



Consumption of food away from home in Bangladesh: Do rich households spend more?



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ABSTRACT

While consumption of food away from home (FAFH) is an established phenomenon among households in the developed countries, FAFH is a growing phenomenon in many middle-income and rapidly growing developing countries. Although, studies are available on the factors affecting consumption of FAFH in developed countries, there is a paucity of such studies in developing countries. This study examines households' choice of and expenditures on FAFH. We used information from Bangladeshi households and applied a double-hurdle regression model estimation procedure. Findings show that, in general, rich households are spending proportionately less on FAFH and, over time, the trend is continuing. Although households with female members who work in the non-farm sector are more likely to consume FAFH, educated household heads and spouses, and particularly urban households are less likely to consume and spend on FAFH. As the problem of food adulteration by dishonest sellers is rampant in Bangladesh, perhaps it discourages rich, urban and households headed by educated heads and spouses to consume and spend more on FAFH. Based on the findings, some points of interventions are also prescribed in this study.

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1. Introduction

One of the important stylized facts about people's dietary habits is that, as income increases, people initially shift their dietary preferences gradually from cereal-based diets to high food value enriched items, such as fish, meat, fruit and vegetables (Barker, Herdt, & Rose, 1985, pp. 159–171; Hossain, 1998; Ingco, 1991; Kearney, 2010; Pingali, 2006; Pingali & Khwaja, 2004). With a further increase in income, peoples' dietary preferences shift further towards processed foods and particularly towards 'food away from home' (FAFH) (Byrne, Capps, & Saha, 1996; Stewart et al., 2004; Pingali, 2006; Yen & Huang, 1996). For example, in 1970, on

average, the expenditure on FAFH in the USA was 25.9% of the total food expenditure of a household; in 2012 it increased to 43.1% (USDA, 2016). Importantly, now FAFH in the USA is treated as a necessary food item (Byrne, Capps, & Saha, 1998). In a recent study, D'Addazio et al. (2014) show that 9.5% of the total households in the UK and 21.3% in Italy, 20.9% in Belgium, 17.7% in Poland and 23.1% in Denmark take lunch away at least three times a week. The increasing expenditure on FAFH can also be observed in the middle income and rapidly-growing developing countries. For example, in 1973, the average expenditure on FAFH by a Malaysian household was only 4.6% of their total food expenditure; whereas, in 1999, the share increased to 10.9% (Lee & Tan, 2006). A question arises as to what the factors are that affect the decision to take FAFH and expenditure on it, particularly in developing countries.

Becker (1965) explained classical demand theory, in which consumption is treated as the output of a home production function

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that employs both time and expenditure as inputs. Based on Becker's classical demand theory, empirical literature often pointed out that income, prices, demographics, opportunity costs and time constraints can affect a household's decision to spend on FAFH. For example, households with higher income may take more FAFH, not only because of their capability to do so (e.g., Liu, Wahl, Seale, & Bai, 2012), but also because the household members tend to enjoy leisure time, free from preparing food and cleaning the kitchen and dishes at home (Byrne et al., 1998; McCracken & Brandt, 1987). The working hours of a household head, spouse, family members and farm and non-farm affiliations can also significantly affect the decision to take FAFH because household members who are involved in laborious jobs and work long hours outside the house could prompt them to spend more on FAFH (e.g., Byrne et al., 1998). For example, in India, the larger the share of salary and business income into the total household income, the higher the probability of taking food and expenditure on FAFH is (Gaiha, Jha, & Kulkarni, 2013). A few studies indicate that age is also a decisive factor in determining FAFH, as at retirement, although the overall food expenditure declined, this decline is, however, accompanied by an increase in the time spent in food preparation at home (e.g., Aguiar & Hurst, 2005).

The non-farm employment of female household members and female education can affect the decision to spend on FAFH (e.g., Liu et al., 2012) because, in developing countries, the major role of female members in a household is to prepare and cook food. If the spouse and other female members are involved in non-farm employment, the spouse and other female members might have less time or may have a higher opportunity cost of preparing food at home. It can positively influence taking FAFH. The size of a household can also affect the decision to spend on FAFH because of the economies of scale in food preparation, in which smaller households may have more cost advantages of taking FAFH than a household with more family members (e.g., Deaton & Paxson, 1998; Gan & Vernon, 2003; McCracken & Brandt, 1987). This is because, while there is little difference in time spent on cooking for a few or many members, larger households can buy food and cook items at a cheaper rate as they can buy these in bulk. Thus, the preparation of food at home for a household with more family members tends to be more economical than for smaller households and vice versa.

