

# IMPACT OF PRICE RISE ON POOR HOUSEHOLDS

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Survey by SEWA

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## EXECUTIVE SUMMARY

The food inflation index is currently over 12% and has shown no sign of coming down. The prices of essential food items – cereals, vegetables, pulses, milk products - are astronomical as compared to the prices earlier in the year. While the pinch is felt by every household, the poorest sections are understandably the worst affected. To understand the impact on the poorest households, SEWA conducted a survey across 240 households from five districts ( Kutch, Surendranagar, Anand, Patan and Vadodara) in Gujarat.

The primary findings are as follows

- Average monthly expenditure has increased from Rs. 3000 to Rs. 3188. More importantly, food expenditure as a percentage of monthly household expenditure has gone up from 69% to 74%.
- The prices paid by the households for essential food items have increased across the spectrum, with most of them increasing by about 50% or more.
- The increase in prices has naturally resulted in a change in consumption habits. For instance, meals per day have reduced in many households. 60% of the surveyed households consuming over two meals a day earlier are now able to afford only 2 meals a day.
- Consumption of individual food items show a significant reduction as well, particularly in case of rice, wheat, yellow daal, onion, tomato, butter, milk and sugar. For instance, the number of households consuming rice at least once a day has come down from 144 to 112. The number of households consuming milk at least twice a day has reduced from 84 to 44.
- The burgeoning food budget has invariably led households to cut costs in other areas such as healthcare and transportation. For instance, 57% of the surveyed households now go to government doctors instead of private doctors. 37% of surveyed households report walking instead of using vehicles.
- Women report an increase in workload. For instance, the number of women who handled only household activities has reduced from 100 to 70.

Households have also been forced to adopt other coping strategies. Over 40% of the households report using up savings, pawning or selling valuables, or taking a loan to finance their monthly cash requirements.

## CONTEXT AND SURVEY OBJECTIVES

The last two years have seen extreme fluctuations in the inflation index. After hitting double digits in early 2008, inflation has subsequently come down in 2009. But the commodity prices in the markets are still very high, making it rather unaffordable to the poor and thus indicating a worsening food security situation.

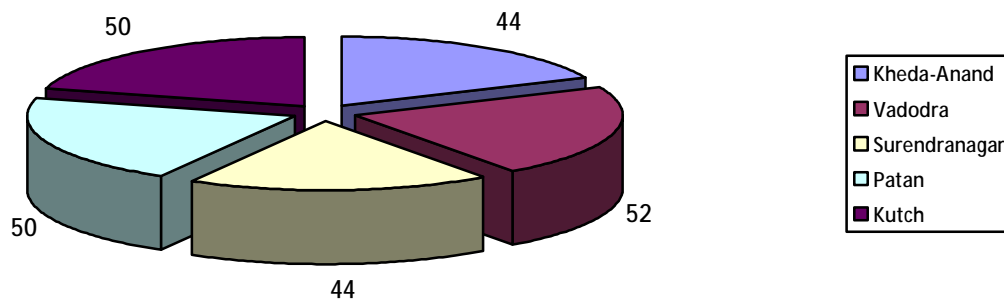
To understand the impact of the price rise in essential commodities on the poor households of Gujarat, SEWA decided to conduct a survey across households from some of the districts it has presence in. The objective of the survey was to understand the impact of price rise on the consumption patterns of the poor households, the effect on other household aspects, and the means households have resorted to in order to survive the crisis.

