



REPORT

OF THE

Indian Economic Enquiry Committee

1925

VOL. I—REPORT

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INDIAN ECONOMIC ENQUIRY COMMITTEE.

Resolution by the Government of India in the Finance Department, No. 655-F., dated Delhi, the 22nd January 1925, appointing the Committee.

The Government of India have had under consideration the best method of giving effect to the wishes of the Legislature in connection with the institution of a general economic enquiry in India. They have come to the conclusion that before any wider enquiry can usefully be inaugurated, it is necessary to collate and examine the existing material, to ascertain how it can best be supplemented and to determine what lines an economic enquiry into the resources of the country should take. They have accordingly decided, with the approval of the Secretary of State, to appoint immediately a small Committee for the purpose consisting of the following gentlemen who have consented to serve on it :—

Sir M. Visvesvaraya, K.C.I.E., D.Sc., M.I.C.E., *Chairman* ;

Rai Bahadur Pandit Hari Kishan Kaul, C.S.I., C.I.E., *Member* ;
and

Mr. A. R. Burnett-Hurst, B.Sc., Professor, Muir Central College, Allahabad, *Member and Secretary*.

2. The following are the terms of reference to the Committee :—

To examine the material at present available for framing an estimate of the economic condition of the various classes of the people of British India ; to report on its adequacy ; and to make recommendations as to the best manner in which it may be supplemented, and as to the lines on which a general economic survey should be carried out, with an estimate of the expenditure involved in giving effect to such recommendations.

NOTE.

The estimated cost of the Indian Economic Enquiry Committee, including the charges for printing the Report and the Evidence, is Rs. 1,02,483.

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APPENDIX A

Classification of the Population.

The terms of reference suggest the adoption of some *a priori* method of grouping the population in its economic activities. There are many lines of division which can be drawn according to the point of view taken. In an agricultural country classification is by no means easy. In India, religion and race are important vertical divisions but they are of little use in a general economic enquiry.

Occupation enables clear lines of demarcation to be drawn but with occupation the function and economic status of individuals vary and difficulties arise through an individual exercising two or more functions, e.g., an agriculturist may be both a rent receiver and a rent payer.

An alternative classification is to grade individuals or families according to their income. Classification by income alone may be misleading. There are skilled artisans in cities in receipt of higher money incomes than clerks or teachers, yet in social status the latter would rank higher and their standard of living would be entirely different. Again, grading by family income would have to recognise the differences in the sex and age composition of the household.

It would appear that none of these methods of classification is satisfactory but by a judicious combination of occupation, economic functions and status, with a sub-classification by incomes, it may be possible to arrive at a fairly acceptable basis of division. It should, however, be recognised that when one is dealing with the inhabitants of a sub-continent, lines of demarcation are not sharp and that classes merge into each other until lines become blurred.

The classification which I recommend for an economic survey is one framed very largely on the suggestions of Mr. E. A. H. Blunt and is as follows:—

RURAL AND SEMI-RURAL AREAS.

I.—Agricultural and Pastoral pursuits.—

A—Ordinary cultivation.—

- (a) Non-cultivating landlords.
- (b) Cultivating landlords and tenants holding favoured tenures
- (c) Ordinary tenants
- (d) Estate servants.
- (e) Farm servants and field labourers

B—Plantations (tea, coffee, etc.)—

- (a) Supervising staff
- (b) Clerical staff
- (c) Skilled workmen.
- (d) Unskilled labourers

II—Trade—

- (a) Owners.
- (b) Conservators.
- (c) Rangers
- (d) Guards.
- (e) Contractors.
- (f) Wood-cutters and exploiters.

III.—*Public Administration* (State and Municipal, Army, Navy, Police and Transport) —

- (a) Gazetted officers
- (b) Non-gazetted officers
- (c) Clerical staff
- (d) Menials

IV.—*Professions and Liberal Arts* —

- (a) Superior —priests, ministers, lawyers, medical practitioners, professors, etc.
- (b) Subordinate —temple or church servants, lawyers, clerks, midwives, etc.

