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Subject: Re: Land as negative loading in 1st principal component/wealth index?

Posted by [George Kariuki](#) on Wed, 17 Feb 2016 09:03:46 GMT

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Well, this is more econometrics than it is the mere computation of the wealth index. While computing the PCA, DHS lumps up every observations, whether the individuals are in the urban or rural areas. In Countries you mention, this assets are more likely to be in the rural areas as opposed to urban areas. That correlates to having assets just found in rural areas and not in urban areas. As such, they end up carrying a negative load. To affirm this you can try compute the index keeping the sample different for rural and urban areas then see how the two sets behave.

Meanwhile also, you can get more incites from this working paper

"Wittenberg, M. W. (2009). Weighing the value of asset proxies: The case of the body mass index in South Africa. A Southern Africa Labour and Development Research Unit Working Paper Number 39."

I hope this sheds light.

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