

## **An Analysis of Consumption Expenditure of Non-Farm Workers by Ownership of Land**

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The present paper examines the levels and pattern of consumption expenditure of different land-owning non-farm households in rural Punjab. The household consumption expenditure of non-farm households is Rs. 167139 in rural Punjab. It is the highest for the medium land holding households, followed by the small land holding, marginal land holding and landless households. All the land ownership categories of non-farm households spend the maximum amount on food items. The consumption pattern of different categories of non-farm households is of subsistence in nature. A large share of total consumption expenditure by these categories is allocated to food items distinctly, followed by non-food items and socio-religious ceremonies. The per capita consumption expenditure of the medium land holding households is 2.10 times of the per capita consumption expenditure of the landless households. The worst pattern of distribution of consumption expenditure is shown by the small land holding households and somewhat fair pattern of distribution is observed in the marginal land holding households.

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### **Introduction**

The income level and consumption expenditure of the households not only differ by the activity and the employment status of the households but also by the assets they own. In rural areas, many of the households, especially those which are engaged in services also own land and lease it out when they are employed in a regular job in the organised sector. The large share of agricultural households considers non-farm sector as the helping hand to diversify risk, financing the agricultural expenditure (Haggblade, *et al.* 2009). Though, they are generally getting the major share of their income from the non-farm sector but the ownership of land acts as a security against the contingencies of life. Hence, these households generally have greater consumption expenditure due to two reasons - firstly, due to additional income from land (from cultivation and/or from leasing it out) and secondly, due to lower needs/pressures to save for precautionary motives. Thus, farmer's engagement in non-farm activities is of paramount importance to supplement the farm income and improve the living conditions of the community (Tafesse *et al.*, 2015). The income from non-farm activities has become a major component of household income for many landless, small and medium-scale farmers. But despite the rising prevalence of non-farm activities among rural households, agriculture still has an important role to play in food security, income and savings. The increase in productivity in the agriculture sector can also potentially enable many small and medium scale farmers to raise capital to reinvest in farming or diversify into other non-

farm investment (Igwe *et al.*, 2020). The ownership of land acts as a collateral for raising credit from institutional as well as non-institutional sources (Fisher *et al.*, 1997). So, the activities which demand higher amount of capital investment, can be inaccessible for asset poor and capital poor rural masses.

Income from non-farm activities can play a vital role to smoothen household consumption expenditure and in improving the economic wellbeing of household status (Zeeshan *et al.*, 2019). Senadza *et al.* (2018) observed that households participating in non-farm activities in addition to farming have greater mean consumption compared to households engaged only in farming. The households participating in non-farm income-generating activities, especially in higher return non-farm employment, enjoy higher levels of household incomes and food security than those who do not participate in such activities (Chang and Mishra, 2008). Seng (2015) also found that the rural farm households are more likely to enjoy higher food consumption levels by engaging in non-arm activities as an income diversification strategy. It can increase and smoothen household food consumption and improve food security.

The big owners tend to specialize in agriculture and allied activities. Those with limited or no access to land have to work as agricultural labourers and engage in non-farm activities in order to earn a living, often having to migrate as a response to limited local employment opportunities (Wandschneider, 2003). Majority of farmers engaged in non-farm activities represent either small or marginal farming communities. With the current land use policy and the current practice of inheritance and succession, India today is witnessing a continued decline in the farm sizes (Subramanian, 2018). Land ownership in India is highly skewed. This is partly because India has a much larger mass of landless population (Tripathi, 2016). This fragmentation of land holdings has reduced the profitability (Foster and Rosenzweig, 2010). Many poor households are excluded from non-farm activities due to the lack of assets required to overcome entrance barriers. Others are trapped in low-remunerative activities that do not allow them to grow out of poverty (Khan *et al.*, 2014). The large farm households have access to the better education, the most important pre-requisite for more remunerative rural non-farm jobs. These farmers have the required financial capital to start non-farm self-employment activities, but the other households may not afford to undertake these activities due to lack of capital. So the access to rural non-farm employment opportunities is unequal for different asset classes in rural areas (Vatta and Garg, 2008). There are other barriers for other types of employment as well which may include the access to capital, ownership of assets, access to market etc. (Barret and Reardon, 2000). The multitude of barriers and the heterogeneity of the non-farm activities requires a deeper probe for framing appropriate livelihood strategies for each category. The households owning productive assets diversify into more productive non-farm activities but the landless, marginal and small households have access to only relatively less remunerative sources of non-farm income (Pavitra and Vatta, 2013). A substantial proportion of the population are too poor to buy enough food, especially among the lower income groups in rural areas. While the number of children suffering from severe malnutrition

