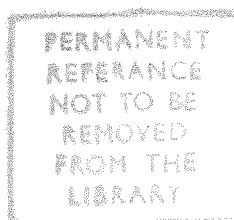
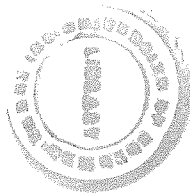


AN ANALYSIS ON  
HOUSEHOLD INCOME AND EXPENDITURE



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## INTRODUCTION

### 1.1 Background

The common objective of Income and Expenditure surveys is to measure the Living Standards of people and thereby to formulate appropriate policies, if necessary, to enhance the quality of living. Since such surveys generally provide basic data relating to the distribution of income and/or expenditure, one can also to assess the consistency of data on income and expenditure distribution in comparison to other indices of standards of living.

The strength of an economy largely depends on its ability to provide its people with basic requirements such as food, clothing and shelter, and make the services such as health, education, transport and similar services easily accessible to them. The material welfare of individuals depends on them. Material welfare can be measured by observing what and how much individuals consume. The household income and expenditure surveys are basic means by which such measurements can be effectively be made.

Poverty can be defined in the context of basic human needs, based on income, nutritional level, land ownership or access to various services, such as education and health facilities. Different criteria are likely to give rise to different poverty indicators and as a result, different poverty groups. Income itself may not be sufficient to estimate the

incidence of poverty, but it still plays the prominent role in determining poverty. Even if other poverty criteria are used, one finds it very consistent to establish a relationship between them and income.

## 1.2 Earlier studies on Poverty

There are number of studies on income growth, inequalities, basic human needs ~~are~~ available in Sri Lanka. Some of those research works on poverty have been conducted using the data from the surveys (Socio-Economic Survey - 1969/70, 1980/81) which were conducted by the Department of Census and Statistics. In 1981, in a study by Visaria, some aspects of relative poverty in Sri Lanka highlighted the importance of the criteria used to rank households (Per capita Vs. Total Household Expenditure or Income) for the estimates of the level of inequality as well as for the other measures of elasticity of demand for different categories of consumption items.

As Visaria quotes, a study ~~was~~ conducted by the Marga Institute covering the same period has estimated an absolute poverty line.

The impact of government policies on the welfare of people especially with respect to their basic needs was discussed in another study by Richards, P and Gooneratne, W (1980). On the other hand, a study carried out by Deaton, A and Case, A (1987) compared the two periods 1969 - 70 and 1980 - 81. This study

