COMPARISON OF INCOME AND CONSUMPTION EXPENDITURE ESTIMATES FROM THE FIFTH ROUND OF GHANA LIVING STANDARDS SURVEY

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ABSTRACT

The effectiveness of government policies and programs relies heavily on measurements of poverty and inequality. Living Standards Surveys (LSS), such as the recent Ghana Living Standards Survey of 2005/2006 provides information on both income and expenditure collected from 8687 households survey across the country. The survey identifies six (6) different sources of income and expenditure including income from employment, household agriculture, non-farm self-employment, rent, remittances and other incomes whilst expenditure were on food, housing, remittances and other expenditures.

The objectives of the study are to compare estimates from the two indicators of poverty and to determine the magnitude of over-reported households estimates of the consumption expenditure. Results seem to indicate that the total average annual household income is GH\textcedis1,288.74 vs. GH\textcedis1,983.24 (Ghana Cedis) for expenditure for an average household size of four. With respect to income, regional comparisons show Greater Accra region to have the highest income (GH\textcedis1,673.60). In general, the coastal regions have income higher than the national average except Volta Region (GH\textcedis 961.57). Households in Greater Accra have a higher expenditure (GH\textcedis 3,061.07) followed by households in Ashanti region (GH\textcedis 2,055.67). In all levels of comparison, the reported expenditure estimates are significantly higher (31\%) than estimates from income (p-value < 0.001). Estimated Gini coefficients are also different in the two indicators. They are 0.57 and 0.40 for total expenditure and total income respectively.

Key words: Income, Consumption Expenditure, Living Standards Survey, Indicator, Poverty measures, Gini coefficient, Ghana Cedis.

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