decreased significantly during the 1990s, the prevalence of mild and moderate under-nutrition is still high especially among those in the lower 30 per cent income group (Golait and Pradhan, 2006).

### **Review of Literature**

Dev (1990) found that the incidence of poverty in non-agricultural sector was lower as compared to rural agricultural sector. On the other hand, within non-agricultural sector, higher incidence of poverty was observed in manufacturing sector as compared to services. Kaur *et al.* (1991) revealed that 54.78 per cent of the rural households were living below the poverty line. The maximum number of households from the category of landless labourers were living below poverty line followed by rural artisans and small farmers. Kumar *et al.* (2011) observed that, 19 per cent of the farming households and 42 per cent of the agricultural labourers were living below the poverty line in 2004-05. Kumar *et al.* (2013) also depicted that one-third of farming households and more than half of agricultural labour households were living below poverty line in the year 2009-10. Across farm-size groups, the incidence of poverty was the highest among marginal farm households and it gradually declined with increasing farm size. Lanjouw (2001) points towards the fact that the overall extent of poverty is considerably high in rural areas of El Salvador as compared to the urban ones and within the rural sector, it is higher in agriculture than the non-farm sector. Kaur and Anupama (2018) observed that growth has been pro-poor neither in absolute nor in relative sense. The incidence of poverty in rural areas is found to be more than the urban areas, it implies that being rural also adds a dimension to poverty. The growth of income during 2004-05 and 2011-12 would not have favoured the marginalised social groups. The condition of the poorest of the poor has actually worsened both in rural and urban areas even though the average number of deprivations has declined in both the areas. Rani and Toor (2020) found that slightly less than one-third of the persons of rural non-farm households were observed to be poor in Punjab. In the self-employment category, slightly more than two-fifth persons were considered to be poor and in the service category, more than one-fifth of the persons were observed to be poor. Suresh and Tendulkar (2003) revealed that rural poverty rates are higher than their comparable urban counterparts. Both in rural and urban population, the households depend on self-employment in agricultural or non-agricultural activities for livelihood, accounted for more than 40 percent of the poor.

Geetha (2012) revealed that the consumption standard of rural households was below the recommended threshold level of consumption leading to food and nutrition insecurity. 88 per cent of rural households were living on below Rs. 3000 monthly per capita expenditures. The expenditure share on food items in rural households was higher than the urban areas. Generally, the Indian households depend on cereals for meeting their energy requirements. Bhatia (2013) observed that one-fourth of children were underweight and one-eighth of adults had BMI below the normal levels in Punjab. 80 per cent of the children, 33 per cent of women and 40 per cent of the pregnant women suffered from

anemia. The consumption of lower levels of proteins and micronutrients continue to persist among different segments of population. Varadharajan *et al.* (2013) concluded on the basis of NSSO consumption data that nutrient intakes had indicated a steady but small drop of 6 per cent decrease between 1993-94 and 2009-10 in daily consumption of calories in both rural and urban India. The average consumption data with dietary recommendations for Indians indicated deficient intakes of all major food groups, across all economic strata, but more pronounced in the lower classes.

Singh and Vatta, (2013) observed that per capita monthly consumption expenditure on nutritional food had declined for landless and marginal farming households during 2004-05 and 2009-10, due to rise in the food prices. Despite the success of Green Revolution, the food security of rural poor continues to be a cause of serious concern. The stagnation in agricultural production since mid-nineties also results in food and nutritional insecurity (Hedge, 2013). Basole and Basu (2015a) found that the share of expenditure on food had fallen, but the levels of expenditure on food items have been stagnant in real terms in both rural and urban areas stagnant real expenditure on food, in conjunction with a diversification of diets, have resulted in declining calorie intake. During the period from 1987-88 to 2009-10, average calorie intake in rural India declined by 14 per cent, but average inflation-adjusted per capita expenditure increased by 28 per cent. The main factor driving the calorie intake decline was food budget squeeze (Basole and Basu, 2015b).

