

ECONOMIC INEQUALITIES IN INDIA

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CHAPTER I

INTRODUCTION

Concern for the human condition, has of late assumed a particular intensity and efforts are in progress to obliterate misery and distress which engulfs the human existence today. Satisfaction of human wants has been viewed as a natural perspicuous corollary of any investigation. Equality and inequalities "between nations, between classes, between races, between castes, and between men and women",¹ have been taken to be as some sort of a parameter to measure our ultimate goal - welfare. Judgements are often pronounced for and against the existence of these inequalities and this is primarily due to the differential stand taken by various individuals. "The concepts of equity and justice have changed remarkably over history, and as the intolerance of stratification and differentiation has grown, the very concept of inequality has gone through radical transformation."²

Beteille (1983) has drawn a distinction between the study of relational and distributional aspects of inequality. The relational aspect of inequality which appears to be the prime concern of sociologists, refers to the manner in which the individuals, relate to each other "within a system of

1 A. Beteille (1983), p. 1.

2 A. K. Sen (1973), p. 1.

groups and categories"³ after being subjected to a differentiation by the distributional aspect of inequality. The distributional aspect of inequality would study how the factors like income, consumption, land, wealth, power, education, etc. are distributed amongst various individuals of the society. This aspect of inequality comes under the purview of an economists' study and this review of literature is concerned only with the distributional aspect of inequality.

This distinction between the relational and distributional aspect of inequality 'presupposes the existence of a society and culture.'⁴ Another concept of inequality which is often quoted to justify inequalities, is the concept of natural inequality. It simply refers to the unequal endowments or talents amongst different individuals in the society. The pertinent questions, which arise at this juncture are whether one can prove the existence of natural inequalities? Secondly, given the social desirability of economic equality, what is the logic behind the "social acceptance" of economic inequality and finally if there is a "social acceptance" of economic inequality can we say something about the acceptance level of economic inequality? We shall tackle these questions one by one.

It has been argued, as the functional theorists have, that existence of natural inequality legitimises the presence

3 B. Debroy (1984), p. 245.

4 Ibid.

of and preference for a laissez faire economy, and this in turn has been expected to ensure 'equality of opportunity' through free and fair competition. If this was observed in today's world, it would have been, perhaps easy to establish a one to one correspondence between unequal rewards and natural inequality amongst individuals. But, unfortunately, equality of opportunity, has remained a wishful thought and in the light of this, one cannot really prove the existence of natural inequalities and their consequent effects reflected in unequal rewards.

Economic equality has been universally endorsed mainly on humanitarian grounds. Apart from this, it has been held that it breeds other forms of inequalities, viz. - social, political, legal, psychological and educational. However much, one might be lured on the grounds of higher rewards that one can attain in a free economy with diligence, the fact remains that 'differential rewards' bear frustration and discontent amongst the group at the lowest rung, for whom the gap is too wide to be covered. Hence, the social desirability of economic equality. Contradictorily, in spite of these assertions, economic inequality has been favoured by some on grounds of economic efficiency and growth. "Now, the magnitude of income generated and available for distribution depends on the strength of the incentives to work and produce, and the continuing growth of income depends on the fraction of it that is saved and invested in expanding an economy's

productive capacity to increase the future flow of goods and services."⁵ The economists have termed these two crucial factors as the personal-saving effect and the work-incentive effect. Looking at the personal-saving effect, we know that the marginal propensity to save is higher at the higher levels of income and any attempt to equalise distribution might cramp the growth of investible surplus via savings. Secondly, equalisation might also curb the incentive of someone to put one's best, since economic performance or individual's productive contribution does not reward him accordingly. Of these two factors, the latter or the work-incentive effect, seems to be very potent, since it is virtually impossible to have a "collective economic counterpart to the work-incentive effect" which is feasible in the case of personal-saving effect.

Coming to the next problem of determining a socially acceptable level of economic inequality, we find that it requires a social consensus along with an adequate knowledge regarding the "entire range of differential economic positions". But unfortunately, it is not only cumbersome, but also impossible to collect data and to arrive at a social consensus at a particular point of time. Now, given this predicament we should know whether we can get a glimpse of at least the social desirability of any change in economic

5 S. Tendulkar (1983), p. 77.

inequalities. Since work-incentive effect has been proved to be a more "persuasive argument" in favour of economic inequalities, we can single this out to find out whether it can help us to know the social desirability of any change in economic inequalities. Work-incentive effect presupposes the presence of differentials in "inter-personal ability." This implies that work-incentive per se would yield differential rewards due to presence of 'differentials in inter-personal ability' on natural inequality. But, the economic rewards which a society begets is a resultant mixture of these inter-personal abilities and a host of other factors like, technology, capital stock, socio-economic institutions etc. Therefore, inter-personal abilities alone cannot be utilised to assess the socially desirable changes in inequalities unless inter-personal abilities can be objectively measured and also if they in isolation account for the variations in economic rewards. Thus, if one has to really gauge the "socially desirable" changes in inequalities, the only solution perhaps lies in getting into the realm of value judgements.

Economic inequalities are an integral segment of any study of inequality in India or elsewhere. Being economists, we try to understand inequality by comprehending the available distributions of income, wealth, consumption, concentration of economic power etc. These inequalities are an outcome of several economic and socio-political forces at work. This necessitates a brief scrutiny of our institutional framework

which tacitly help in moulding these inequalities.

It is relevant to analyse, in the present context, the nature and consequences of the institutional framework of India over the post-independence period. Much before India attained independence, political leaders and others were clamouring for an egalitarian society. One of the first expressions, giving an insight into the future equity designs of India was the resolution adopted by the All India Congress Committee. It said - "A quick and progressive rise in the standard of living of the people should be the primary consideration governing all economic activities. To establish a just social order and to raise the standard of living of the people, it is necessary to bring about equitable distribution of the existing income and wealth and prevent the growth of disparities in this respect with the progress of industrialisation of the country. In the process of eliminating disparities, prior consideration should be given to the income groups farthest removed (in downward direction) from the national minimum."⁶

The resolution aimed at laying the foundation of a real democracy in India, through a society based on socio-economic justice and equality. It realised that the income group belonging to the lowest rung of the income ladder should first be lifted from the morass of poverty by providing them the

⁶ Report of the Economic Programmes Committee, All India Congress Committee, New Delhi, 1948, p. 10.

basic minimum in order to counteract the growing disparities in India, which could be a deterrent to the newly found independence and democracy.

The role of the state as a welfare state was widely accepted quite early in India. The state was relied upon to make required changes in the distribution of income, consumption, wealth etc., through deliberate policy measures. The Preamble and the Directive Principles of State Policy, the core of the constitution adopted in 1950, dwelt upon the social, economic and political justice that every citizen would have a claim on. The state was expected to ensure that the "operation of economic system" did not result in any concentration of wealth and means of production.

Apart from this, our traditional Indian society was 'deeply hierarchical'. Economists have pointed out towards the three basic institutions - the joint family, the village and caste, which were averse to the ideal of equality. Socially backward classes like those of the untouchables etc. are found to be economically backward too. It was thought that these institutions along with a precapitalist mode of production, a feature of our traditional economy at the time of independence, would acclimatise with the changed set up and changed emphasis on development.

India descended on the path of planned development ever since the Planning Commission was set up in 1950. A perusal of the objectives over the various plans reveal that

socio-economic justice has formed part of every plan document explicitly or implicitly and welfare state was sought to be established through the 'creation of a mixed economy as an institutional form' which could play a significant role conducive to an egalitarian pattern of distribution. Though private ownership with a profit motive was legally and constitutionally permitted, the public sector owned by the state was expected to gradually replace the private sector resulting in more or less an equitable distribution which is known to be antithetical to the motives of private ownership.