## RESPONDENT PROFILE

*Number of households covered: 240*

*Districts covered: Kheda-Anand, Vadodra, Surendranagar, Patan and Kutch*

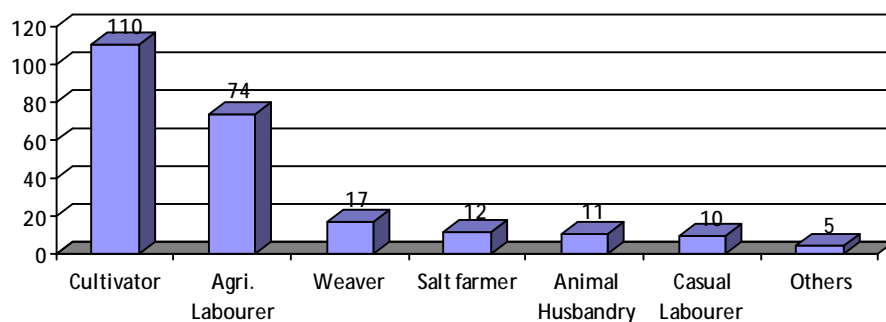
The distribution of the households across the five districts is shown in the following pie-chart.

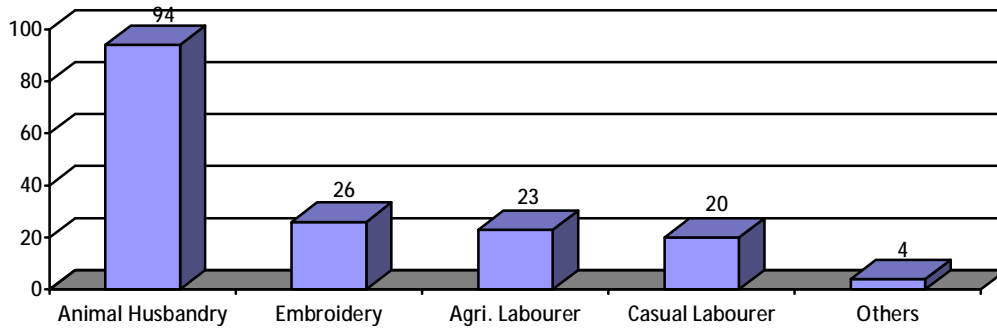


The average size of the household is 7 with 4 adults and 3 children.

Almost half the respondents (110) cultivate their land holdings. The next largest category is that of agricultural labourers (74).

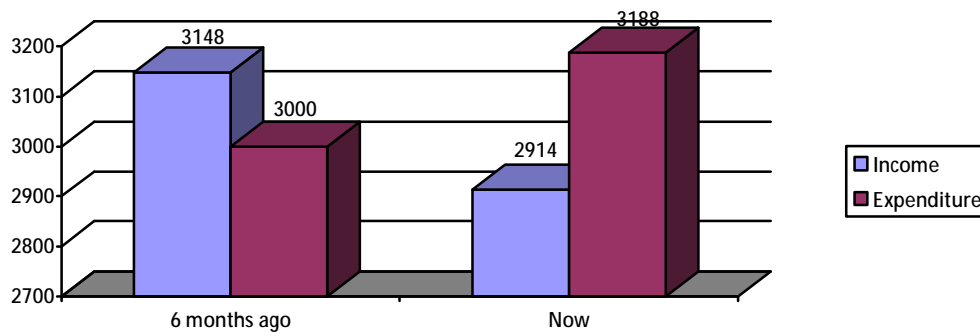
A little over 70% of the surveyed households report a secondary revenue stream. Animal husbandry is the most common secondary occupation with as many as 94 households practicing it.





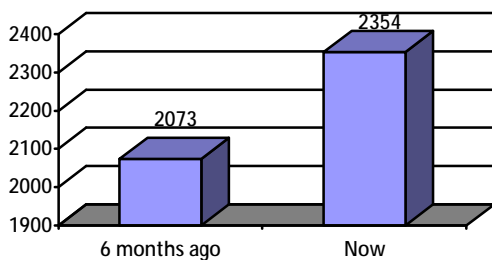
### INCOME AND EXPENDITURE TRENDS

Average income over the entire sample (all five districts) has come down marginally from Rs. 3148 six months ago to Rs. 2914 now. Since this is not a year on year comparison, we cannot read much into the comparison, given any existing differences (for e.g. earning potential) between the two seasons. What is more relevant is the average monthly household expense, which has increased from Rs. 3000 six months ago to Rs. 3188 now.

