

Household Consumption Expenditure

Subjects: Economics

Contributor: Emilia Madudova

Household consumption expenditure is an important measure of economic activity as it reflects the spending behavior of households and their purchasing power. The measurement of household consumption expenditure is critical for analyzing economic growth, inflation, and overall economic performance. In order to create budgets and financial plans, it is necessary to know and understand the relationship between the size of households in terms of the number of members, the number of children, and their consumption needs.

Keywords: household size ; household consumption expenditure

1. Introduction

Household consumption expenditure reflects the behavior of households and their purchasing power and represents one of the important measures of economic activity. They actually express the amount of money spent by households on goods and services, whether long-term or short-term consumption, on housing, and on public services. Measuring household consumption expenditure is important for the analysis of economic growth, inflation, and overall economic performance.

Household consumption expenditure is a significant part of the family budget. Understanding the relationship between the number of children in the household and their consumption needs can help with budgeting and financial planning. The relationship between household consumption expenditure and the number of children can provide insight into the economic well-being of society. Governments use this information to formulate policies relating to taxation, social security, and education spending in general economic policy. Knowing the consumption behavior of households with different numbers of children is also interesting from the point of view of marketing and consumer strategies of companies. In short, this knowledge is important for financial planning, economic policymaking, and consumer and marketing strategies.

From an economic perspective, when households spend more money on goods and services, it stimulates demand, leading to increased output and employment. Understanding household consumption, its structure, and the dependence on household size provides insight into consumer behavior and preferences, which is important from the point of view of the marketing behavior of companies. Businesses can use this information to develop effective marketing strategies, improve product design, and better target consumers. For example, if households spend more money on luxury goods and services, businesses can focus on developing superior products and services to meet this demand.

From the government's perspective, household consumption expenditure is important for a variety of reasons. It can be used to assess the overall health of the economy, track inflation, and inform monetary and fiscal policy decisions. For example, if household consumption expenditures are growing rapidly and inflation is occurring, the government will focus on adjusting interest rates, which in turn leads to a slowdown in economic growth. Alternatively, if household consumption spending is weak, the government can implement fiscal stimulus policies to increase demand and encourage economic growth. These facts can be analyzed and modeled. Researchers will use an analysis of variance to investigate the relationship between household size and consumer spending. Modeling is based on regression analysis. The results analyze the correlations and test the hypothesis of significance between household size and consumption expenditures.

2. Theoretical Background

Modern research studies focusing on consumption expenditure are based on the work of [Enger \(1985\)](#) focusing on the relationship between food expenditure and income. [Enger \(1985\)](#) pointed out the functional dependence of the size of consumer expenditure on food, income, and family size. [Jacobson et al. \(2010\)](#) point to the relationships between wealth, income, and lifestyle in relation to household size and state that the larger the household, the better off the people in the household are on a per capita basis. Subsequently, [Logan \(2011\)](#) points to the existence of household economies of scale.

Other authors pay attention to the relationship between food expenditure and household well-being ([Donkoh et al. 2014](#); [Umeh and Asogwa 2012](#)). In the article, [Donkoh et al. \(2014\)](#) state that food expenditure accounted for 40% of total expenditure in households, while the imputed value of self-produced food consumed by households accounts for another 10.5%. In their study, [Umeh and Asogwa \(2012\)](#) point to an indirect relationship between household income and the share of food expenditure and a direct relationship with the share of non-food expenditure, which includes especially housing, clothing, education, and health expenses.

Many researchers focus on food expenditures individually in relation to various characteristics of households and the economic environment ([Banks et al. 1997](#); [Chai and Moneta 2010](#); [Leser 1963](#); [Working 1943](#); [Huang and Chen 2022](#)).

Still, as the results show, food expenses are strongly dependent on other household expenditure; therefore, it is necessary to look at expenditure as a whole and analyze the relationship between individual types of household expenditure.

In studies from the last decade, other characteristics are more often taken into account when examining household consumption expenditures:

- the size and composition of households ([Mulamba 2022](#)) as there is no consensus in empirical studies on the rate of household expenditure on food or on the normalization procedure; however, in connection with the works of [Enger \(1985\)](#), it is important to normalize information and use the share of expenditure on food for testing;
- unitary models in which household consumption behavior is considered representative or a summary of all household members ([Attanasio and Lechene 2014](#); [Belete et al. 1999](#); [Chai and Moneta 2010](#); [De Vreyer et al. 2020](#)). These models do not take into account heterogeneity in households or they do not cover the influence of household members on behavioral patterns and household consumption.

The issue of different household composition was addressed by [Jayasinghe and Smith \(2021\)](#), who pointed out differences in the consumption behavior of different types of households according to size and gender representation.

The micro-studies of [Murray \(1964\)](#) and [Browning and Crossley \(2001\)](#) point to some household reactions to changes in their own economic situation, which probably do not affect the level of expected lifetime income and consequently the share of individual types of consumption expenditure. Similarly, [Ludvigson \(2004\)](#) and [Su et al. \(2023a\)](#) state that income growth cannot be simply linked to consumer confidence or the structure of consumer spending.

[Pitas and Zou \(2023\)](#), [Zhang \(2023\)](#), [Su et al. \(2023b\)](#), and [Anastasiou et al. \(2023\)](#) emphasize the need to continue working on theoretical and empirical research on the relationships between household attitudes, household expenditures, their structure, and other economic variables or consumer confidence, where more complex and possibly non-linear interactions probably exist.

All these factors mentioned above constitute the impetus to research the relationship between households' mean consumption expenditure and the number of children, in other words, the statistical significance between the consumption expenditure and the households' size measured by number of children ([Binder 2020](#); [Bui et al. 2023](#); [Easaw and Ghoshray 2007](#)). [Kandil \(2020\)](#) points to a significant statistical impact of household size and expenditure on all food groups.

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