

REGIONAL VARIATION IN LEVEL AND COST OF LIVING IN RURAL INDIA IN 1961—62*

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1. The object of this paper is to compare the levels of living in the rural areas of the 15 States in India as revealed by their average per capita consumption expenditure. In view of the very widespread poverty and low living in the country as a whole, one may not expect wide regional disparities in the average level of living in rural areas. In recent years average per capita income and expenditure are being regularly estimated for each State. All these estimates are made in terms of current prices in the respective States. It is, however, well known that the prices of various commodities entering into consumption (or income) estimation are not the same in every state. It would therefore be interesting to compare the levels of per capita rural expenditure in the different states after making due allowance for differences in the price level of commodities entering into consumption.¹ Such an exercise will also provide a basis for construction of a regional cost of living index for rural areas, which we shall present in this paper.

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2. Comparison of the average level of living in the 15 states involves comparison of the physical basket of goods and services consumed in every one of the 15 states after valuing them at the prices prevailing in any particular state. For example, the physical quantities entering into the average per capita expenditure in each State may be valued, at the prices for those commodities in, say, Andhra Pradesh, and these estimated expenditures may be compared. If the estimated per capita expenditure for any State is expressed as a percentage of the per capita expenditure for Andhra Pradesh, the index is a Laspeyres quantity index. Analysis of consumer preference makes it clear that when the Laspeyres quantity index is lower than 100, i.e., when the estimated expenditure of some other state (at Andhra prices) is lower than the per capita expenditure in Andhra Pradesh, we can say that the average level of living (as

* I wish to record my thanks to Dr. A. K. Mitra, who helped me with the detailed computations involved in the preparation of this paper.

¹ A similar exercise can also be made for urban levels of living; it has not been attempted here.