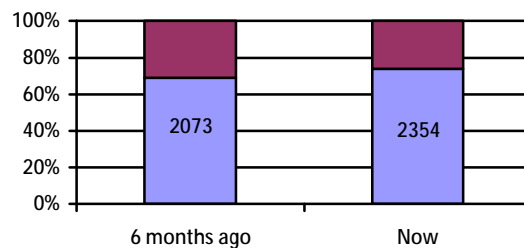


A more revealing statistic is the average monthly expense on food (refer to the chart below) which explains the increase in average monthly total household expense as well. As the chart on the right shows, monthly food expenses as a percentage of the monthly total household expense has risen marginally from 69% to 74%.

Average monthly food expense



Food as % of total household expense



That the average monthly household expenses haven't increased as much as the average monthly expenses on food indicates that the family has cut costs on other aspects of the household. We'd build on this insight in the following sections.

## FOOD PRICE TRENDS

The respondents were asked the prices they paid for a list of essential commodities 6 months back and the prices they now have to pay. The list of commodities included cereals, pulses, vegetables, oil, milk and milk products, poultry products and meat.

The resulting data reveals a substantial increase in prices for most of the commodities. Refer to the following table for the list.

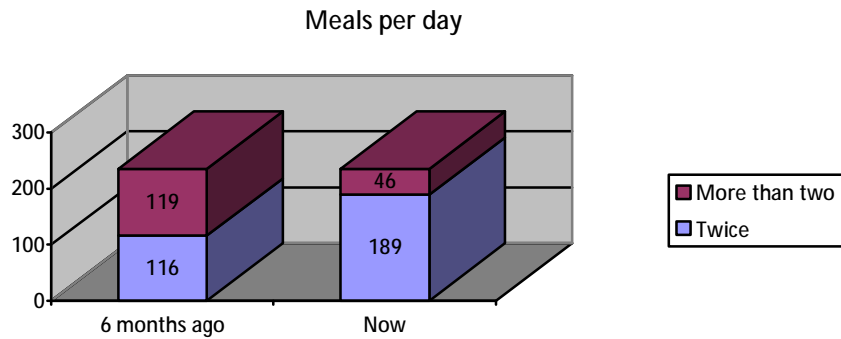
	Apr '09	Oct '09	% increase
Rice	14.4	21.0	46%
Wheat	9.9	14.9	51%
Bajra	10.4	15.1	46%
Maize	9.3	11.3	22%
Jowar	8.4	15.7	87%
Onions	10.4	16.7	61%
Potatoes	10.3	17.1	66%
Tomatoes	13.9	19.1	37%
Other veg	19.2	30.2	57%
Yellow dal	50.3	83.3	66%
Black gram	43.1	61.3	42%
Green gram	44.6	65.5	47%
Polished green	47.1	86.3	83%
Chana dal	38.2	44.6	17%
Whole pulses	57.1	62.1	9%
Oil	60.9	62.8	3%
Tea	144.6	192.3	33%
Sugar	21.4	36.7	72%
Buttermilk	11.4	10.0	-12%
Milk	21.3	26.8	26%
Butter, ghee	184.5	270.5	47%
Eggs	12.8	17.2	34%
Chicken	76.3	113.5	49%
Meat	81.1	117.0	44%

Prices of a kilo of rice and wheat have risen by nearly 50%. Basic vegetables such as onions and potatoes have seen a rise of over 60%. It should be understood that these are the prices the households pay their local shopkeepers.