This type of institutional framework, as pointed out by Tendulkar (1983), is capable of generating and accentuating economic inequalities. It is not only favourable to those who are already in a 'stronger economic position' but is also favourable to different lobbies backing the various interest groups. These interest groups have a tremendous influence on the policy makers to their own benefits. Thus, we find that the government does not function independently of any dominant interest group. Apart from this, "policing of decentralised market based operations is not possible in every detail".

This is a brief introduction to the review of literature on economic inequalities in India. In this particular study we have endeavoured to examine the inequalities of income, consumption, land and wealth. This however, does not imply that other kinds of economic inequalities like those of education, concentration of economic power etc. are not

important. In fact, Tilak (1987) in this study of economics of inequality in education, has pointed out that the "rates of return to education are lower for the weaker sections than for their counterparts, the weaker sections being women and backward classes".

Chapter II reviews the studies based on the NCAER, the NSS and the spliced data on the distribution of income and consumption. It also studies the changes in nominal/real inequalities over the years.

Chapter III examines the structural changes in the land holdings pattern by the data provided by the NSS, the Agricultural Census Surveys and it also reviews the studies based on these data.

Chapter IV probes into the inequalities based on the distribution of tangible reproducible, tangible irreproducible and intangible reproducible assets. The review is based on the series of decennial surveys conducted by the R.B.I., the N.S.S. and the NCAER.

The final chapter discusses the relationship between growth and equality at various stages of development and it also looks into the shifting priorities between growth and equity during the plan period in India.

CHAPTER II

INCOME AND CONSUMPTION INEQUALITIES IN INDIA

The study of inequality in the distribution of incomes, is an integral part of any attempt to study economic inequalities. Studies have been conducted to measure its magnitude and trend in India. Some attempts have also been made to review the data sources on income distribution. Prominent amongst them are those of Mukerjee and Chatterjee (1972), Srinivasan, Radhakrishnan and Vaidyanathan (1974), Das (1982) and Rajaraman (1976). Since Indian censuses do not provide data on the distribution of individual or household income, the predicament was eased by relying upon sample surveys with inevitable sampling errors. The NCAER and the N.S.S. are the two national surveys which have collected data on income distributions. This chapter has been divided into various sections. Section I intends reviewing the NCAER data and the studies based on them. Section II reviews the N.S.S. data and the studies purely based on the N.S.S. The aim of Section III is to assess the studies which have patched up various kinds of data to arrive at the size distribution of income. The final section deals with the studies on the real income/consumption inequalities as compared to the nominal inequalities.

The NCAER, has been publishing data on income, savings and consumer expenditure from 1960-61 onwards. The last survey was conducted in 1975-76 and the time lag between the reports was round about five years. Several objections have been raised regarding the use of the NCAER data. One of the popular criticisms is that the sample size of the surveys have been considerably small, though the sampling errors were not so disturbing. The non-response rates were also not alarming. Bardhan (1974), commenting upon the NCAER data of 1964-65 concludes that "The size of the sample was rather small for a country of India's size : the successfully interviewed size of the sample was 3,331 households. The sampling error for the average annual disposable income per household was about 5.5 per cent, which is not unduly high. The non-response rate was about 5.3 per cent, again not very high. But the problem of response error is more serious, as in most surveys of income, particularly since income tends to be under-reported."¹ T. K. Das (1982) on the other hand, has pointed out that the sampling errors and non-response rate have been higher. Under reporting due to non-response error has been checked by comparing the estimates of the survey with the estimates of the C.S.O. Bardhan (1974), has found

1 P. K. Bardhan (1974), p. 106.

out an understatement of 25 per cent of the aggregate personal income by the NCAER in comparison with the C.S.O. For the year 1967-68, the NCAER, itself admits that the survey estimate is about 92 per cent of the aggregate household net income (including the income of non-profit institutions) arrived at by the C.S.O. Since the definitions of the income and the time period involved between the two estimates cannot be compared, it is very difficult to give any content to the comparisons. Apart from this, since the NCAER surveys have been conducted at the specific periods, they do not provide continuous data on income distribution. Agricultural sector being the largest employment absorbing sector in India, it is highly probable that income distribution data have been influenced by the short run fluctuations. The definitions of income and income recipient units has not remained constant. Serious objection has also been raised because the households with higher incomes have not been covered and the household sampling unit has neglected the houseless population, especially in the urban areas.

A series of studies have been conducted by the NCAER based on the data collected by them. Urban, Income and Savings (1962) is the first of its kind. Basic data were collected from a total number of 4,650 sampling households through a process of three stage sample design with disproportionate sampling of high income households. The study is based on the survey estimates of aggregate urban income.

Households with an income of Rs. 2,00,000 and more and the urban non-household population did not come under the purview of the study. According to the study, 42 per cent of the households had an income less than Rs. 1,000 per year and less than 2 per cent of the households had an income of Rs. 10,000 or more. Concentration of income has been brought out by the fact that the top 5 per cent of households accounted for 31 per cent of the income. It was also found out that the effect of income tax in terms of reduction in the share of higher income brackets was negligible. The Lorenz ratio for the year 1959-60 was found out to be .510.

All India consumer expenditure survey (1966-67) is yet another study conducted by the NCAER. The survey was carried out in 4 rounds. The main objective of this survey was to compare the pattern of distribution of consumer expenditure and income in developed and non-developed areas. In order to classify the areas as developed and non-developed, factory employment and rate of growth of population was used for places with 10,000 or more population and particulars relating to land utilisation, irrigation, use of improved seeds, existence of cooperative societies, existence of educational, social and recreational facilities for the places etc. was used for the areas with less than 10,000 population. The analysis of this report was based on a probability sample of 3,504 households, the basic unit of analysis being the household. According to this study, 78 per cent of the population

in developed areas was rural and 22 per cent was urban, while 86 per cent of the population in non-developed areas was rural and 14 per cent was urban. Post-tax income was used to calculate inequalities in income. Very high income households with an annual income of 1 lakh or more were not covered by this survey. According to this study developed areas showed a higher income status as compared to non-developed areas. As regards the disparities in income the study found out that the bottom 20 per cent of the households in developed areas, when arranged by the size of income, accounted for 6 per cent of aggregate income, which was 7 per cent in case of the non-developed areas. The top 20 per cent of households in developed areas commanded 54 per cent of aggregate income. It was found to be 46 per cent in case of non-developed areas. The Lorenz ratio computed was 0.45 for the developed areas and 0.37 for the non-developed areas. It was found to be 0.41 for the country as a whole. The study also found out that the concentration of consumption expenditure among families is relatively less than the concentration of income.

The earlier studies of the NCAER, established that the income distribution has been highly skewed and simple random sampling did not ensure the required representation of high income households. Therefore, All India households survey on income, savings and consumer expenditure (1971), adopted a multi-stage sampling, with over sampling of high income and

ultimately offsetting the effect of over-sampling by assigning suitable weights. A total number of 4,930 households were interviewed. Again, the very high income households with an income of Rs. 1,50,000 per year were not represented in the study. The share of the various decile groups in the total income gives a fairly good picture of the concentration of income. The bottom 10 per cent and 50 per cent of the households, when arranged in ascending orders of their incomes, had 1.8 per cent and 19 per cent of the aggregate income respectively. The top 20 per cent of the households had about 53 per cent of the total income and the top 10 per cent had 36 per cent of the aggregate income. There was not any significant difference as regards the distribution of income in the rural and the urban sectors. The Lorenz ratios for the rural, urban and for the country as a whole was 0.4625, 0.4476 and 0.4633 respectively.