Punjab, once termed as food basket of the country, has always remained a predominantly agrarian economy. Though, it has always registered a per capita income higher than that of the national average due to its being forerunner in adopting new agricultural technology during the late 60s but the Green Revolution is the only success story that this state can tell the rest of the world, that too seems to be reaching a tragic end with the ongoing crisis of agriculture in the state. Though, economic theory suggests that economic growth and structural change go hand in hand in reducing the share of agriculture in total output as income grows in an economy (Kuznet, 1957 and 1966), yet the experience of Punjab economy has deviated from this normal path, particularly in case of structure of rural employment as a vast majority of population still earns its living from agriculture. Although, the contribution of the agricultural sector in state net domestic product is declining, it is still an important sector of the state economy. The share of this sector in gross state value added was 26.17 per cent in 2015-16 (Government of Punjab, 2017). However, the benefits of Green Revolution had long been exhausted. Over mechanization of agriculture, over utilization of ground water resources and increasing cost of inputs have led Punjab agriculture to a plateau like situation. As the growth of agriculture in the state is slowing down, the development of the non-farm sector is assuming greater importance as compared to the previous decades. The development of non-farm sector in the state is being emphasized not only to find new avenues of growth and employment but also for increasing the potential sustainability of natural resources which had been in danger due to decades of over dependence upon agriculture. The rural non-farm sector is fast approaching the half way

mark in terms of its share in the state's rural employment (Sidhu and Singh, 2015). But the non-farm sector of the state is dominated by tiny and own account units which though offer the escape from the poverty but lack the inner dynamism required for the rural economy to take off as a non-farm economy. The employment in this sector in the rural areas is not decent one as the rural areas of the state are dominated by very small own account family enterprises which lack the dynamism of modern industrial growth. Moreover, the workers employed in this sector are not covered by any social security and are generally low paid. The rural non-farm sector also includes the services (banking, education, health etc.) but these sectors do not absorb the unskilled labour force released by the agricultural sector.

The level and pattern of a household consumption expenditure largely depends upon the level of income and ownership of assets. So, it is important to examine the level and pattern of the consumption expenditure of different land-owning non-farm workers in order to know about their living standards. In this perspective, this paper analyses the levels, pattern and distribution of consumption expenditure of different land-owning non-farm households in rural Punjab. More specifically, it analyses their per household and per capita consumption expenditure.

### **Methodology**

For the purpose of present study, the whole state has been divided into three agro-climatic regions: South-West Region, Central Plains Region, and Shivalik Foothills Region. The South-West Region comprises of Bathinda, Mansa, Ferozepur, Fazilka, Faridkot, Muktsar and Moga districts. The Central Plains Region constitutes Patiala, Fatehgarh Sahib, Sangrur, Amritsar, Kapurthala, Jalandhar, Nawahahr, Tarn Taran and Ludhiana districts. The Shivalik Foothills Region comprises of Hoshiarpur, Pathankot, Gurdaspur, Mohali and Ropar districts. At the first stage, one district from each region, i.e., Bathinda district from the South-West Region; Jalandhar district from the Central Plains Region; and Gurdaspur district from the Shivalik Foothills Region have been selected for the purpose of present study. One village has been selected from each development block. There are thirty development blocks in the selected three districts. Thus, in all, the thirty villages have been selected from the three districts. Eight villages from Bathinda district, eleven villages from Jalandhar district and eleven villages from Gurdaspur district have been selected. 659 households were selected from the three districts for the purpose of survey. Out of total selected 659 households, 238 households have been selected from Bathinda district, 238 households from Jalandhar district and 183 households from Gurdaspur district. Out of total selected 659 households, 533 households are landless, 78 households own land up to 2.5 acres, 31 households own land between 2.5 and 5 acres and 17 households own land more than 5 acres. It is a cross-sectional analysis related to the year 2016-17.