V.—*Domestic Servants*.—

- (a) Superior —cooks, chauffeurs, etc
- (b) Subordinate —sweepers, coolies, etc.

VI.—*Unproductive*.—

- (a) Respectable —pensioners, persons living principally on their incomes
 - (b) Disreputable —inmates of jails, beggars, prostitutes.
-

APPENDIX B.

Difficulties of collecting Family Budgets and Statistics of Income.

It is by no means easy to collect *reliable* and *typical* budgets, even in Western countries. The diversity in castes and creeds resulting in differences in customs and in food consumption, the general illiteracy of the people and failure to keep accounts, make the task of a social investigator in India very difficult. The experiences of Dr. Lucas and Mr. Bhalla in the Punjab and personal experiences in Bombay City confirm this view.¹

Dr. E. D. Lucas in his "Economic Life of a Punjab Village" writes "The problem of family budgets is a very difficult one. The people are mostly ignorant, they prepare no budgets and never have an exact idea regarding either income or expenditure. The produce, if raised in the land belonging to the cultivator himself, is never measured exactly and all that the enquirer can get, are approximate figures as estimated by the farmer himself. A Jat of Sherpur, when questioned as to how much wheat he got out of the last harvest said, "Koi char panj sau man", about four or five hundred maunds, local measure (kham) or from 200 to 250 bushels. Which of the figures should be taken as correct and would the average do? When converted into money, the error may be so great as to seriously affect the estimates". "One who knows the Punjabi villager and his attitude of suspicion and distrust to all strangers, will realize how difficult it is to be absolutely sure of such statistics, especially when they deal with the family budget. That chapter alone involved several weeks of very diligent work".

Mr. Ram Lal Bhalla in his "Economic Survey of Bairampur" refers in the following terms to three family budgets which he gives; "The zemindar or better the villager has no idea of keeping accounts and never keeps them. When questioned, he furnishes information from memory quoting approximate figures in round numbers. A man when questioned as to how much *gur* he produced, said *koi pandran bis man*, about 15 or 20 maunds. No pretension can be or has been made with regard to the accuracy of these figures from a scientific point of view".

Over 90 per cent. of the families are unable to record their expenditure, hence it is necessary to appoint investigators either to visit and question them—a method which gives rise to omissions, misstatements, discrepancies, etc.; or to keep them under observation for a considerable time and ascertain the required information by both direct and indirect enquiries—a more satisfactory method.

The budgets should, on the one side, give a complete account of all the income (including privileges and payments in kind) and, on the other side, should contain a complete statement giving full details of expenditure and stating quantities where the goods purchased are measurable.

Budgets of agriculturists and persons living in rural areas should be recorded for the agricultural year if they are to give a correct idea of consumption. It is well-known that, immediately after the harvests, the rural classes consume freely; they have more to spend after their crops are sold. The nature of consumption also differs at different times of the year.

Mr. Pillai² has pointed out the difficulty of ascertaining the income of the agricultural population as measured solely in cash. The evaluation of pay-

¹A. R. Burnett-Hurst, *Labour and Housing in Bombay*, P. S. King and Son, 1925.

²"Besides, all calculations as to the money value of incomes are open to the objection that, even at the present day, money enters but little into the life of the Indian agriculturist, who produces most of the necessities of life himself. It is only the surplus left after satisfying his needs that he offers for sale, and this, again, not in a free and open market, but to the money lending merchant of his village, who sets off the commodities offered by the agriculturist against the amount that he owes or else gives the peasant a book credit in his accounts. The attempt, therefore, as Mr. Thornton has pointed out to give a money value to these primitive transactions and formulate the financial condition of the peasantry in terms of cash receipts and payments, must be a very hazardous undertaking".

P. Padmanabha Pillai, *Economic Conditions in India*, Routledge and Sons, 1925.

ments in kind (*e.g.*, grain) and in services, of free fuel (*e.g.*, firewood and cowdung converted into fuel cakes), of free dwellings, etc., is by no means an easy task. Even when a figure of money income is obtained, it must be remembered that actually the *ryots* do not possess such *money* income.

