

Size Distribution of Personal Income and Corresponding Consumer Expenditure (For 1964-65, 1968-69 and 1975-76)

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An attempt is made in this paper to derive the size distribution of Personal Income for rural, urban and All India (rural plus urban) for the years 1964-65, 1968-69 and 1975-76. Unlike the developed countries, adequate data on size distribution of income and expenditure in India are not available inspite of several attempts made from time to time on this subject. No doubt, some individual scholars have already estimated size distribution of personal income for certain selected years by using the most popular statistical devices, the latest of which seem to be the one used by Mahfooz Ahmed and N. Bhattacharya (1972) for the years 1956-57, 1960-61 and 1963-64 and the other by N.S. Iyengar and Lila Ram Jain (1974) for the years 1961-62 and 1964-65. One can easily see that the former is confined only to the derivation of personal income by size, without making an attempt to find out the corresponding size distribution of consumer expenditure while the latter follows altogether a different method, in that time series macro aggregate data have been integrated with that of cross section data to derive the size distribution of income and therefore, inherits the weakness of showing a linear relationship between income and consumption ($C = a + bY$) which is far from reality.¹ In addition, there are a few NCAER studies on size distribution of income but they are confined to certain selected years only. As many authors² have already reviewed most of the works of individual scholars and that of the NCAER, a further attempt by us seems to be redundant.

In the present study, though we have used more or less the technique of graphical integration adopted by earlier writers³, it differs to a large extent from them in respect of (a) the distribution of savings in the lower income classes and (b) also the derivation of the corresponding size distribution of consumer expenditure.

The method :

The main sources of data used by us are (a) consumer expenditure data furnished by the National Sample Surveys (N.S.S.) in their various rounds⁴ (b) Income Tax data furnished by the Income Tax Department⁵ and (c) data on Savings - income ratios provided by the National Council of