Although the above-mentioned studies and findings have added many important insights to household behavior on FAFH, these studies are mostly based on developed and middle-income country cases. Existing studies, therefore, do not necessarily reflect the issues related to FAFH in developing countries; consequently, they do not necessarily capture the dynamics of FAFH in developing countries. Importantly, in many of the rapidly-growing developing countries, the food quality and the safety of FAFH is a major concern. For example, in Bangladesh and India, two of the rapidly-developing economies in South Asia, food adulteration with the application of hazardous chemicals is a major concern (e.g., Gahukar, 2014; Nasreen & Ahmed, 2014; Rahman, Sultan, Rahman, & Rashid, 2015; Sabet, 2013; Sobhani, 2015; Sudershan, Rao, & Polasa, 2009; Khan, 2012). In-depth studies in developing countries using household-level data sets can provide deep insights into the behavior of the households on the decision to spend on FAFH. The household's decision to take FAFH depends on local culture and tradition as well as household-specific characteristics, such as income and education of the household head and spouse. It indicates that country-specific case studies based on household-level information can unveil the important factors that influence a household's decision to take FAFH.

To fill the above-mentioned gaps the present study investigates the underlying factors that affect the decision to spend on FAFH by

households in developing countries, using Bangladesh as a case. Since 2000, the economy of Bangladesh has grown annually between 4.0% and 7.1% (World Bank, 2016). The per capita nominal Gross Domestic Product (GDP) has increased from \$406.53 in 2000 to \$1086.8 in 2014, a 167% increase in a short time (World Bank, 2017). Table 1 presents the occupational distribution, by sector, of economically active people (15 years or older) in Bangladesh; it shows that the active labor force in Bangladesh has increased from about 35 million to more than 54 million from 1990 to 2010. Secondly, Bangladesh is observing rapid urbanization. For example, in 2001, about 20% of the population lived in urban areas, and that increased to 32% in 2012 (World Bank, 2016). Reardon and Timmer (2014) stress that in the more urbanized countries of South Asia, East and Southeast Asia urban consumers are responsible for roughly two-thirds, even up to three-quarters, of all food expenditures. Furthermore, the majority of the population is engaged in agriculture, forestry, and fishery. Note that the hospitality sector like the hotel and restaurant industry often is largely based on the economic status of the population. One would expect a direct correlation between revenues of the hotel and restaurant industry and per capita household income.¹ As noted by Mihalopoulos and Demoussis (2001) and Chang and Mishra (2008) an increase in per capita household income has a direct effect on household expenditures and, in particular, food consumption away from home (Chang & Mishra, 2008; Mihalopoulos & Demoussis, 2001). The issue warrants careful investigation to understand how the increase in per capita income together with speedy urbanization can shift the dietary preferences of consumers towards processed and ready-to-eat foods and in particular towards consumption of FAFH.

Empirical analysis of income and the demographic factors affecting consumption of FAFH has become increasingly important, not only for consumers and sellers, but also for policymakers and researchers, who seek policy incentives to increase spending in the hotel and restaurant food industry, increase employment, and greater awareness of food safety and public health security. Importantly, similar to Bangladesh, FAFH is a growing phenomenon in rapidly-emerging developing countries, and the policy implications generated from the present study can be generalized for other developing countries as well. Herein lies the objective of this study: we examine the factors affecting a Bangladeshi household's decision to consume FAFH and the expenditures on FAFH. To accomplish this aim, we use a larger sample than previously reported, of Household Income and Expenditure Survey (HIES) data (HIES 2000; HIES 2005; and HIES 2010) and double-hurdle (DH), two-limit Tobit (2LT) and truncated regression (TR) estimation procedures.

This study shows that although FAFH is a growing phenomenon in Bangladesh, the level of physical as well as human capital of the household head and spouse significantly influences the likelihood of consuming FAFH and expenditures on FAFH. In general, relatively wealthy households are less likely to consume FAFH, and as a result, tend to spend less on FAFH. Relatively highly educated household heads and spouses are also less likely to consume FAFH and spend less on it. A possible explanation, in the presence of pervasive food adulteration by dishonest sellers, could be that educated and economically affluent households are more aware and concerned about food safety and health issues related to FAFH. Finally, we find that, during the years sampled, the real net revenue earned by the hotel and restaurant businesses in Bangladesh has also declined significantly.

¹ Table 2 shows that yearly net revenue and monetary value of the hotel and restaurant business enterprises has decreased significantly during 2000–2010; the number of salaried workers in the sector has also decreased, especially during 2005–2010 period.

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