## Results and Discussion

### Per Household Consumption Expenditure by Ownership of Land

Human life is sustained by consumption. Consumption contributes to human development by enlarging the capabilities and enriches the life of people (Geetha, 2011). The income level and hence the consumption expenditure by the households not only differ by the activity and the employment status of the households but also by the assets they own. In rural areas, many of the households, especially those which are engaged in services also own land and lease it out when they are employed in a regular job in the organised sector. Though, they are generally getting the major share of their income from the non-farm sector but the ownership of land acts as a security against the contingencies of life. Hence, these households generally have greater consumption expenditure due to two reasons - firstly, due to additional income from land (from cultivation and/or from leasing it out) and secondly, due to lower needs/pressures to save for precautionary motives.

The mean values of consumption expenditure of non-farm households by land ownership have been demonstrated in Table 1. The table explains that an average non-farm household spends Rs. 1,67,139 annually in rural areas of Punjab. There are considerable variations in the consumption expenditure of different land ownership categories, for example, households belonging to the medium land holdings (owning land 5 acres and above) have recorded the maximum annual per household consumption expenditure of Rs. 3,50,239 whereas the annual consumption expenditure for the landless, marginal land holding and small land holding households has been recorded at Rs. 1,49,349, Rs. 2,03,298 and Rs. 2,89,040, respectively. The consumption expenditure increases with the increase in farm-size. It indicates even these households go for non-farm employment; they still depend upon agriculture for livelihood. The ownership of land tends to make a huge difference in consumption expenditure of a household. All the land ownership categories of non-farm households spend the maximum amount on food items. The household consumption expenditure on food items is the highest (Rs. 1,92,538) for the medium land holding households, followed by the small land holding, marginal land holding and landless households with the expenditure of Rs. 1,54,099, Rs. 1,24,900 and Rs. 95,774 respectively. The table highlights that consumption expenditure on food items increases with the increase in land holding.

The consumption expenditure on non-food items, marriages and other social ceremonies has a tendency to increase from the landless to the medium land holding households. An average sampled non-farm household spends Rs. 56,021 on non-food items. The household consumption expenditure on non-food items is the highest in the medium land holding households followed by the small land holding, marginal land holding and landless households. Sethi and Pradhan (2012) also found that the higher income groups spend more on consumer durables which increases the share of non-food items of their consumption expenditure. On an average, the expenditure incurred on socio-

religious ceremonies is Rs. 6,724. The medium land holding category spends the highest amount on socio-religious ceremonies, followed by the marginal, small and landless households. This expenditure is spent under social compulsions.

**Table: 1**  
**Levels of Consumption Expenditure of Rural Non-Farm Households by Ownership of Land**

(Mean Values, in Rs. Per Annum)

Sr. No	Items of Consumption	Landless	Up to 2.5	2.5 to 5.0	5.0 & above	All Sampled Households
A.	Food Items	95774	124900	154099	192538	104394
B.	Non-Food Items	47690	68819	127408	139348	56021
C.	Socio-Religious Ceremonies	5885	9579	7533	18353	6724
	<b>Total</b>	<b>149349</b>	<b>203298</b>	<b>289040</b>	<b>350239</b>	<b>167139</b>

**Source:** Field Survey, 2016-17.

The above analysis clearly reveals that all the land ownership categories of non-farm households spend the maximum amount on food-items, followed by non-food items and socio-religious ceremonies in rural Punjab.

#### **Pattern of Consumption Expenditure by Ownership of Land**

The level of living of any segment of population can be better understood by the proportion of each item of consumption in total consumption expenditure. The Engel Law says that as the level of income of a person increases, the proportion of expenditure on food items out of total consumption declines and that of the non-food and other items increases (Engel, 1857). He says that although, the absolute level of expenditure on consumption is higher for the richer segments but in percentage terms, it declines which indicates that these segments are able to spend relatively larger shares on the other items which improves their standard of living and wellbeing. Since the average consumption levels of the different categories of non-farm households are not the same, the consumption pattern can better be studied by comparing the relative shares of individual items of consumption in the total consumption expenditure of different land-owning categories of non-farm households in different districts. Table 2 shows the relative shares of different components of consumption in the total consumption expenditure of different land-owning categories of non-farm households. The table reveals that for all the land-owning categories of non-farm households, food items account for a major proportion of the total consumption expenditure, followed by non-food items and socio-religious ceremonies. The table also describes that an average sampled non-farm household spends 62.46 per cent on

food items. However, this proportion is the highest for the landless households who spend 64.13 per cent of the total consumption expenditure on such items. This proportion is 61.44, 54.97 and 53.31 for the marginal, medium and small land holding households, respectively. Among food items, milk & milk products and food grains are the most important items of consumption.

