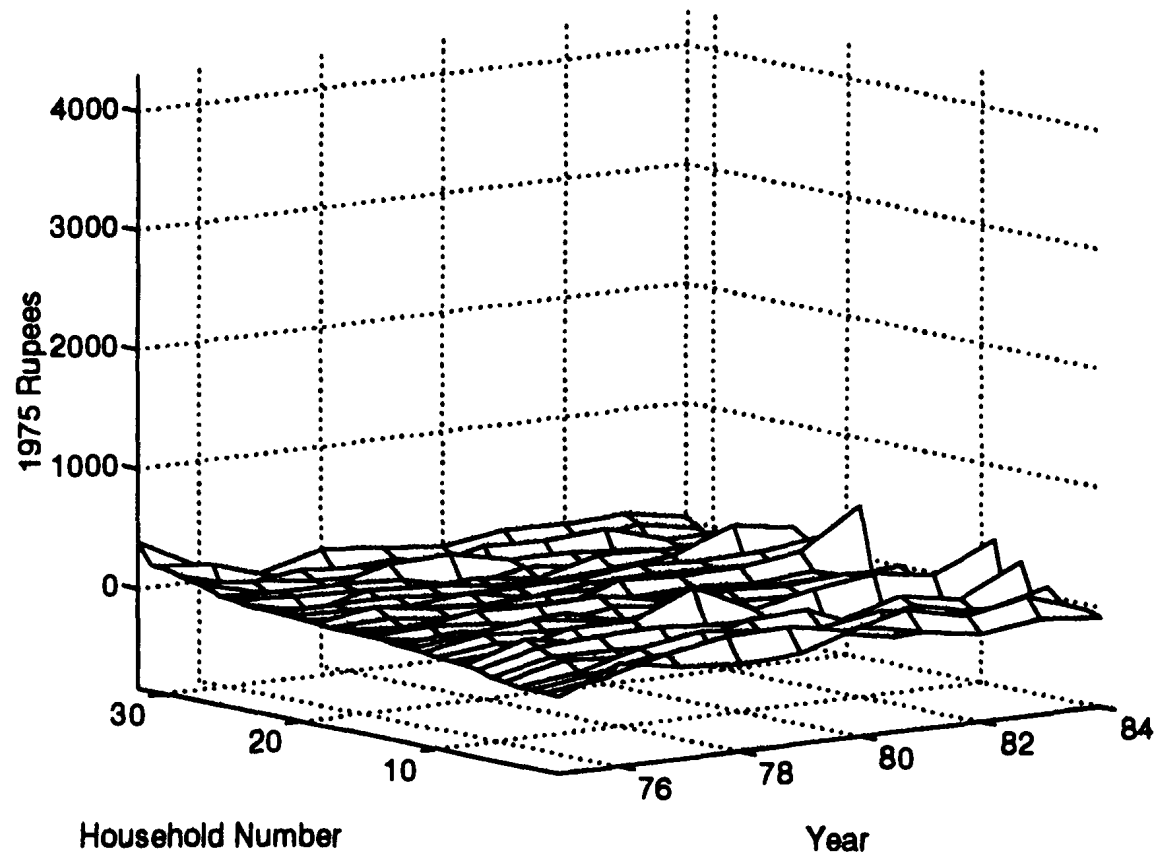
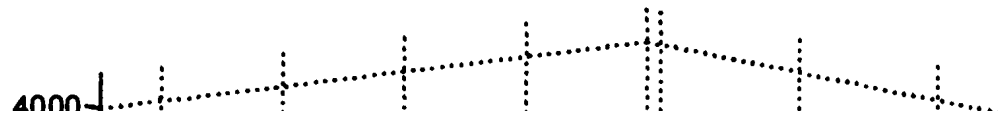


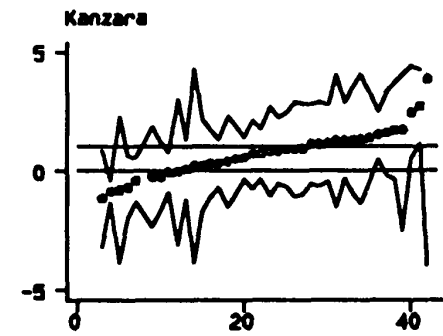
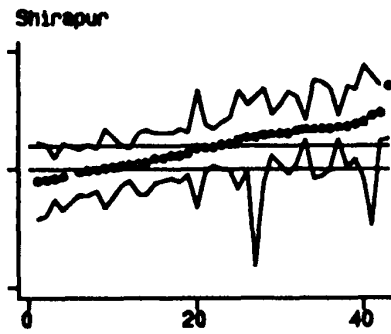
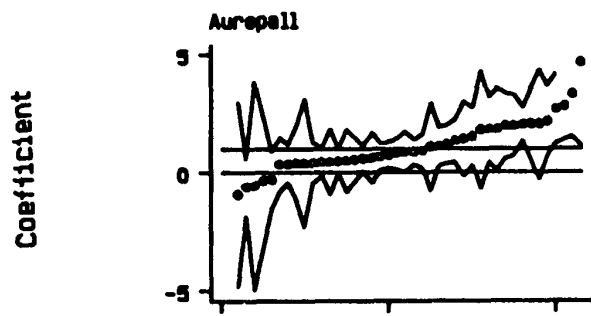
(a) Comovement of household incomes (deviation from village average) Aurepalle.