The NCAER conducted the All India Rural Income Survey (1974), for the years 1968-69, 1969-70 and 1970-71. An important significance of the ARIS data was that considerable effort was made to include income in kind, house building and other unpaid construction activities in the definition of income. The total sample size taken for the survey was 4,118 households. The NCAER in its another report Changes in Rural Income in India, 1968-69, 1969-70 and 1970-71, has found out that the ARIS estimates were fairly accurate and reliable, when compared with the CSO estimates. The data on

the distribution of income of the rural households in India by the size of income for the years 1968-69, 1969-70 and 1971 reveal that the income distribution is positively skewed with a considerable majority of households having incomes less than Rs. 3,000 per annum (79.23 per cent of households in 1968-69, 75.57 per cent of households in 1969-70 and 73.83 per cent of households in 1970-71). 3.85 per cent of the households in 1968-69, 3.49 per cent of the households in 1969-70 and 3.99 per cent of the households in 1970-71 belonged to the high income range of Rs. 7,500 and above per year. The share of bottom 10 per cent of the rural households in total income increased from 1.8 per cent in 1968-69 to 2.6 per cent in 1970-71, whereas the sharing top 10 per cent decreased from 34.4 per cent in 1968-69 to 30.6 per cent in 1970-71. The Gini coefficient worked out to be 0.43 for 1968-69 income distribution, compared to 0.39 in 1968-70 and 0.38 in 1970-71. Thus, the inequality in distribution of income amongst the rural households showed a declining trend over these years.

The NCAER, conducted another study, Household, Income and Its Disposition (1980), to study the disparities in income. The sample households were chosen through a three-stage stratified sample design and an effective sample size of 5,125 households (allowing for non-response and partial response and incomplete information) were chosen to provide the data base for the study. July 1975 - June 1976 was

adopted as the accounting period for the study. Marked inequalities were observed. For the country as a whole, the bottom 5 per cent of the households had a share of less than 1 per cent of the total income, whereas the top 5 per cent of the households commanded 22.6 per cent of the total income. The Lorenz ratio reflecting the concentration of income was 0.388 and 0.416 for the rural and the urban sectors respectively. It was 0.416 for the country as a whole.

Table 2.0 gives the time trend of inequality coefficients based on the studies discussed above. A brief perusal reveals that the urban inequality has declined during 1959-60 to 1975-76. The rural and the all India inequality coefficients show a comparatively different trend. They first increased till the year 1967-68, and thereafter finally declined. This decline according to NCAER (1975) can be attributed to the benefits of green revolution and favourable weather condition though the big farmers and the farmers using high yielding varieties benefited relatively more than the small farmers and the farmers using traditional varieties. However, the latter group is said to have been compensated through other economic factors. The decompositional analysis of the dramatic decline in income inequality in rural India between 1968-69 and 1970-71, by Nugent, J. B. and R. T. Walther (1982) also confirms this trend. They had primarily concentrated on the two potent factors use of high yield variety seeds and improved weather conditions, which lead

Table 2.0 : Gini Coefficients of Nominal Inequality in the Distribution of Incomes Using NCAER Data

| Year | Concept of income | Income recipient unit | All India | Rural | Urban | Source |
|---------|-------------------|-----------------------|-----------|-------|-------|-------------------|
| 1959-60 | Post-tax | Household | - | - | .510 | NCAER (1962) |
| 1964-65 | " | " | .410 | .350 | .460 | NCAER - (1966-67) |
| 1964-65 | " | Individual | .390 | - | - | " |
| 1967-68 | " | Household | .460 | .460 | .450 | NCAER (1971) |
| 1968-69 | " | " | - | .438 | - | NCAER (1974) |
| 1970-71 | " | " | - | .392 | - | " |
| 1975-76 | " | " | .420 | .390 | .420 | NCAER (1980) |

Source : B. Debroy, Income inequality in India in B.R. Rairikar edited, Dynamics of Poverty and Income Distribution, Bombay, 1985.

to the decline in the income inequality. Their analysis revealed that a large part of the decline during this period could be attributed to the favourable weather conditions. This was regarding the NCAER data and the conclusions derived from their studies. Now, we shall turn our attention to the studies based on the N.S.S.

II

The National Sample Survey (N.S.S.) has been the main source of data for most of the studies on income/consumption expenditure distribution. It is a multi-purpose, socio-economic survey of wide coverage conducted in the form of successive rounds. Surveys on household consumption were initiated in 1950, but since 1974-75, the consumption surveys have not formed part of every round of survey. Basically, these surveys are consumer expenditure surveys, but data on income have also been collected between the 10th and the 14th rounds and between 19th and the 25th rounds. Income data were also collected by the 11th, 12th and 18th rounds of agricultural labour surveys. Generally, a month prior to the date of the survey was chosen to be the reference period. Several reasons have been put forward in support of the use of consumer expenditure data for deriving income distribution in India. "Since current income is often subject to more transient factors, distribution of consumption expenditure is sometimes regarded as a better proxy for "permanent

income" distribution."² Similar views have been expressed by Rajaraman (1976). Consumption data are more reliable than income data in the sense that it is less susceptible to the seasonal fluctuations than income and the recall problems are less for consumption than for income. There also exists a continuous time series of distribution of households or individuals by per capita consumption levels. Apart from the unavailability of income distribution, there is another justification provided by Swamy (1967). "It is to be remembered that in the analysis of the size distribution, the major concern is with the difference between the 'rich' and the 'poor', overtime, regions or sectors and hence any concept of 'share' must relate to population needs, not to the intrinsic properties of productive capacities of the population. Hence in a country with a very low levels of living the consumer expenditure concept may be more appropriate than income."³ At the low levels of development, consumer expenditure is a better indicator of welfare than income. Concept of consumer expenditure again seems preferable because, the rural workers are not motivated by profits but by securing and maintaining a minimum level of living.

Now a pertinent question arises. Can the measured inequality in the distribution of consumption be sufficiently compared to the measured inequality in the distribution of

2 Ibid., p. 113.

3 S. Swamy (1967), p. 161.

income? The two components of personal disposable income are personal consumer expenditure and personal savings. Since inequality in the distribution of savings is greater than the inequality in the distribution of consumer expenditure, the latter can be regarded as the lower bounds for the inequality coefficient of the distribution of personal disposable income.⁴ Taxes picture in as soon as we are interested in the distribution of personal incomes. If taxes are also assumed to be an increasing function of income, as savings are, then we can also assert that inequality in the distribution of taxes will be greater than the inequality in the distribution of consumer expenditure.

Regarding the N.S.S. estimates, it has been said that out of a scientifically chosen sample of households, estimates are directly obtained by an explicit and ordered method for canvassing information and also the sub-sample variations that emerge are reasonable. Bardhan (1974), points that non-random variability of the N.S.S. of the estimates is less than the official estimates of consumption. "On the whole, the procedures used for sample selection appear well conceived and are in all probability well executed."⁵

In spite of these merits and more or less continuous time series of the distribution of per capita consumption levels there are a few limitations of the N.S.S. estimates.