When one proceeds to collect information from persons higher up the social scale, the difficulties of the task increase. The middle and upper classes in most countries resent enquiries regarding their income and in this respect India is no exception. Many petty shopkeepers and traders do not keep accounts and there are no means of verifying their statements of income.

Most persons of the middle and upper classes will hesitate to disclose their income for fear of increased taxation. It is true that some may be prepared to make statements but it will be to their interest to minimize their receipts. It is very doubtful whether it will be possible to ascertain the income of money lenders, money changers, etc., in large villages and towns. If compulsory powers are employed, the statements made would probably be purely fictitious.

Even among the working classes, it will be extremely difficult to secure information from persons engaged in certain occupations, *e.g.*, grass-cutters, road-menders and persons engaged in repair work. Coolies, hawkers, *gharrualas*, for example, have irregular work and their earnings fluctuate considerably. It is frequently the case that they cannot give a figure of their earnings. A considerable proportion of the workers in industries and mines are semi-agriculturists who work in the towns for part of the year, returning to their villages when their labour is required for agricultural operations. It is not easy to ascertain the proportion of annual earnings which they derive from industry and from agriculture respectively. Many persons (*e.g.*, domestic servants) receive free food, free lodging and sometimes free uniform or clothing together with any "extras" which their occupation affords; the evaluation of these forms of income is no easy task. It is impossible to ascertain the amount of the so-called "perquisites" of the petty officials (*e.g.*, the *patwari*) although it is a well-known fact that it forms a substantial portion of his income. These instances suffice to show that an enquiry into income is a delicate task and can only be carried out successfully by patient, diligent work by a trained investigator. Enquiries among the middle and upper classes are not likely to meet with any degree of success, while even information secured from the lower classes is likely to give the minimum amount of income, the under-statement in many cases being unknown.

The "expenditure" side of the budget also presents difficulties. Even when the details of expenditure are obtained, it will only be possible to draw general ideas from them. The articles of food may be called by the same name in different budgets, yet will probably differ in quality and other respects. Clothing is even more difficult to measure accurately owing to differences in variety, in texture, in personal taste, etc. The expenditure on miscellaneous items such as "drink", "drugs", "tobacco", etc., is frequently omitted from budget records owing to the impossibility of getting admissions from people of the amount spent under these heads. It will be necessary in India to include expenditure on "religious and social ceremonies" which is said to figure prominently in the budgets of certain classes of the people.

Considerable caution must be exercised in making comparisons between budgets collected. Numerical measurements of the differences in the details of expenditure cannot be made even between families of the same age and sex composition, occupation and income unless the margin of error can be assigned. One can, however, draw general conclusions as to the proportionate expenditure on food, clothing, rent, fuel and light and miscellaneous items. Such information enables one to place, roughly, families in different planes of economic prosperity. The data collected, even in other countries, does not admit of definite

*W. H. Moreland, *The Revenue Administration of the United Provinces*, page 77, Pioneer Press, 1911.

numerical conclusions being drawn. Dealing with this subject, Dr. Bowley has stated, "When the classes are much separated in habits, income, place, nationality, or date, it is very doubtful whether numerical comparisons can be made; it is best to choose, on arithmetical principles, representative families of defined classes, and then to tabulate simply the budgets, describing as exactly as possible the commodities, without attempting to say that one class consumes 10 per cent. more than another. It is only in the cases where the differences in the general nature of expenditure can be shown to be slight that numerical comparisons of cost of living are valid. Extreme care is needed in interpreting such a statement, as that the cost of living is 50 per cent. higher in U. S. A. than in England¹".

With regard to international comparisons, he writes "It is very doubtful whether numerical comparisons can be safely made between two countries; neither housing, clothing nor food are comparable, the importance of that part of income which is not wages varies greatly, and many things must be bought in one country which are unnecessary or are home-made, home-grown, or obtained freely in another. Nor should we compare industrial classes, such as workmen engaged in building or engineering or printing, in different countries, since methods and conditions of work vary enormously, unless we make very broad allowances for the possible effects of such variation²".

¹A. L. Bowley, *The Measurement of Social Phenomena*.

