

Title: Efficiency in the Expenditure Pattern of Bhutanese Households

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Abstract:

This study analyses the factors of production with expenditure as the indicator of output and identifies the determinants of efficiency of the Bhutanese households. This leads to the determination of technical efficiency of the households. The study also explores the opportunity to recommend policies geared towards facilitating attainment of household efficiency.

The data used for the study was taken from Bhutan Living Standard Survey conducted by National Statistics Bureau (Bhutan), which followed the Living Standard Measurement Survey (LSMS) methodology developed by the World Bank. The study applied a Stochastic Frontier Model with Sparse Spatial Autoregression to analyze the data where model estimation was carried out using a modified backfitting algorithm.

The study found out that the accessibility to the infrastructure facilities and services are instrumental for the households to achieve efficiency. The average technical efficiency of the households is estimated at 92.37% implying that there is scope of 8% increase in production considering the infrastructure and basic welfare services present during the survey. The technical efficiency of the urban households is higher than the rural households while among the regions, the west is more efficient than the other regions in the country. The households headed by educated persons achieve higher efficiency than those headed by uneducated. The households headed by people engaged in agriculture attain lower technical efficiency.