4 Ibid., p. 161.

5 I. Rajaraman (1976), p. 226.

Since there have been changes in the reference or the survey periods the figures of different years are not strictly comparable. The consumer expenditure on constructing houses were included only till the 18th round and the figures of the 18th and the earlier rounds should be adjusted downwards to study the trends in inequality. Apart from this, data on all India distribution is not given. According to Bardhan (1974), the concepts and the coverage have been standardised since 1958-59. For Vaidyanathan (1974), the break off point was 1960-61. Proper adjustments were called for if the data after the break off point had to be compared with the years prior to the break off point. Bias against including the urban population has also been noticed. "One problem however, arising out of the use of the "household" as the ultimate sampling unit, is that in the urban areas of these countries a considerable segment of the population is houseless and not readily identifiable in terms of households. The bias against the inclusion of this population is serious and must be kept in mind whenever these data are used to estimate urban inequality or more especially, the extent of urban poverty."⁶ It had also been pointed that both in the rural and the urban areas, the higher income brackets are under-represented because of the problem of non-response (Dandekar & Rath). "Statewise estimates available starting with the 13th round

6 Ibid., p. 226.

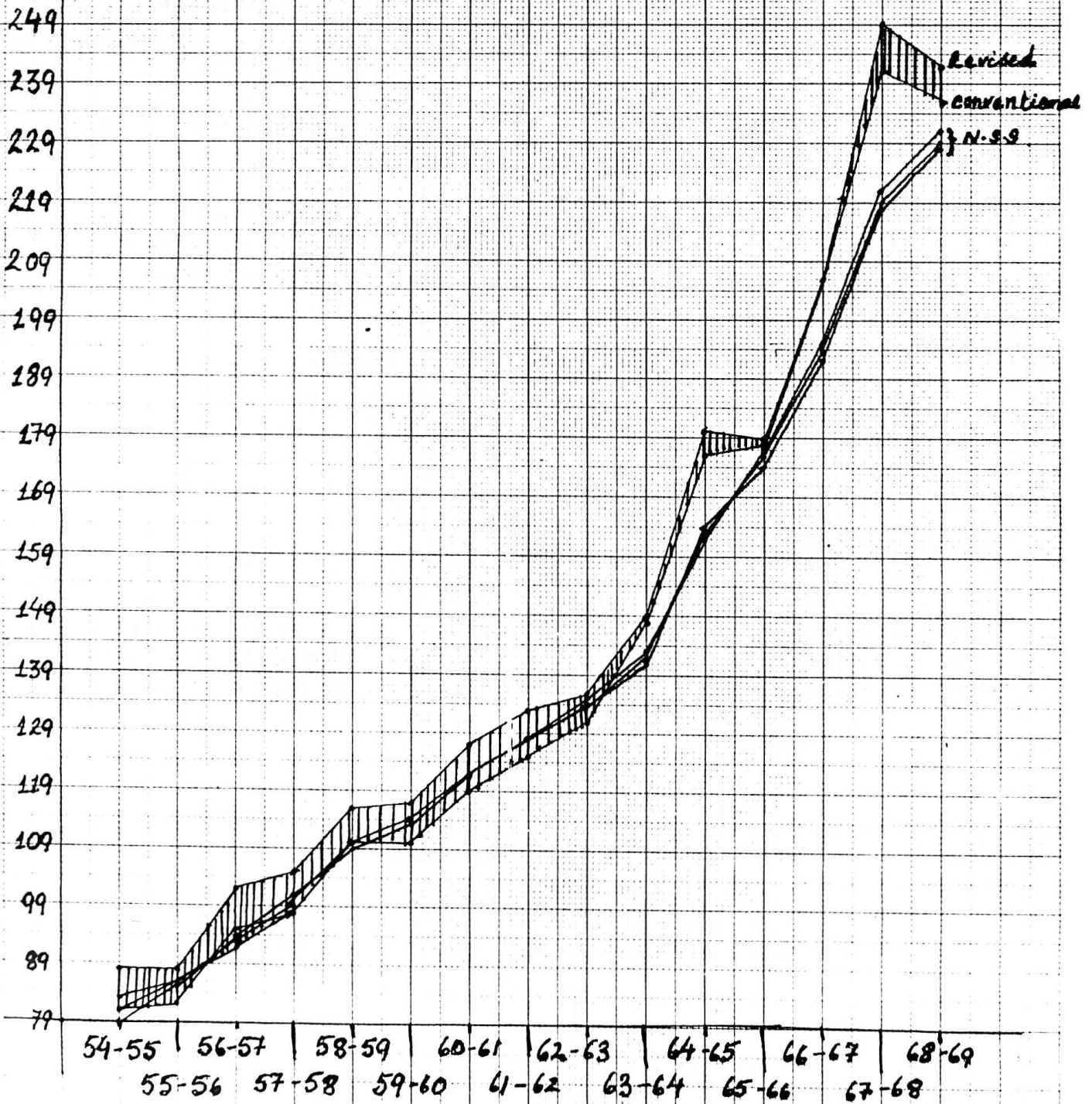
(1957-58) none of the reports however provide any further breakdowns at the state level, not even by occupation. This is a very major short-coming since it is particularly important for policy purposes to have a profile by occupation class of the different population deciles."⁷ The estimates of consumption expenditure by the N.S.S. have been compared with the official national income statistics by Mukerjee and Chatterjee (1974), Srinivasan, Radhakrishnan and Vaidyanath (1974) and Vaidyanathan (1974). (See Fig.I). Private consumption expenditure as obtained by the national accounts includes the final consumption expenditure of private non-profit institutions apart from that of individuals and households. This is compared with the N.S.S. estimates of household consumption expenditure. However, the magnitude of consumption expenditure of non-profit institutions is not known and hence the N.S.S. estimate falls short of corresponding official estimates. Other than this, there exists no unique series of private consumption expenditure based on the official national income statistics and it becomes imperative to make adjustments to arrive at the desired estimates. Net indirect taxes are added to national income at factor cost to get national income at market prices and from this net capital formation at market prices is deducted to obtain the estimates of private consumption expenditure. Some amount of variations is inevitable along with these adjustments and

7 Ibid., p. 232.

FIG.-I

Estimates of Private Consumption based on official revised and conventional series and N.S.S.

RS 100 crores.



Reproduced from Mukerjee, M. and G.S. Chatterjee (1974).

it is pertinent to keep this in mind while a comparison is attempted between the N.S.S. estimates and the estimates based on the national income. Studies point to the fact that the consumption estimates as given by the N.S.S. are lower than the estimates of national accounts and the variations have increased overtime. Pro rata adjustments are pointless in this regard because it shall not affect any measure of inequality that is homogeneous of degree zero and of course, there is however no reason to believe that there has been under-estimates. Another point made by Bardhan (1974) is that the consumption expenditure "does not fully reflect the accretion to economic power which income may represent better." Nevertheless, comparing the N.S.S. estimates with the NCAER for the year 1964-65, Bardhan (1974) comments : "the N.S.S. had a sample of 14,974 households for the rural sector (as against 2,239 households in the NCAER) and 9,943 households for the urban sector (as against 1,156 in the NCAER). As a result, sub-sample divergence (which is a measure of both sampling and non-sampling errors) is much smaller for the N.S.S. than for the NCAER.

The intensity of the problems grappled lessens, if one attempts to use the size distribution of consumer expenditure instead of using size distribution of incomes. Several economists have computed the inequality coefficients based on the consumer expenditure data provided by the N.S.S. Few prominent studies are those of Chatterjee and Bhattacharya

(1974), Swamy (1967), Ahluwalia (1978), Dutta (1980) and Rajaraman (1975). In spite of the fact that the N.S.S. data has been used by all these studies, the Gini coefficient turns out to be different. This is chiefly due to the different methods of estimation used in the computation of the Gini coefficients. In all these studies household has been used as the unit of consumer expenditure.

Inequality coefficients have not been computed for all India by most of the authors, because it presumes certain special assumptions relating to the pooling of the rural and the urban data. However an attempt was made by Swamy (1967). His study of size distribution of income in India confines to the period 1951-1960. According to his paper, the change in the size distribution of income can be accounted to the inter sectoral and the intra sectoral factors which in the case of India have been 85 per cent and 15 per cent respectively. After correcting for the biases and weaknesses inherent in the N.S.S. data, Swamy (1967) came to the conclusion that the Lorenz index shows a rise from .37 in plan period I (1951-52 to 1954-55) to .39 in plan period II (1955-56 to 1959-60). The percentage change between the two periods being 4.8 per cent. A perusal of the results reveals that inequality in the distribution of rural per capita consumer expenditure and urban per capita consumer expenditure have more or less been the same except when it had dropped to .314 in 1956-57 and 1959-60, in the case of

rural sector and when it was .350 in the case of the urban sector in 1958-59. However, there were no significant changes in the level of all India inequality.

