Graduate Management

College of Agriculture

Department of Agricaltural Economic

A Thesis Submitted in Partial Fulfillment of the Requirements for

Agricaltural Economic

Dynamics of consumption inequality and evaluating the factors affecting it in the Iranian rural households

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January 2022

Abstract

The purpose of this study is to investigate inequality in consumption expenditures of rural households in Iran and to determine the factors affecting it. Using Household Expenditure and Income Statistics issued by the Statistics Center of Iran in 2019, we first measure consumption inequality and then compute the impact of important household demographic factors such as gender, level of education and cohort of the heads of households on consumption inequality through Gini coefficient decomposition and quantile regression. Gini coefficient decomposition showed that the cohort of the heads of households is a better explanation for the inequality observed in the studied households than other demographic characteristics of the households. The results the quantile regression to investigate the asymmetric impacts of these demographic factors on the distribution of per capita consumption of households showed that different parts of the distribution respond to these factors asymmetrically. Household income has a positive effect on the distribution of household consumption expenditures, however, the effect size of the right side of distribution is 60% more than on the left side of the distribution. Being a female lead to a reduction of one million and three hundred thousand tomans in household per capita consumption expenditure, although their sizes are different in the four quantiles. Finally, being in a higher education group or higher age category means that the average per capita expenditure of that household is higher than that of households with a lower education level or younger head.

Key words: Inequality Decomposition, Gini Coefficient, Quantile Regression

JEL classification: D12, D63, R21.