(a) Comovement of household consumptions (grain only) (deviation from village average) Aurrepalle.



Aggregate Consumption



Rank of Household
Graphs by village

(B)

b. PANEL ESTIMATES WITH GRAIN CONSUMPTION^b

Village:		Aurepalle			Shirapur			Kanzara		
Variable	(A) Std. ζ_w	(B) First Diff ζ_Δ	(C) 2 IV G – H ζ	(D) Std. ζ_w	(E) First Diff ζ_Δ	(F) 2 IV G – H ζ	(G) Std. ζ_w	(H) First Diff ζ_Δ	(I) 2 IV G – H ζ	
1 All Income	0.0474* (0.0159)	0.0289* (0.0151)	[0.599]	0.0605* (0.0129)	0.0233 (0.0142)	[1.676]	0.0725* (0.0122)	0.0697* (0.0152)	[0.120]	
2 Crop Profit	0.0238 (0.0224)	-0.0066 (0.0191)	[0.716]	0.0463* (0.0175)	0.0172 (0.0181)	[0.818]	0.0596* (0.0165)	0.0313* (0.0204)	[0.935]	
3 Labor Income	0.0591 (0.0464)	0.2335* (0.0522)	[-1.761]	0.1022* (0.0345)	0.1456* (0.0390)	[-0.497]	0.0623* (0.0235)	0.0721* (0.0279)	[-0.278]	
4 Profit from Trade and Handicrafts	0.1241* (0.0260)	0.0430 (0.0252)	[1.538]	0.0447 (0.0315)	-0.0773 (0.0453)	[2.074]	0.1109* (0.0521)	0.2794* (0.0569)	[-1.562]	
5 Profit from Animal Husbandry	-0.1539* (0.0478)	-0.0081 (0.0439)	[-1.622]	0.0937* (0.0389)	0.0118 (0.0420)	[1.204]	0.1007* (0.0350)	0.1132* (0.0476)	[-0.243]	
6 Full Income	-0.0014 (0.0014)	0.0092* (0.0029)	[-0.526]	NA	NA	NA	-0.0025 (0.0023)	0.0010 (0.0032)	[0.381]	
7 Wage	12.3740* (5.5288)	-10.2991 (6.3401)	[0.374]	12.9453 (7.4907)	0.81028 (18.0369)	[0.477]	-3.9341 (9.2951)	-13.2026 (10.9313)	[0.464]	

Table 5
 OLS estimation of income coefficients and dummies both urban and rural data set

	OLS	
	1	2
Income coefficient without dummies	0.213 (9.9)	0.295 (14.5)
Income coefficient including dummies	0.209 (9.7)	0.264 (13.1)
F-test for agricultural dummies	6.33 (0.00)	6.34 (0.00)
F-test for ethnic dummies	1.92 (0.09)	2.43 (0.03)
Joint F-test	4.78 (0.00)	7.93 (0.00)

$$\Delta c_{igt} = b\Delta y_{igt} + \sum_{j=1}^G \gamma_j \delta_{gjt} + \sum_{l=1}^Z \kappa_l \zeta_{zl} + \epsilon_{igt} \quad (1)$$

$$\Delta \text{Inc}_{igt} = b\Delta \ln y_{igt} + \sum_{j=1}^G \gamma_j \delta_{gjt} + \sum_{l=1}^Z \kappa_l \zeta_{zl} + \epsilon_{igt} \quad (2)$$

Table 2
Consumption changes regressed on income changes, stratified by wealth

Wealth group	Number of households	Categorized by household wealth per capita			
		Income coefficient		Household-size coefficient	
		Without village–time dummies	With village–time dummies	Without village–time dummies	With village–time dummies
Richest decile	213	0.12 (1.71)	0.12 (4.61)	– 50.72 (– 1.72)	– 35.79 (– 1.38)
70–90th percentile	219	0.11 (2.75)	0.13 (4.01)	– 32.51 (– 2.23)	– 26.48 (– 2.32)
40–70th percentile	320	0.16 (6.01)	0.18 (6.88)	– 31.43 (– 4.25)	– 24.64 (– 4.78)
10–40th percentile	512	0.30 (10.01)	0.24 (7.22)	– 17.51 (– 5.00)	– 17.03 (– 5.94)
Poorest decile	149	0.42 (8.47)	0.41 (7.05)	– 7.53 (– 1.38)	– 14.13 (– 3.55)

Figures in parentheses are the t -values of the estimated coefficients. In each case, change in household size is also included as an additional regressor. Both changes in income and household size are treated as endogenous. While change in income is instrumented out using one moment condition (five instruments), household-size is instrumented out using its lagged level value (one instrument). In each case, a Sargan over-identification test is constructed. The null of optimal instruments used is not rejected in any of the specifications. The village interacted time dummies are jointly significant in each of the specifications.