Bhattacharya and Chatterjee (1974), also examined the inequality in the levels of living as measured by the per capita household consumption in rural and urban India. N.S.S. reports from 2nd to 22nd rounds covering the period from 1951-52 to 1967-68 on household budget data was utilised. For the earlier rounds of data the reference period was a 'week', whereas for the later rounds it was a 'month' and hence, the Lorenz ratio cannot be fully compared. The problem, however, does not extend beyond the 7th round (October 1953 - March 1954), which had used 'month' as the reference period. Bhattacharya and Chatterjee found out that the week and the month based Lorenz ratios do not differ significantly even though the corresponding per capita total consumer expenditure did. The first observation was that the Lorenz ratio was found to be greater for the urban India than the rural India. Urban inequality significantly dropped from around 1957, whereas rural inequality show a significant drop from 1959 onwards. Bhattacharya and Chatterjee (1974), also pooled the rural-urban size distribution of population by classes of per capita expenditure classes to obtain an all India distribution. The pooled Lorenz ratio showed a perceptible decline over time.

Ahluwalia (1978), has enquired into the distributional

aspect of agricultural growth in India. His analysis extends over the fourteen years i.e. 1956-57 to 1973-74 and covers only the rural India. He found out that there has been a significant decrease in relative inequality in the distribution of rural per capita consumer expenditure over time. After testing for a linear time trend he also came to the conclusion that there has been a significant decline in inequality in 7 out of 14 states for which estimation was done. Griffin and Ghose (1979) and A. Saith (1981) have contradicted this conclusion. They argue that if the reference period for the exercise is restricted to 1960-61 to 1973-74, i.e. if the first two observations in the Ahluwalia's time series are dropped due to non-comparability of data, there appears to be no significant decline in the inequality at the state level. However, there was a discernible decline at the national level.

Rajaraman (1975), studied the poverty and economic growth of rural Punjab over the decade 1960-61 to 1970-71. She concluded that "there was a significant deterioration over the 10 year period, not merely in terms of the relative distribution of total consumption but more seriously in the absolute consumption levels of the poorest 25 per cent of the population."⁸ The findings are significantly important because the study was undertaken during the period of

8 I. Rajaraman (1975), p. 284.

general growth and rising average consumption levels.

Dutta (1980), studied the incidence of poverty and relative income inequality during 1960-61 to 1973-74. He found out that there has been a decline in the inequality of distribution of per capita consumption expenditure in both the sectors. This he thought was probably due to an absolute and relative reduction in the living standards of the top 15 per cent of the population in the rural as well as in the urban sector. Next, there was no increase in the average per capita expenditure. Evidence collected by him show that the rural sector is comparatively more impoverished as compared to the urban sector, but it has lower inequality than the inequality prevalent in the urban sector.

Sarvekshana (1986) studied the pattern of consumer expenditure based on the 38th round of the N.S.S. (January-December 1983). It found out that the average monthly per capita expenditure at current prices was Rs. 112 and Rs. 164 at all India level for the rural and urban areas respectively. The Lorenz ratio of the overall consumer expenditure calculated at the all India level was found out to be 0.2966 and 0.3253 for the rural and urban areas respectively.

Though the empirical evidence regarding inequality would remain inconclusive, we can nevertheless conclude that most of the studies indicate a temporal decline in inequality in the distribution of consumer expenditure (Table 2.1).

Numerous studies have been conducted by numerous economists

Table 2.1 : Gini Coefficients of Inequality in the Distribution of Per Capita Nominal Household Consumer Expenditure

| Year | All India | Rural | Urban | Source |
|----------------------------|-----------|-------|-------|----------------------------------|
| April - June 1951 | - | .362 | - | Chatterjee & Bhattacharya (1974) |
| August - November 1951 | - | .334 | .384 | " |
| April - September 1952 | - | .340 | .365 | " |
| 1951 - 1952 | .366 | .330 | .385 | Swamy (1967a) |
| December 1952 - March 1953 | - | .330 | .397 | Chatterjee et al (1974) |
| 1952 - 1953 | .361 | .336 | .358 | Swamy (1967a) |
| October 1953 - March 1954 | - | .334 | .371 | Chatterjee et al (1974) |
| 1953 - 1954 | .369 | .335 | .363 | Swamy (1967a) |
| July 1954 - March 1955 | - | .350 | .390 | Chatterjee et al (1974) |
| 1954 - 1955 | .390 | .329 | .367 | Swamy (1967a) |
| December 1955 - May 1956 | - | .344 | .368 | Chatterjee et al (1974) |
| 1955 - 1956 | .370 | .344 | .369 | Swamy (1967a) |
| August 1956 - January 1957 | - | .319 | .402 | Chatterjee et al (1974) |
| 1956 - 1957 | .407 | .314 | .398 | Swamy (1967a) |
| 1956 - 1957 | - | .330 | - | Ahluwalia (1978) |
| March - August 1957 | - | .332 | .394 | Chatterjee et al (1974) |
| September 1957 - May 1958 | .340 | .334 | .359 | Chatterjee et al (1974) |
| 1957 - 1958 | .398 | .347 | .386 | Swamy (1967a) |
| 1957 - 1958 | - | .340 | - | Ahluwalia (1978) |
| July 1958 - June 1959 | - | .340 | .348 | Chatterjee et al (1974) |
| 1958 - 1959 | .383 | .335 | .350 | Swamy (1967a) |
| July 1959 - June 1960 | - | .314 | .357 | Chatterjee et al (1974) |
| 1959 - 1960 | .385 | .314 | .353 | Swamy (1967a) |
| 1959 - 1960 | - | .320 | - | Ahluwalia (1978) |
| July 1960 - August 1961 | - | .321 | .350 | Chatterjee et al (1974) |

Contd...

Table 2.1 : (Continued)

| Year | All India | Rural | Urban | Source |
|------------------------------|-----------|-------|-------|-------------------------|
| 1960-- 1961 | - | .330 | - | Ahluwalia (1978) |
| 1960 - 1961 | - | .323 | .348 | Dutta (1980) |
| September 1961 - July 1962 | - | .312 | .357 | Chatterjee et al (1974) |
| 1961 - 1962 | - | .320 | - | Ahluwalia (1978) |
| 1961 - 1962 | - | .310 | .358 | Dutta (1980) |
| February 1963 - January 1964 | .324 | .297 | .360 | Chatterjee et al (1974) |
| 1963 - 1964 | - | .300 | - | Ahluwalia (1978) |
| 1963 - 1964 | - | .287 | .351 | Dutta (1980) |
| July 1964 - June 1965 | - | .294 | .349 | Chatterjee et al (1974) |
| 1964 - 1965 | - | .300 | - | Ahluwalia (1978) |
| 1965 - 1966 | - | .300 | - | Ahluwalia (1978) |
| 1965 - 1966 | - | .297 | .347 | Dutta (1980) |
| July 1967 - June 1968 | .306 | .293 | .345 | Chatterjee et al (1974) |
| 1967 - 1968 | - | .290 | - | Ahluwalia (1978) |
| 1967 - 1968 | - | .293 | .341 | Dutta (1980) |
| 1968 - 1969 | - | .310 | - | Ahluwalia (1978) |
| 1968 - 1969 | - | .305 | .329 | Dutta (1980) |
| 1969 - 1970 | - | .293 | .340 | Dutta (1980) |
| 1970 - 1971 | - | .290 | - | Ahluwalia (1978) |
| 1970 - 1971 | - | .283 | .327 | Dutta (1980) |
| 1972 - 1973 | - | .288 | .328 | Tendulkar (1984) |
| 1973 - 1974 | - | .280 | - | Ahluwalia (1978) |
| 1973 - 1974 | - | .280 | .301 | Dutta (1980) |
| 1977 - 1978 | - | .305 | .305 | Tendulkar (1984) |

Source : B. Debroy, Income inequality in India in E. R. Rairikar edited Dynamics of Poverty and Income Distribution, Bombay, 1985.

regarding the regional disparities in terms of inequality in the distribution of consumer expenditure. Unfortunately, here too the findings have remained inconclusive. Chatterjee and Bhattacharya (1974), found out that there is a marked reduction in the overall state's disparity in rural sector after the 16th and 17th rounds and no clear trend is discernible in case of the urban sector. Majumdar (1976), found out that the concentration coefficient based on consumption expenditure has reduced from .09 in 1958-59 to .05 in 1964-65, whereas the inter state income concentration coefficient was reduced from .13 in 1960-61 to .10 in 1964-65. This however, does not take into account the variation within each state and the whole analysis is based on current prices. Inter state price differentials were also unavailable. Majumdar and Kapoor (1980) studied the inter state disparities between the states during 1962-63 and 1975-76 and found a marked increasing trend in inequality coefficient and per capita income.