An average non-farm household has been found to incur 33.52 per cent of total consumption expenditure on non-food items. This proportion is as high as 44.08 per cent for the small land holding households and as low as 31.93 per cent for the landless households. Among the non-food items, a major share goes to education and healthcare. The pattern of household expenditure has undergone a change. The share of non-food items has increased slowly over the years, reflecting changing lifestyles as well as increased spending for health and education (Varadharajan *et al.* 2013). Vaishnaw (2013) also observed a significant shift in the expenditure per person per month on food items to non-food items in rural families of India. It is good sign for the developing country like India and especially Indian rural economy.

The expenditure on socio-religious ceremonies accounts for 4.02 per cent for an average non-farm household. This proportion increases as size of land holding increases, except for the small land holder. The landless, small and marginal land holding households spend 3.94, 4.71, 2.61 and 5.24 per cent, respectively on socio-religious ceremonies. The expenditure on marriages and other social-religious ceremonies is said to be the result of conservative approach towards maintaining a deceptive social status. However, there is a minimum cultural level; and to maintain that level these households incur some expenditure which is beyond their means.

**Table: 2**  
**Pattern of Consumption Expenditure of Rural Non-Farm Households by Land Ownership**  
(Percentage of Total Consumption Expenditure)

Sr. No	Items of Consumption	Landless	Up to 2.5	2.5 to 5.0	5.0 & above	All Sampled Households
A.	Food Items	64.13	61.44	53.31	54.97	62.46
B.	Non-Food Items	31.93	33.85	44.08	39.79	33.52
C.	Socio-Religious Ceremonies	3.94	4.71	2.61	5.24	4.02
	<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Field Survey, 2016-17.

The above analysis provides that consumption pattern of different categories of non-farm households is of subsistence in nature. A large share of total consumption expenditure by these categories is allocated to food items



distinctly, followed by the non-food items and socio-religious ceremonies. Bonkalwar *et al.* (2014) also revealed that food and other consumable items contributed major share in total family expenditure of rural households.

### **Per Capita Consumption Expenditure by Ownership of Land**

So far, the emphasis has been on the analysis of absolute amounts and percentages of various items of consumption expenditure incurred by the different land-owning categories of non-farm households. The average family size of sampled non-farm households is 4.78. However, there are variations in the family size across the different land-owning non-farm households. For example, the average family size of the medium land holding households is 5.29. The family size is 4.73, 4.97 and 5.06 for the landless, marginal and small land holdings, respectively. Since the family size of the different land-owning categories of non-farm households varies, it becomes relevant to study the per capita consumption expenditure of the different land-owning categories of non-farm households. Table 3 depicts the per capita consumption expenditure of the different land-owning categories of non-farm households. The table depicts that an average sampled non-farm household spends Rs. 34966 per capita annually. There are considerable variations in the per capita consumption expenditure of the different land-owning categories, for example, per capita consumption expenditure is the highest (Rs. 66,208) for the medium land holding households, followed by the small (Rs. 57,133), marginal (Rs. 40,905) land holdings and landless (Rs. 31,575) households.

