

**INCOME AND HOUSEHOLD WELFARE IN UGANDA**

**BY**

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## DECLARATION

This thesis contains my original work and has not been presented by any other Person.

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Date.....*21st April 2023*.....

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**APPROVAL**

This is to certify that this research work entitled “Income Inequality And Household Welfare In Uganda” has been under my supervision and is now ready for submission with my approval.



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Date: **21<sup>st</sup> April 2023**

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## **DEDICATION**

This thesis is dedicated to my sister CHELAN GAT JEZIRA who has always encouraged and supported me throughout my studies. It is also dedicated to my late mother MWASIMU ASADI and my father MWANGA ASADI, who sacrificed their comfort to educate and teach me the value of education.

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## **ABSTRACT**

Employing total consumption expenditure as a household-level welfare indicator with which to measure poverty has often been criticized because it is felt that such an indicator does not account for differing access to, and cost of, publicly provided services. This r discusses when and how adjustments can be made to expenditures derived from household surveys so as to reflect the consumption of basic services. Markets which are subsidised, rationed and subject to increasing marginal tariff pricing are. Household welfare in Sub – Saharan Africa is declining as evidenced by low consumption expenditure as well as increasing poverty levels. This study looked at the relationship between income inequality and household welfare in Uganda . The study utilized panel data derived from the current four rounds of the Uganda National Survey. In order to estimate household welfare, the study employed household consumption expenditure and poverty level as proxies and Gini coefficient for income inequality. The findings of the study revealed that the welfare of households is considerably enhanced by by the household demographic characteristics. However, the results for all model specified show the relationship between income inequality and welfare of households. To reduce poverty and thus increase consumption expenditure, households, government, policy makers and other stakeholders ought to diversify the economy.



# CHAPTER ONE

## INTRODUCTION

### 1.1. Background

The livelihood of households was a central aspect for individuals who lived in households and by extension to the entire economy (Rememberance, 2015). Farm output directly contributed to household happiness as the household used it for own consumption while passive income argued main stream income to shield against any household shock. Household welfare refers to the general well-being of members of the household as measured by poverty level and consumption expenditures (Unnikrishnan and Imai, 2020).

There was a wealth of literature on how income affects household welfare (Ren et al., 2017). Income is disaggregated into farm income, non – farm income and passive income. Farm income is the income from agriculture activities including crop production, livestock production, forestry, fishing and other farm-related activities (Rashidin et al., 2020). More so, income from these activities have tremendously increased consistently over the years in Uganda (Severini & Tantari, 2013). Contrarily, diversified income describes a household's income from sources other than farm and non-farm sources: Earnings that were in addition to farm or non-farm income (Agyeman et al., 2014). Households with a greater level of diversification end up with more money and are significantly more likely to participate in both capital accumulation and consumption expenditure (Oyimbo & Olaleye, 2016).

According to (Jenkins, 2019), Previous research suggests that income inequality was lower in Spain than in the U.S. This studies whether this ranking remains the same when household consumption expenditures were used as a proxy for household welfare. Both inequality and social welfare, as components of economic well-being, are examined. Total household expenditures from each country's 2010-2019 consumer expenditure survey are used as the basis for the analysis. For

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