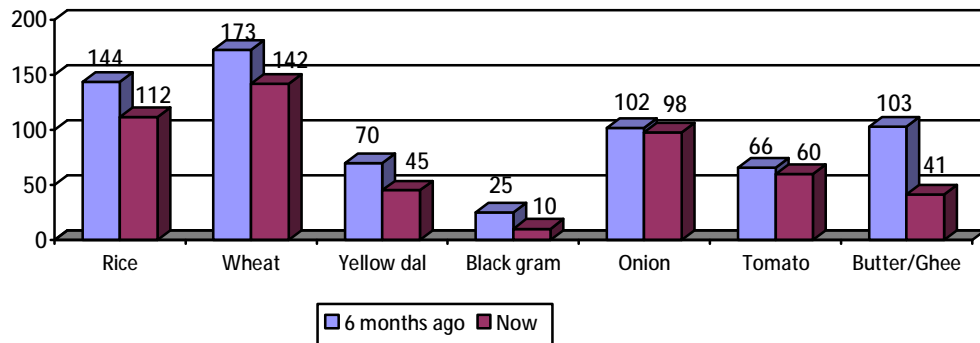
## CHANGE IN FOOD HABITS

From the data presented in the previous section it can be deduced that the % increase in food expenses (4%) seem to be less than proportionate to the increase in commodity prices. Clearly this indicates a change in food habits – more specifically, a cut down in consumption volume and quantity.

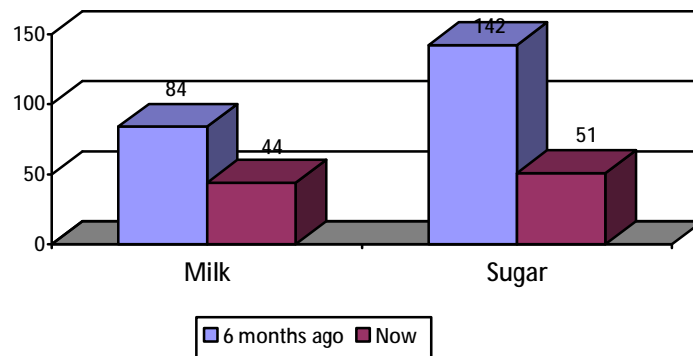
The survey data supports this hypothesis. To a question on how many meals per day do households consume now as compared to 6 months ago, over 60% of the households who earlier consumed more than two meals a day report they are no longer able to afford more than two meals a day.



This trend has invariably been reflected in the consumption levels of individual commodities. The following chart displays the number of households who report consumption of a particular commodity at least once a day (6 months ago and now).



As shown in the chart, the number of households who consume cereals like rice and wheat at least once a day has come down substantially. Pulses such as Yellow Daal and Black Gram Daal also show a similar trend. A significant number of households however don't find the consumption of butter/ghee affordable on a daily basis anymore. Vegetable consumption has shown a marginal decline. Apart from these, commodities which are more frequently consumed, such as milk and sugar, also show a drop in frequency for many households. For instance, the number of households who consume milk and sugar at least twice a day has dropped by about 48% and 64% respectively.

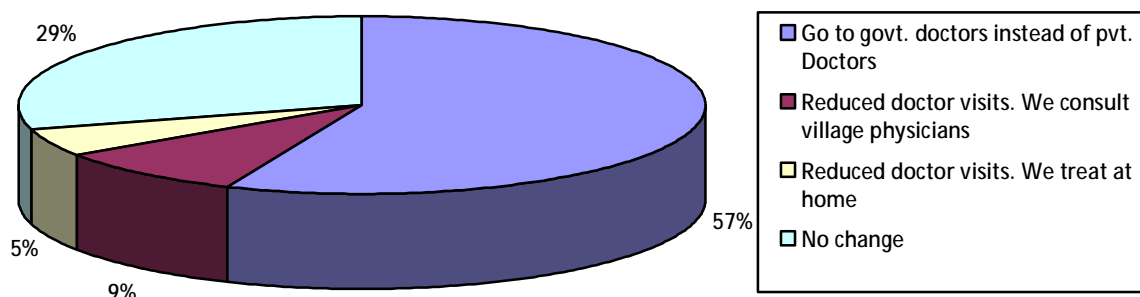


Other commodities such as eggs, chicken and meat are seemingly consumed by very few households in general (less than 5% of the sample) and an analysis into the consumption patterns of such commodities therefore seems unjustified.