**Table 3**  
**Per Capita Consumption Expenditure of Rural Non-Farm Households by Land Ownership**

(in Rs., per annum)

<b>Sr. No</b>	<b>Items of Consumption</b>	<b>Landless</b>	<b>Up to 2.5</b>	<b>2.5 to 5.0</b>	<b>5.0&amp; above</b>	<b>All Sampled Households</b>
<b>A.</b>	Food Items	20248	2513 1	30454	36397	21840
<b>B.</b>	Non-Food Items	10083	1384 7	25180	26342	11720
<b>C.</b>	Socio-Religious Ceremonies	1244	1927	1489	3469	1406
	<b>Total</b>	<b>31575</b>	<b>4090 5</b>	<b>57133</b>	<b>66208</b>	<b>34966</b>

**Source:** Field Survey, 2016-17

The per capita consumption expenditure on food items is Rs. 21840 for an average non-farm household. The per capita consumption expenditure on food items is the highest (Rs. 34966) for the medium land holding households

followed by the small, marginal and landless households. The per capita consumption expenditure on non-food items is also the highest for the medium land holding households, followed by the small, marginal and landless households. The per capita consumption expenditure on socio-religious ceremonies is positively related with the size of holdings except small land holdings. There is much similarity in the per capita consumption expenditure pattern of different categories of non-farm households. The per capita consumption expenditure pattern of the different categories of non-farm households is closely related to the household consumption expenditure pattern. The per capita consumption expenditure is closely linked with the asset base of households. Since the family size varies from one category to the other, there are some differences in the range of per capita and per household consumption expenditure. The per capita consumption expenditure of the medium land holding households is 2.10 times of the per capita consumption expenditure of the landless households and per household consumption expenditure of the medium land holding households is 2.35 times of the per household consumption expenditure of landless households. Thus, even though the family size goes up as the land owned increases, the per capita consumption expenditure remains relatively high for the small and medium land holding households.

#### **Distribution of Consumption Expenditure by Ownership of Land**

As we know that the non-farm sector is a heterogeneous category encompassing a range of activities which have different levels of income. It further results into inequalities in the standard of living of different non-farm households. Since, the level of consumption is a good indicator of the standard of living, therefore, in order to understand the inequalities in the consumption expenditure of non-farm households, it is important to examine the distribution of consumption expenditure according to their consumption levels. The patterns of distribution of consumption expenditure among each category as well as all the categories taken together have been worked out by taking cumulative percentages of per household and per capita consumption expenditure for each decile group after arranging the same in ascending order. Gini coefficients have also been calculated to justify the pattern of distribution. Gini coefficient conveys better distribution if it is nearer to zero and worse distribution if the same is nearer to unity.

In Table 4, we can find inequalities in consumption expenditure by categories of land ownership. The table shows that there are wide intra-group inequalities as well. However, these inequalities are the lowest for the marginal land holders, followed by the medium land-owning class while the category of small land holders has displayed the greatest degree of inequalities. The distribution of consumption in the category of landless households is quite similar to that of the overall distribution. The lowest 50 per cent of the households in the landless category consumes about 30 per cent of total consumption expenditure by all households in this category while this

proportion is about 34 per cent, 29 per cent and 27 per cent for the marginal land holding households, small land holding households and medium land holding households, respectively. The relative condition of the lowest 10 per cent of the households in the category of households owning land 5 acres and above seems to be the worst among all other land ownership categories as we can see that they consume only 1.93 per cent of total consumption of the all the households lying under this category. This proportion is 3.70 per cent for the landless households, 5 per cent for marginal land holding households and 4.19 per cent for the small land holding households. On the other extreme, the share of top 10 per cent in total consumption is the highest in case of the small land holding households. They share about 30.50 per cent of total consumption in this category. In the case of landless, marginal and medium land holding households, the share of top 10 per cent households in total consumption is 26.32 per cent, 18.28 per cent and 21.85 per cent, respectively. Thus, we can see that wide inequalities in consumption expenditure exist even within the same land-owning categories. The value Gini-coefficient is 0.32 for the small land holders showing the worst pattern of distribution. The distribution is somewhat fair for the marginal land holders. The value Gini-coefficient is 0.23 for the marginal land holders.