III

Apart from the studies which only use the N.S.S. and the NCAER data, there are few studies which have constructed the size distributions of income by piecing together the consumer expenditure data with the data on savings and taxes. This however, requires special assumptions, which are often accused of being arbitrary. Some of the few studies are

those of Ojha and Bhatt (1962, 1964a, 1964b, 1965, 1974), Lydall (1960), Ranadive (1965, 1968), Ahmed and Bhattacharya (1974), Iyengar and Jain (1974), Mukerjee and Chatterjee (1967) and Divakar Rao (1985). Difference in the concept of income and income recipient unit used by these studies, render the time trend comparison difficult. Other than this, the calculation of Gini coefficient was also not found to be uniform.

Ojha and Bhatt (1962) studied the distribution of income of the household sector for the period, 1953-54 to 1956-57. The period selected was largely due to the availability of data. Estimate of population as given by the C.S.O. is assumed to hold for 1950-51. The average annual rate of growth of population as given by the 1961 census is used for estimating the population for the years under the study. Ministry of Labour and Employment in their study "unemployment and urban area" (1959), have estimated the ratio of urban population to the total. Ojha and Bhatt have used this source to arrive at rural and urban population. With the help of the N.S.S. proportions, the total number of rural and urban households are separately estimated. By assuming uniform distribution of expenditure and households, the distribution of households into the high and low income groups are derived. This was regarding the estimates of household. Now as regards income, Ojha and Bhatt used the estimates of national income published by the C.S.O. After deducting taxes and savings they arrived

at the personal consumption expenditure and distributed them between the rural and the urban sectors on the basis of the N.S.S. proportions. "It is assumed that the top expenditure bracket is responsible for the total net saving and the bracket saving by some groups are offset by dissaving by the other groups."⁹ They found out that the 95 per cent of the total households were in low income group (with yearly income of Rs. 3,000 and less) and derived 80 per cent of the total personal income, while 5 per cent of the total households were in high income group (yearly income above Rs. 3,000) obtaining 20 per cent of the total income. They also found out that the direct taxes had a very negligible effect on the low income groups. Low income group obtained 81 per cent of the total disposable income, whereas high income group commanded 19 per cent. Another conclusion was that the degree of inequality in the income distribution increased during the period 1955-56 to 1956-57 as compared to the period 1953-54 to 1954-55. This to a greater extent was due to the substantial increase in the per household income of the high income non-salary earner group. Ojha & Bhatt (1964) study for the years 1953-54 to 1956-57 shows that there is an uneven distribution of disposable income between the rural and the urban sectors. The per household income in the urban sector turned out to be about one and a half times more than the rural sector. The degree of inequality is also shown by

9 P. D. Ojha and V. V. Bhatt (1974), p. 164.

the fact that 11 per cent of the urban households were in the high income group (Rs. 3,000 per year and more), whereas only 3 per cent of the rural households were in this group. Also the distribution of income was found to be more unequal in the urban sector itself. The proportion of income of high non-salary earner group was much higher and this by and large explains the differentials in saving-income ratio. Ojha & Bhatt (1964b) found out that the top decile income group accounted for 28 per cent of the personal income, while the bottom decile obtained only 3 per cent. The distribution pattern of disposable income was also not much different from that of the personal income. The income inequality was found to have increased. Ojha & Bhatt (1974) study covers the time period, 1953-55 to 1963-65 and unlike other studies, individual was taken to be the income recipient unit. The estimates were made for the 2 periods : Period I covering the years 1953-54 to 1954-55, period II covering the years 1963-64 and 1964-65. The distribution in urban sector was found to be more unequal vis-a-vis the rural sector. The share of the top most decile in the personal income was found to have increased to 39 per cent in period II from 35 per cent in the period I. Opposite trend was noticed in the case of the share of bottom most decile classes. The overall income distribution seemed to have increased in the period II. The concentration ratio moved up from .376 to .382.

Ojha & Bhatt (1964b) has been criticised by Eva Mueller

& I.R.K. Sarma (1965). They say that the assumptions made by Ojha & Bhatt lead to an understatement of income inequality and they also ignore an important body of data, the NCAER. Next, the Ojha and Bhatta income estimates are not based on a survey or census of income. Not only this, they also not allowed for any dissavings by the households with incomes below Rs. 3,000. Thus they overstate the income at the lower end and understate the income at the upper end. A similar criticism has been levelled by S. Swamy (1965).

Ranadive (1965) is of the opinion that the procedure followed to convert the published N.S.S. data from per capita expenditure brackets into per household brackets has resulted in arbitrary tampering with the N.S.S. data by substituting fictitious households in the place of actual households. Ranadive (1968), studied the size distribution of income in India for the period 1953-54 to 1959-60. The estimates of size distribution of income follow the same methodology used by Ojha & Bhatt with some modifications here and there. Ranadive allowed for dissavings on the part of households with income less than Rs. 3,000 in the urban sector and Rs. 1,200 in the rural sector and also for the possible tax evasions on the part of the richer income units. Not unlike others, she too found out that inequality is less in the rural sector as compared to the urban sector in terms of all the measures adopted and for all the years and with both individual and the household as the recipient unit.

Individual incomes are less unequally distributed than the household incomes. Personal income is only slightly more unequally distributed than personal disposable income.¹⁰ The underlying assumption in her study was that savings were distributed amongst different expenditure groups in proportion to consumer expenditure.

M. Ahmed and Bhattacharya (1974) have also attempted to integrate the size distribution of consumer expenditure and the size distribution of income before tax to arrive at the size distribution of per capita personal income in India at three different time periods. A three parameter log normal distribution was fitted to the N.S.S. data on consumer expenditure and a pareto curve was fitted to the income tax data. Apart from the assumption that the N.S.S. and income tax data are accurate, the study rests on two vital assumptions. Firstly, income before tax, at lower ranges of per capita household consumer expenditure equals consumer

10 "In terms of mean personal income, the lowest 10 per cent in the rural sector are the poorest (with mean income less than 1/5th of the mean household income) and the top 10 per cent in the urban sector are the richest (with mean income 6 1/2 times the mean of both individual and household income). The poorest who constitute about 8 per cent of the total population received about 2.60 per cent of the individual incomes and 1.40 per cent of the household incomes, throughout the period. The richest who constitute less than 2 per cent of the total population received about 9 per cent of the individual incomes and 10 per cent of the household incomes at the beginning of the period and more than 10 per cent and 12 per cent respectively at the end." (K. R. Ranadive (1968), p. 259).

expenditure. Secondly "the distribution of per capita personal income before tax is asymptotically Paretean for high values of per capita income and has the same scope as the distribution of assesses by size of incomes before tax."¹¹ According to their study there has been a perceptible decline in disparities between 1956-57 to 1963-64 with the Gini coefficient of the distribution of pre-tax per capita incomes declining from .418 in 1956-57 to .379 in 1960-61 and .372 in 1963-64.¹²