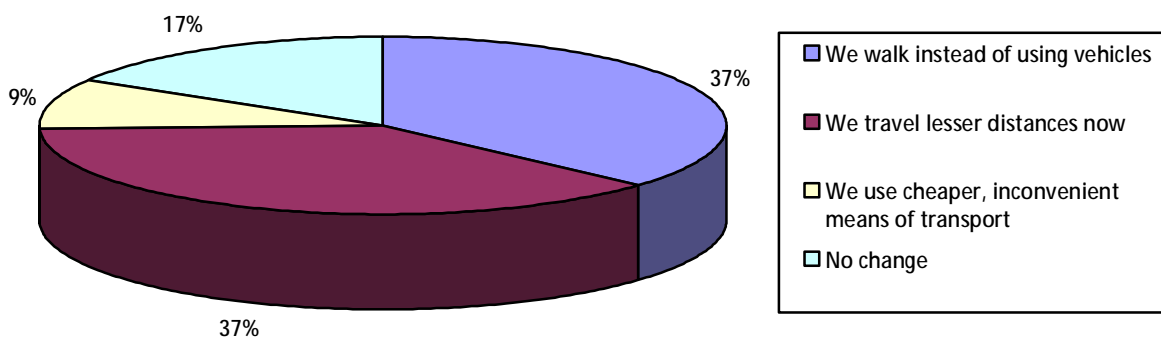
## IMPACT ON OTHER HOUSEHOLD ASPECTS, AND COPING STRATEGIES

As observed in an earlier section, the increase in the average monthly household expenditure is less than proportionate to the increase in the average monthly food expenses. This clearly indicates that the household has tried to cut costs in other aspects of the household. The survey attempted to capture this trend with appropriate questions about children’s education, healthcare and transportation, and the data indeed reveals that the family has been attempting to compensate in other areas. (Note: While we are not implying that the changes in household circumstances described in this section and the earlier one are all because of the price rise, we do attempt to demonstrate that the increase in food expenses have had a significant impact for sure)

Healthcare seems to be a prominent area where the household has attempted to make adjustments. To a question on how the household handles its healthcare needs now as compared to 6 months ago, a significant majority responded that they now go to government hospitals/doctors instead of private dispensaries. What is of more concern is the fact that many other households are now desisting from seeking professional help.

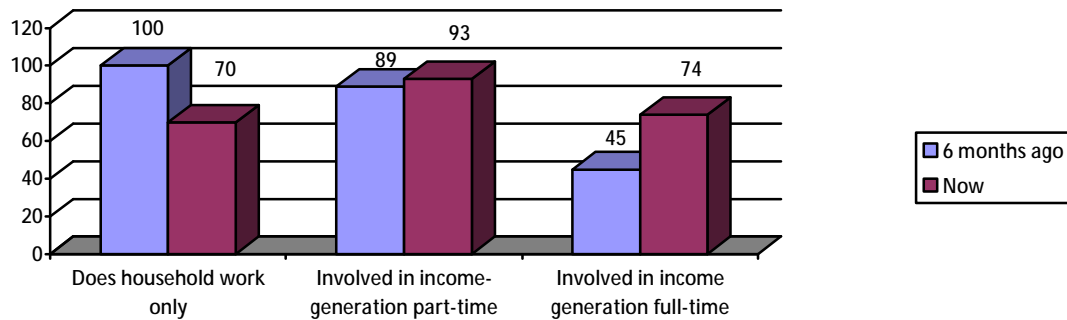


Transportation is another area where the household has cut down expenses. To a question on the household’s transportation habits have changed, almost all the households have reported some coping mechanism they have adopted. Only 17% of households report no change in transportation habits.