²*Ibid.*

APPENDIX C.

Cost.

A rough estimate of the expenditure involved in carrying out the recommendations made in the Note is as follows:—

COST TO BE MET FROM IMPERIAL REVENUES.

Central Bureau of Statistics.

The additional annual expenditure involved by the proposal to convert the present Department of Statistics into a Central Bureau of Statistics would be, approximately, Rs. 70,000 per annum. The details are as follows:—

	Rs.
Director-General of Statistics (Rs. 2,500—100—3,000) Average pay Rs. 2,750	33,000
1 Assistant Director (in place of the present Director of Statistics) Rs. 1,500—50—2,000. The additional expenditure would be Rs. 500 per mensem ..	6,000
20 Compilers (Rs. 50—3—125). Average pay Rs. 87½ ..	21,000
2 Typists (Rs. 50—3—125). Average pay Rs. 87½ ..	2,100
Additional expenditure on allowances and contingencies, say,	6,000
Total ..	68,100

The above sum *excludes* the cost of the quinquennial Census of Wages and Census of Production and *all* printing charges.

COST TO BE MET FROM PROVINCIAL REVENUES.

I. Salaries of Agricultural Assistants appointed for crop-reporting and crop-cutting experiments. Rs. 100—10—300. Average pay Rs. 150.

(In Bengal, Bihar and Orissa and other permanently settled areas, eight assistants should be appointed to a district. In other provinces, two assistants to a district.) The annual expenditure would be as follows:—

	Rs.
For example, United Provinces	1,72,800
Punjab	1,04,400
Bengal	4,03,200

II. Salaries of circle officers for intensive studies into cottage and small-scale industries. Scale—Rs. 200—20—300—25—500.

It should be left to each provincial government to determine the number of officers to be employed, *i.e.*, the scheme should be “elastic”.

III. Provincial Board of Economic Enquiry.

Secretary—full-time ; Rs. 2,000—50—2,500,	..	Rs. 2,250 per mensem.
average pay	
or		
part-time ; special pay	Rs. 500 per mensem.
Investigators (Rs. 200—20—300—25—450).		
Average pay	Rs. 300 per mensem.
Clerks (Rs. 50—100). Average pay	Rs. 75 per mensem.
Menials. Average pay	Rs. 15 per mensem.

The number of investigators, clerks and menials will depend entirely on the number of investigations undertaken by each Provincial Board and the amount of tabulation, etc., involved.

The cost involved by an investigator on Rs. 200 per mensem making a detailed study of one village and a general study of, say, three others for a period of a year would be, including the printing of the report of his studies, Rs. 4,400, i.e., Rs. 1,100 per village. This excludes the general establishment charges.

IV. Provincial Statistical Bureaux.

I suggest that the staff and expenditure of each of the provincial bureaux, other than in Bombay and Burma where the Labour Offices should assume the functions of the bureaux, should be as follows:—

	Rs.
1 Provincial Director of Statistics (Rs. 2,000—50—2,500).	
Average pay Rs. 2,250	27,000
1 Head Investigator (Rs. 500—50—1,000). Average pay	
Rs. 750	9,000
3 Assistant Investigators (Rs. 250—25—500). Average	
pay Rs. 375	13,500
2 Women Investigators (Rs. 150 each)	3,600
1 Superintendent (Rs. 250—25—500). Average pay	
Rs. 375	4,500
1 Stenographer-typist (Rs. 200—10—250). Average pay	
Rs. 225	2,700
3 Typists (Rs. 50—3—125). Average pay Rs. 87½ ..	3,150
1 Assistant Librarian (Rs. 50—3—125). Average pay	
Rs. 87½	1,050
25 Compilers (Rs. 50—100). Average pay Rs. 75 ..	22,500
6 Menial Staff. Average pay Rs. 15	1,080
Conveyance allowance (to six investigators at Rs. 50 each)	3,600
Contingencies and travelling allowance, say,	10,000
	<hr/>
Total	1,01,630
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Excluding all printing charges, the annual expenditure involved in each province would be about a lakh of rupees.