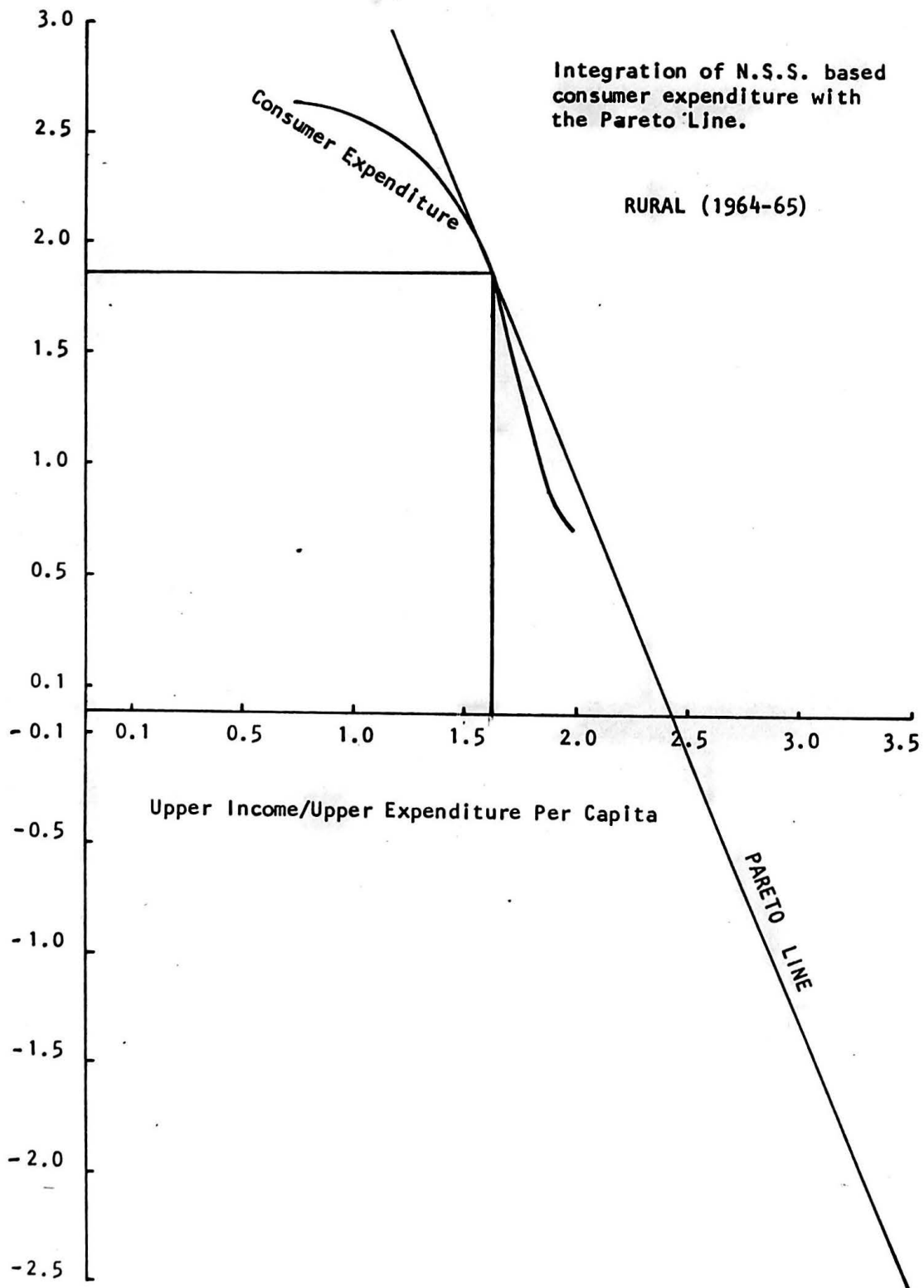
Iyengar and Jain (1974) derived the size distribution of income by directly postulating a precise linear relationship of Keynesian type between the annual household income and per capita consumption. Further, they also made use of the three parameter log normal distribution for consumption expenditure. They found out that there was a general fall in the real incomes of all the categories of households except the "poorest" (annual household per capita income less than Rs. 300) households in India, whose real incomes rose by 50 per cent between 1961-62 to 1964-65.

Divakar Rao (1985) also fitted a three parameter log normal distribution to consumer expenditure and pareto distribution to income tax data (see Figure II). He derived the size distribution of income by plotting on the same

11 M. Ahmed and N. Bhattacharya (1974), p. 176.

12 An alternative method of estimation gives the Gini coefficient as .408 in 1956-57, .362 in 1960-61 and .361 in 1963-64.

FIG. - II



graph the two fits with the assumption that if the Pareto line is extrapolated it becomes tangential to the consumer expenditure curve. At this point the per capita expenditure level equals the per capita income level. The persons falling below the point of tangency were assumed to be the 'lower income groups', whereas those falling beyond the point of tangency were assumed to be in the "upper income groups". His study also allowed for dissavings on the part of lower income groups. The income inequality coefficients calculated by us are given below. The figures reveal that the inequality increased till the year 1968-69 and then finally declined. The results are given in Table 2.2. Table 2.3 consists of some results of the studies which are based on slicing together various kinds of data to arrive at the size distribution of income.

Table 2.2 : Gini Coefficients (1964-65 to 1975-76)

| Year | All India | Rural | Urban |
|---------|-----------|-------|-------|
| 1964-65 | .41 | .39 | .47 |
| 1968-69 | .46 | .44 | .50 |
| 1975-76 | .34 | .33 | .36 |

* "Individual" has been taken to be the income recipient unit.

Table 2.3 : Gini Coefficients of Nominal Inequality in the Distribution of Income Using the Sliced Data

| Year | Concept of income | Income recipient unit | All India | Rural | Urban | Source |
|---------|-------------------|-----------------------|----------------|----------------|----------------|-----------------|
| 1953-55 | Pretax | Individual | .419 | .365 | .488 | Jain (1975) |
| 1961-64 | " | " | .488 | .335 | .529 | " |
| 1963-65 | " | Household | .467 | .328 | .493 | " |
| 1953-55 | " | " | .349 | .305 | .378 | Ojha & Bhatt |
| 1956-57 | " | " | .341 | .304 | .421 | (1964b) |
| 1953-57 | " | " | .340 | .310 | .400 | " |
| 1953-57 | " | " | .343 | .311 | .422 | Jain 1975 |
| 1953-54 | " | " | .437 (.511) | .424 (.434) | .479 (.512) | Ranadive (1968) |
| 1954-55 | " | " | .469 (.591) | .434 (.442) | .546 (.596) | Ranadive (1968) |
| 1955-56 | " | " | .449 (.583) | .416 (.425) | .528 (.588) | " |
| 1957-58 | " | " | .432 (.540) | .410 (.421) | .494 (.544) | " |
| 1959-60 | " | " | .411 (.434) | .382 (.394) | .480 (.537) | " |
| 1960 | " | " | .473 | .454 | .530 | Jain (1975) |
| 1964-65 | " | " | .421 | .370 | .481 | " |
| 1967-68 | " | " | .478 | .477 | .465 | " |
| 1953-55 | Post tax | " | .342 | .304 | .368 | Ojha & Bhatt |
| 1956-57 | " | " | .335 | .301 | .405 | (1964b) |
| 1953-57 | " | " | .335 | .306 | .382 | " |
| 1953-54 | " | " | .432 (.500) | .420 (.430) | .467 (.501) | Ranadive (1968) |
| 1954-55 | " | " | .462 (.580) | .428 (.437) | .532 (.584) | " |
| 1955-56 | " | " | .442 (.571) | .412 (.421) | .513 (.575) | " |
| 1957-58 | " | " | .425 (.531) | .406 (.417) | .483 (.534) | " |

Contd...