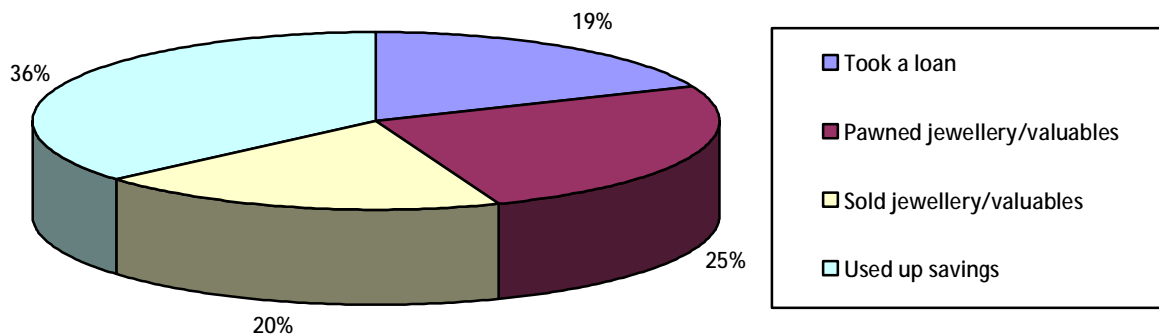


Fortunately children's education doesn't seem to have been impacted drastically. A very marginal number of households (< 15) have reported that their children (boys or girls) no longer attend school, but this cannot credibly be termed as a tangible insight if we take into account factors other than the price rise and any surveying errors. If there is actually a trend, however, over the long term households – particularly the poorer ones – could very well be unable to afford their children's education (as over the short term households could adopt either use debt or other coping strategies)

Women however have been working harder to contribute to household's finances. To a question on how the women's workload has changed over the past 6 months, a sizeable number of households have suggested an increase in the women's workload. In the chart below, notice the decrease in the women who worked only in the household and the corresponding increase in the number of women who contribute to income generation now.



And finally many households have had to make arrangements for cash by digging into their assets or by taking a loan. Over 40% of the surveyed households were forced to resort to desperate measures of some sort. The measures these households have taken are displayed in the chart below.



## CONCLUSION

The price rise has clearly impacted the poor rural households, leaving the poorer among them in a state of helpless desperation. Not only has the price rise rendered many commodities unaffordable on a regular basis (and thereby reduced consumption below levels termed as adequate nutrition), but it has also resulted in the household facing hardships in other spheres of the household. Over the long term worrying trends are likely to consolidate, wherein households are forced to sacrifice necessities such as professional healthcare and children's education just to make space for sufficient food to survive. Urgent action is the need of the hour.

### *Bhanuben Bhaubhai Vaghela*

'My name is Bhanuben Bhaubhai Vaghela. I am a widow with three daughters and a son. We work as labourers on other farmers' farms. We get work from 3 to 4 months in a year and earn about Rs. 35 to Rs. 40 per day. I have a cow as well from which I make butter and ghee, and also get money. From the income from these two sources I have to provide for everything.

How can poor people survive if the prices are so high?

Earlier I cooked *khichdi* daily with 50% daal and 50% rice. I cooked dal, rice, vegetables and pulses at least twice a week. Now, because of high prices of daal, I am not able to cook *khichdi* daily. Even if I make it I use 25% daal and 75% rice. I am able to cook daal and rice only once or twice a month.

My children keep asking me for daal. I had to explain to them about the high prices, and about how we cannot afford daal daily. I think they understand now as they don't ask me anymore.

I have had to make sacrifices on other things too. Earlier, I used to purchase two pairs of clothes for myself and my children to attend functions and weddings. I cannot afford it anymore. My children and I are now forced to wear old clothes for functions. We wore old clothes this Diwali as well. As much as possible I avoid going to functions.

I am not able to send my daughter to school anymore. She now works as a labourer to generate more income.

The high prices has forced me to make sacrifices in things I don't want to compromise on"

### *Kamlaben Revjibhai*

Kamlaben Revjibhai is a 50 year old illiterate woman. She is part of a household of 9 people which includes her husband, two sons, a daughter in law and 4 grand daughters aged less than 10 years.

'We have half an acre of land on which we grow paddy if the rainfall is good. The water from the nearby pond often floods the farm which makes it difficult to grow anything at all.