**Table 4**  
**Distribution of Household Consumption Expenditure of Rural non-farm Households by Land Ownership**

Cumulative Percentage of Households	Cumulative Percentage of Household Consumption Expenditure				
	Landless	Up to 2.5	2.5 to 5.0	5.0 & Above	All Sampled Households
10	3.70	5.00	4.19	1.93	3.44
20	8.82	10.93	9.65	8.02	8.33
30	14.81	17.82	15.61	14.96	14.21
40	21.91	25.32	21.92	22.89	21.18
50	29.98	33.59	28.75	27.47	29.06
60	38.93	43.10	36.65	37.98	37.83
70	48.94	53.82	46.23	50.50	47.77
80	60.33	65.69	57.15	68.59	59.20
90	73.68	81.32	69.50	78.15	73.41
100	100.00	100.00	100.00	100.00	100.00
<b>Gini coefficient</b>	<b>0.30</b>	<b>0.23</b>	<b>0.32</b>	<b>0.28</b>	<b>0.31</b>

**Source:** Field Survey, 2016-17

### Distribution of Per Capita Consumption Expenditure by Ownership of Land

Table 5 shows the distribution of per capita consumption expenditure among the persons belonging to the sampled non-farm households. In this case also the degree of inequalities is the highest among the small land-owning category, followed by the persons belonging to medium land-owning households while the lowest degree of inequalities can be observed in case of the persons belonging to marginal land-owning class. Here too we can see the similar pattern of distribution of consumption expenditure as observed in case of per household consumption expenditure. In case of the persons belonging to the medium land-owning class, the bottom 10 per cent consume only 1.86 per cent of the total consumption expenditure, the corresponding figures for the landless, marginal and small landowners stand at 3.86 per cent, 4.17 per cent and 3.96 per cent, respectively. On the other hand, the top 10 per cent of the persons belonging to the non-farm households share 25.88 per cent, 18.53 per cent, 34.40 per cent and 25.71 per cent, respectively in the categories of landless, marginal, small and medium land-owning households. The top ten per cent persons retain more share than the bottom 40 per cent persons of the non-farm households except the marginal land-owning households. The value of Gini coefficient is 0.31 for the all the sampled households taken together depicting worst distribution of per consumption expenditure. Among different categories, the persons belonging to the small land-owning category explains the worst pattern of distribution. The value of Gini coefficient for the small land-owning category is 0.34 as compared to 0.29, 0.23 and 0.31 for the persons belonging to landless, marginal and medium land-owning households.

**Table 5**  
**Distribution of Per Capita Consumption Expenditure of Rural non-farm Households by Land Ownership**

Cumulative Percentage of Persons	Cumulative Percentage of Household Consumption Expenditure				
	Landless	Up to 2.5	2.5 to 5.0	5.0 & Above	All Sampled Households
10	3.86	4.17	3.96	1.86	3.64
20	9.13	9.99	9.40	7.06	8.60
30	15.26	16.81	15.21	14.00	14.51
40	22.30	24.51	21.43	22.53	21.34
50	30.25	33.27	28.20	26.96	29.08
60	39.15	43.43	35.47	36.82	37.00
70	49.05	54.40	44.11	48.04	47.78

80	60.43	66.75	54.05	65.43	59.39
90	74.12	81.47	65.60	74.29	73.81
100	100.00	100.00	100.00	100.00	100.00
<b>Gini coefficient</b>	<b>0.29</b>	<b>0.23</b>	<b>0.34</b>	<b>0.31</b>	<b>0.31</b>

Source: Field Survey, 2016-17

#### Average Propensity to Consume by Ownership of Land

We have seen that the level of consumption is directly related with the land ownership as it affects the level of income of the household. Theoretically, the propensity to consume falls with the increase in level of income. It also indicates the average propensity to save and hence the capacity of the households to face the vulnerabilities of life. The average propensity to consume, defined as the proportion of income spent on consumption has also worked out for the non-farm households in rural Punjab. The data exhibiting average propensity to consume of the different categories of non-farm households in rural Punjab is provided in Table 6. Though, not much of the differences are found in the average propensity to consume of the landless, marginal and small land holders, but it declines sharply in case of the medium land holding class. It has been found that the average propensity to consume is the highest (0.66) for the small land holding households and the lowest for the medium land holding class (0.35). Average propensity to consume is 0.64 and 0.62, respectively for the landless and marginal land holding household. It indicates that all of the different land-owning non-farm households are able to save something out of their income.

