20000	15800
46	16000	13000	21500	17000
47	17500	14000	24000	20000
48	18000	15000	25000	19500
49	18000	12000	28500	20000
50	19000	13500	29000	22500
51	19200	15200	30000	25000
52	50500	16500	31000	17000
53	22000	19000	35000	30000
54	24500	20000	36000	29000
55	25000	20000	38000	32000
56	30000	28000	43000	30500
57	32800	30000	45000	35000
58	33000	27500	47500	41500
59	35000	32000	49000	44000
60	42000	35000	60000	330001

APPENDIX 2

Results of Model

REGRESSION

Variables Entered/Removed(b)			
Model	Variables Entered	Variables Removed	Method
1	Income(a)	.	Enter
a All requested variables entered.			
b Dependent Variable: Consumption			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.874(a)	.765	.763	4674.179
A Predictors: (Constant), Income				

ANOVA(b)						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8372997424.128	1	8372997424.128	383.240	.000(a)
	Residual	2578057922.538	118	21847948.496		
	Total	10951055346.667	119			
a Predictors: (Constant), Income						
b Dependent Variable: Consumption						

Coefficients(a)						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	2531.728	662.683		3.820	.000
	Income	.686	.035	.874	19.577	.000
a Dependent Variable: Consumption						

REGRESSION

Variables Entered/Removed(b)			
Model	Variables Entered	Variables Removed	Method
1	Income(a)	.	Enter
a All requested variables entered.			
b Dependent Variable: Consumption			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.917(a)	.840	.837	3146.239
a Predictors: (Constant), Income				

ANOVA(b)						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3014065553.506	1	3014065553.506	304.487	.000(a)
	Residual	574131639.827	58	9898821.376		
	Total	3588197193.333	59			
a Predictors: (Constant), Income						
b Dependent Variable: Consumption						

Coefficients(a)						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	1864.196	610.347		3.054	.003
	Income	.679	.039	.917	17.450	.000
a Dependent Variable: Consumption						

REGRESSION

Variables Entered/Removed(b)			
Model	Variables Entered	Variables Removed	Method
1	Income(a)	.	Enter
a All requested variables entered.			
b Dependent Variable: Consumption			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.839(a)	.704	.699	5770.907
a Predictors: (Constant), Income				

ANOVA(b)						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4592374303.122	1	4592374303.122	137.895	.000(a)
	Residual	1931595530.211	58	33303371.211		
	Total	6523969833.333	59			
a Predictors: (Constant), Income						
b Dependent Variable: Consumption						

Coefficients(a)						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	3620.276	1229.234		2.945	.005
	Income	.666	.057	.839	11.743	.000
a Dependent Variable: Consumption						

APPENDIX 3

ECONOMIC ANALYSIS OF CONSUMPTION PATTERN & LIVING STANDARD OF RURAL URBAN POPULATION IN NWFP

Interview schedule

1. **Introduction**
   - i. Respondent's Name: _____
   - ii. Father's Name: _____
   - iii. Age: _____ Years
   - iv. Literacy Status:
     - a. Literate : _____
     - b. Illiterate: _____
   - v. Region:
     - a. Urban: _____
     - b. Rural: _____
   - vi. Name of District:
     - a. Advance: _____
     - b. Backward: _____
   - vii. Name of District _____
     - a. Advance: _____
     - b. Backward: _____
   - viii. Address: _____
   - ix. Date: _____
2. **Social and Economic features**
   - i. Type of family
     - a. Nuclear _____
     - b. Joint _____

ii. Family Size

a. Number of household members below 12 years.

Age	Male	Female	Total	School going		
				Male	Female	Total
Upto 5 years						
6-12 years						

b. Particulars of household members above 12 years.

S.No.	Name	Age	Sex	Martial Status	Literacy Status	Level of education	Working status	If employed	
								Occupation	Income P.M
1	2	3	4	5	6	7	8	9	10

Code 4	Code 5	Code 6	Code 7	Code 8	Code 9
Male = 1 Female =2	Unmarried=1 Married =2 Widowed =3 Divorced =4	Literate = 1 Illiterate = 2	N.A= 0 Primary =1 Secondary =2 Higher =3	Employed =1 Unemployed & looking for job =2 Volunteer Unemployed =3 Student = 4 House wife = 5	Wage Earner =1 Self Employed =2 Salary/Service class Private sector =3 Public Sector =4 Farmers =5 Other =6 (Plz. Specify)

c. Reasons of Unemployment (Code 8/2)

- _____
- _____
- _____

a. _____

b. _____

c. _____

d. _____

e. _____

iv. Income from other source:

Source	Amount in Rs. P.M. /P.A
1. Rent received from shops /House /Land	
2. Interest received from Saving Certificate /Bonds	
3. Business	
4. Agriculture	
5. Any other (pl. specify)	

v. Wealth

Item	Unit	Number	Monitory Value (Rs)
Land	Acres		
Gold	Grams		
Bonds/Saving Certificates/ Interest	Number /Rs		
Shops	Number		
Houses	Number		

3. Item wise expenditure

Item	Amount in Rs. P.M./P.A
1. Food	
2. Health	
3. Education	
4. Social Activities_ Litigation, custom and traditions etc.	
5. Utility bills	
6. Other (pl. specify)	

4. Residential Facility

i. Tenurial Status of House

Owned: _____

Rented: _____

Govt. _____

Other: _____

ii. Total residential area: _____ Marlas

a. Covered area: _____ Marlas

b. Area under lawns/gardens _____ Marlas

iii. House Structure:

6. **According to your status the following items are necessary (N) or comforts (C) or Luxuries (L) for your household members? Tick the relevant one.**

	Item	N	C	L
i.	Car	_____	_____	_____
ii.	Motor Cycle	_____	_____	_____
vi.	Refrigerator	_____	_____	_____
vii.	Freezer	_____	_____	_____
viii.	Washing Machine	_____	_____	_____
ix.	T.V./V.C.R.	_____	_____	_____
x.	Tape recorder	_____	_____	_____
xi.	Radio	_____	_____	_____
xii.	Mobile Telephone	_____	_____	_____
xiii.	Computer/Internet	_____	_____	_____
xiv.	Dish/cable	_____	_____	_____
xv.	Other Please specify	_____	_____	_____,;