My son is a driver. If someone calls him he earns Rs. 100 a day. He gets work for about 15 days a month, the rest of the time he works as a labourer.

It was difficult to manage a family of 9, but we were somehow managing it until the prices started rising. Now our very survival has become difficult. Everything from grains to vegetables is expensive.

Earlier we had breakfast with tea in the morning, and tea in the evening. For lunch, we used to have daal and rice, and for dinner we used to have rotla (Bajra) and vegetables. Once a week we ate sweets and occasionally fruits from the market. Children were reasonably healthy because of the healthy food we had.

Things are now very different. We do not have breakfast and have tea only once a day. We don't have daal anymore. We only eat rotla and vegetables both for lunch and dinner. The vegetables we eat are from our farm and not from the market. We cook daal and rice only once a week. Sweets or fruits are out of the question.

We have had to work harder to earn greater income. My husband has fallen sick because of the strain. He often has had fever, cold and cough. However we have had to rely on homemade treatments as we couldn't afford a visit to the doctor. We take some medicines without consulting the doctor.

I am also experiencing a lot of body pain. I went to the government hospital. The doctor prescribed an X-ray and with blood and urine tests that would cost Rs. 300. I just bought some cream and massaged myself with it.

My daughter is pregnant. I could only give her rotla and vegetables.

All these difficulties are because of the high prices. We wonder when the nightmare will end.

### *Ranjanben Karjanbhai Koli*

Ranjanben Karjanbhai Koli is a 40 year old woman with a family of 4. Her primary occupation, earlier, was diamond work, with the entire family working at Surat. However with the recession impacting the diamond industry badly, the family has had to find alternate sources of income in agriculture. Farming hasn't been easy with irregular rain and fewer opportunities on other farms.

'The rising prices have further added to our livelihood woes' she says.

'Earlier, because of good employment opportunities and reasonable prices, we consumed healthy food - rice, daal, vegetables, chappatis, cereals - and even took our children to the hotel once a week. We used to purchase and store grains for a month. Things are so different now. There is not enough food. We purchase on a daily basis, and going to hotels is unthinkable

Our children who used to attend private school earlier, were moved to government schools. The children are not happy there, and the quality of education doesn't seem to be good, with the teachers not present most of the times. With the persisting high prices, we were forced to discontinue their education. They are now engaged in labour work.

We aren't able to celebrate a single festival. We have cut down on our social activities and there are very few occasions we attend. Our entertainment related activities have been completely cut down, and we are not able to take out our children.

## ANNEXURE: QUESTIONNAIRE

### PART A: GENERAL INFORMATION

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- A.1. Name:  
A.2. Village:  
A.3. District:  
A.4. Total members in the household:  
    Males:  
    Females:  
  
A.5. Number of children:  
    Boys:  
    Girls:

### PART B: ECONOMIC INFORMATION

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- B.1. Primary occupation:  
B.2. Secondary occupation (if any):  
B.3. What is your monthly household income?  
    - 6 months ago:  
    - Now:

B.4. Contribution of income from different sources

	6 months ago	Now
Agriculture (Cultivation / Wages from labour)		
Cow/Buffalo		
Other (Please specify-)		

- B.5. What is your total monthly expense?  
    - 6 months ago:  
    - Now:

### PART C: NUTRITION

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- C.1. How much do you spend on food per month?  
    - 6 months ago:  
    - Now:

C.2. How many meals do you have per day?

	6 months ago	Now
Four or more times a day		
Thrice a day		
Twice a day		
Once a day		

C.3. Tick all the items you consume 6 months ago, and the items you consume now

	6 months ago	Now
Rice		
Wheat		
Bajra		
Maize		
Jowar		
Onions		
Potatoes		
Tomatoes		
Other vegetables		
Yellow Daal		
Black gram Daal		
Green gram Daal		
Polished green gram Daal		
Chana Daal		
Whole pulses		
Oil		
Tea		
Sugar		
Buttermilk		
Milk		
Butter, Ghee		
Eggs		
Chicken		
Meat		