**Table 6**  
**Average Propensity to Consume of Rural Non-Farm Households by Ownership of Land**

Size of Land Owned (in acres)	Average Income (Rs.)	Average Consumption Expenditure (Rs.)	Average Propensity to Consume
Landless	234340	149349	0.64
Up to 2.5	327117	203298	0.62
2.5-5.0	428053	289040	0.67
5 & above	996694	350239	0.35
All Sampled Households	274319	167139	0.61

Source: Field Survey, 2016-17.

Since, average propensity to consume is less than one for the different categories of non-farm households, this shows that an average sampled non-farm household attains an annual surplus of Rs, 1,07,180. It is Rs.6,46,455 under the category of the medium land holding households while this is Rs. 84,991, Rs.1,23,819 and Rs.1,39,013 for the landless, marginal and small land holding households, respectively. But in monthly terms, we can notice that the landless are able to save less than Rs. 7,000 per month while for the medium land holding households, it amounts to more than Rs. 53,000 per month. This indicates that as compared to other households, the medium land holding category has greater capacity to lend money, rent out buildings or machinery and can rear animals for sale of milk.

### **Conclusions and Policy Implications**

The above analysis clearly depicts that the household consumption expenditure of the non-farm households is positively related with the ownership of land. The household consumption expenditure of the medium land holding households is 2.35 times more than the household consumption expenditure of the landless households. All the land ownership categories of non-farm households spend the maximum amount on food-items, followed by non-food items and socio-religious ceremonies in the rural areas of Punjab. Among food items, milk & milk products and food grains are the most important items of consumption. The proportion of consumption expenditure spent on food items decreases as farm size goes up, on the other hand the proportion of consumption expenditure spent on food items increases as farm size goes up. The per capita consumption expenditure is also positively related with the asset base of households. The family size goes up as the land owned increases even then the per capita consumption expenditure remains relatively high for the small and medium land holding households. The distribution of consumption expenditure is somewhat fair in the marginal land-owning non-farm households. The average propensity to consume is the highest for the small land holding households and the lowest for the medium land holding class. Thus, the ownership of land is important determinant of consumption expenditure even among the non-farm households.

The landless, marginal and small land-owning non-farm households in rural Punjab spend significant proportion of income on food items. So the government should provide the consumption items like cereals, pulses etc, through the public distribution system to these categories on reasonable rate. Regular inspection of the ration shops must be done to bring an end to the corruption in PDS. In case of the public distribution system, it is recommended that the system of dual prices, which encourages leakages, may be replaced by a uniform price policy along with a system of food coupons for the BPL families. Targeted food-for-work programmes and targeted nutrition programmes can alleviate the problem of under nutrition. A mass campaign should be launched to create awareness about the social evils like dowry etc.

It is important to create a good number of employment opportunities within the rural areas for the landless, marginal and small land-owning households.

They should be provided adequate training through skill development so that they may increase their participation in higher income-generating activities. There is need of giving some additional incentives in the rural areas to start their own business instead of relying upon the casual jobs. Apart from encouraging the rural labour for availing the self-employment opportunities, there is a need that more of the jobs are created in the organised sector. Thus, by creating more of alternative employment opportunities and ensuring regularity of work, the rural non-farm labour can be pulled out of the muddle of poverty. There is a dire need of a universal social protection system as the rural non-farm workers who earn too less succumb to poverty during any contingency of life. A well-placed social security system may save these workers from being vulnerable to poverty during the unforeseen contingencies of their lives. This also requires that a health care system and old age caring system in the rural areas should be strengthened which is nearly conspicuous by its absence and the rural masses have to rush to the cities even for minor ailments which causes loss of too many working days apart from the cost of treatment. Further, there is need of strict implementation of Minimum Wage Act and any violation of the minimum wage act should be strictly dealt with. This requires the implementation machinery well in place and playing an active role in the rural areas. An adequate provision for public expenditure on rural development programmes must be made. Besides, emphasis must be made on increasing the efficiency of public expenditure and strengthening of the social safety net programmes.

[**Note:** This research paper is based on the field survey conducted for a research project “Employment in Rural Non-Farm Sector in Punjab: The Determinants, Problems and Prospects” sponsored by UGC, New Delhi]

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