C.4. Indicate how many times a week do you consume the following items now as compared to 6 months ago (Indicate if you have stopped consumption, if you have replaced the food item, indicate the alternative)

	6 months ago	Now
Rice		
Wheat		
Bajra		
Maize		
Jowar		
Onions		
Potatoes		
Tomatoes		
Other vegetables		
Yellow Daal		
Black gram Daal		
Green gram Daal		
Polished green gram Daal		
Chana Daal		

Whole pulses		
Oil		
Tea		
Sugar		
Buttermilk		
Milk		
Butter, Ghee		
Eggs		
Chicken		
Meat		

C.5. For the items you consume indicate the prices you paid 6 months ago, and the prices you pay now.

	6 months ago	Now
Rice		
Wheat		
Bajra		
Maize		
Jowar		
Onions		
Potatoes		
Tomatoes		
Other vegetables		
Yellow Daal		
Black gram Daal		
Green gram Daal		
Polished green gram Daal		
Chana Daal		
Whole pulses		
Oil		
Tea		
Sugar		
Buttermilk		
Milk		
Butter, Ghee		
Eggs		
Chicken		
Meat		

**PART D: EDUCATION**

D.1. What does/do your son(s) do? (Tick all the relevant options)

	6 months ago	Now
He attends private school		
He attends government school		

He does not attend school		
He helps parents in the field or in other income generating activities on a full time basis		
He helps parents in the field or in other income generating activities on a part-time basis		
He works elsewhere on a full time basis		
He works elsewhere on a part time basis		
I don't have son(s)		

D.2. What does/do your daughter(s) do? (Tick all the relevant options)

	6 months ago	Now
She attends private school		
She attends government school		
She does not attend school		
She helps parents in the field or in other income generating activities on a full time basis		
She helps parents in the field or in other income generating activities on a part-time basis		
She works elsewhere on a full time basis		
She works elsewhere on a part time basis		
I don't have daughters(s)		

#### PART E: HEALTHCARE

E.1. What is the average number of incidences of illnesses (resulting in medical expenditure) in your household?

- 6 months ago:
- Now:

E.2. On an average, how much do you spend every month for hospital visits?

- 6 months ago:
- Now:

E.3. What are the changes you've made with respect to healthcare now as compared to 6 months ago? (Tick all relevant options)

- No change. We do the same things we did 6 months back
- Earlier we went to private hospitals. Now we go to government hospitals
- We have reduced hospital visits. Instead, we consult traditional village doctors
- We have reduced visits to hospitals or other doctors. We treat at home.
- Other. Please specify.

#### PART F: HOUSING AND TRANSPORTATION

F.1. Tick all the relevant options about your housing

	6 months ago	Now
We live in a pucca house		

We live in a semi-pucca house		
We live in a kachcha house		
We live in a rented house		
We live in our own house		

F.2. What are the steps you took with respect to housing over the last 6 months because of the rising expenditures?

- No change. We continue to live in the same house
- We moved to a house with lower rent
- Other: Please specify

F.3. Has the means of transportation you use, been affected now as compared to 6 months ago? If yes, how? Tick all the relevant options

- No change. Same means of transportation. Same amount of traveling.
- I/We travel lesser distances now
- I/We often walk instead of using vehicle for the shorter distances
- We use cheaper and more inconvenient means of transport
- Others. Please specify.

**PART G: COPING STRATEGIES**

G.1. Tick the measures you undertook over the last six months (March till now)

- Took a loan (Mark this option only if the loan is not seasonal (i.e. only if it not a loan you take every year towards working capital)
- Pawned jewellery or other valuables
- Sold jewellery or other valuables
- Used up savings
- Other: Please specify

G.2. If you took a loan (non-seasonal), mention the following

- Amount:
- Rate of interest (mention if monthly /quarterly/half-yearly/annual):

G.3. Tick the relevant aspects about the women in your household now and 6 months ago

	6 months ago	Now
Does household work only		
Involved in income generating activities, part-time		
Involved in income generating activities, full-time		