Table 2.3 : (Continued)

| Year | Concept of income | Income recipient unit | All India | Rural | Urban | Source |
|---------|-------------------|-----------------------|----------------|----------------|----------------|--------------------|
| 1959-60 | Post tax | Household | .404 (.427) | .378 (.390) | .466 (.525) | Ranadive (1968) |
| 1951-55 | " | " | .400 | - | - | Swamy (1967a) |
| 1955-56 | " | " | .540 | - | - | " |
| 1953-54 | Pretax | Individual | .359 (.374) | .335 (.344) | .430 (.466) | Ranadive (1968) |
| 1954-55 | " | " | .399 (.420) | .353 (.363) | .479 (.534) | " |
| 1955-56 | " | " | .393 (.419) | .345 (.357) | .487 (.554) | " |
| 1957-58 | " | " | .371 (.391) | .335 (.346) | .454 (.506) | " |
| 1959-60 | " | " | .437 (.391) | .315 (.327) | .448 (.502) | Ranadive (1968) |
| 1953-55 | " | " | .376 | .343 | .401 | Ojha & Bhatt(1974) |
| 1963-65 | " | " | .382 | .324 | .459 | (1974) " |
| 1961-62 | " | " | .372 | - | - | Jain (1975) |
| 1961-64 | " | " | .403 | - | - | " |
| 1963-64 | " | " | | - | - | " |
| 1964-65 | " | " | | - | - | " |
| 1953-54 | Post tax | " | .353 (.369) | .331 (.340) | .416 (.453) | Ranadive (1968) |
| 1954-55 | " | " | .391 (.412) | .349 (.358) | .463 (.520) | " |
| 1955-56 | " | " | .385 (.411) | .340 (.352) | .472 (.542) | " |
| 1957-58 | " | " | .365 (.380) | .331 (.342) | .442 (.495) | " |
| 1959-60 | " | " | .355 (.378) | .311 (.322) | .434 (.491) | " |
| 1953-55 | " | " | .371 | .341 | .392 | Ojha & Bhatt(1974) |
| 1963-65 | " | " | .375 | .319 | .448 | " |
| 1961-62 | " | " | .351 (.367) | - | - | Ranadive (1971) |

* Figures in the parenthesis give the maximum value of Gini coefficient based on the combination of assumption of negative savings below a certain income level and that the tax evasion is not reflected in consumption and/or saving. The minimum value is obtained by combining the assumption of zero savings below a certain income level with the assumption that evaded tax payments are fully reflected in consumption and/or savings.

Source : B. Debroy, "Income inequality in India" in B. R. Rairikar edited Dynamics of Poverty and Income Distribution, Bombay, 1985.

Various objections have been raised as regards the use of the tax and savings statistics to arrive at the size distribution of income. Firstly, the tax data seems quite inadequate in the context of India, because only a small proportion of the total population is taxed. Secondly, the tax data show only the number of assessments and not the number of households as required. Further, tax data give only the number of tax assessments completed during the assessment year and they do not relate to the income earned during the year. Finally, tax evasion add to the already existing demerits. Tax data relate only to the incomes that are derived from non-agricultural sources. Apart from these is the conceptual problem. Personal income used for studying income distribution is quite distinct from the concept of taxable income. "Sample surveys of household income and consumption are the only really adequate bases on which size distributions of income for a less developed country can be constructed. The alternative of using income tax statistics is not available in such countries where income taxes are typically not levied on the rural sector where the majority of population lives, and where only a small fraction of urban incomes are subject to taxation. The further alternative of piecing together income distributions from data on wages and salaries, and data on the distribution of agricultural land and other property together with figures on the average productivity of

such assets is tedious and at best incomplete."¹³

Household savings data, as provided by the R.B.I. and the C.S.O. are also not reliable. This could be attributed to the presence of a large number of subjectively assumed allocation proportions and subjectively selected blowing up ratios used at different stages of preparation of these estimates. An interesting observation made by Bardhan (1974), is that, though the R.B.I., the C.S.O. and the NCAER estimates are roughly based on the same definitions and same basic data, the estimates of household savings data significantly vary. "In 1961-62, total household savings in India at current prices were Rs. 9,222 million by the R.B.I. estimate, Rs. 8,380 million by the C.S.O. estimate and Rs. 9,716 million by the NCAER estimate."¹⁴

IV

Most of the studies spell out the necessity to evaluate the real income inequality. It would have made no difference whether nominal or real consumer expenditure was considered, if the prices varied in the same proportion for all the expenditure classes. However, it has not been so. Rise in the foodgrain prices has been greater than the rise in the prices of the non-food items and hence, the effective rise in prices

13 I. Rajaraman (1976), p. 223.

14 P. K. Bardhan (1974), p. 112.

has been greater for the poorer expenditure classes than for the richer expenditure classes. Therefore, there is every probability of an underestimation of real extent of inequality over time.

This predicament could have been eased to a larger extent if the adequate price data was available. Unfortunately, there is not any satisfactory source of data. Since our main concern is regarding the variation in the price changes across the expenditure classes, the price indices for the average consumer falls short of our need. Unavailability of data on retail prices, leaves us with the option to rely on the wholesale prices by broad commodity groups as crude approximation. But we are limited by the fact that such wholesale prices are available only at the national level.

A consumer price index for agricultural labourers (CPIAL), is available for each state and can be used to represent the average price rise for the rural sector as well as for the rural poor. It has been found to be a fairly good proxy for the expenditure class specific price indices for the rural poor by both Bardhan (1973) and Dutta (1978). A comparison with Murthy and Murthy (1977) indices reveals that except for the year 1970-71, CPIAL over states the general price for the rural sector. A similar comparison with Radhakrishna and Sarma (1975) reveals the same pattern. The use of CPIAL also turns out to be unsatisfactory because as

Ahluwalia (1978), argues that in principle one should distinguish between the different groups who constitute the rural poor. The general price index for the urban sector and for the urban poor has been provided by the consumer price index for the industrial workers (CPIIW). CPIIW has proved to be a fairly good index of the average price rise for the urban sector (approximately for the bottom four decile classes). A comparison with Murthy & Murthy (1977), reveals an underestimation of the price index for the urban poor. Another criticism coming from Ahluwalia (1978) is that the CPIIW and the CPIAL, being base weighted price index ignore the substitution effects of consumption.

The CPIAL and the CPIIW prove to be valuable if one is interested in estimating the extent of poverty and the rural-urban differentials. But unfortunately they are of little use if one wishes to estimate the nominal and the real inequality. What actually needed is the fractile specific or expenditure class specific price indices. Fractile specific price indices have been worked out by Vaidyanathan (1974), Radhakrishna and Sarma (1975) and Murthy and Murthy (1977).

Due to the unavailability of adequate information, Vaidyanathan used the N.S.S. and the wholesale prices for analysing the real consumption and its distribution. His exercise was restricted to the rural sector. Price index for the commodity basket consumed by a particular fractile was used to deflate the nominal expenditure. Five different

methods of deflation were performed. The first method related to the commoditywise deflation. The total expenditure in each fractile group was divided into a group of commodities. The expenditure on each of these groups was deflated by the corresponding wholesale price index to get the total expenditure at constant prices for that fractile group. Rest of the methods related to the use of average per capita expenditure in each fractile to be deflated by a single price index with varying base years. Vaidyanathan (1974) found out that the time trend of nominal and the real income inequality over the period 1957-58 to 1967-68 appears to have more or less been the same but have declined over the years. However, the fall in the case of nominal inequality was greater than that of the real inequality.

Radhakrishna and Sharma(1975) in their study on the distributional effect of inflation on the various income classes over the period 1951-74, conclude that the poorest 10 per cent of the population was hardest hit by inflation. "The suffering of the urban poor was substantially more intense than their rural counterparts."¹⁵ Murthy & Murthy (1977) have also constructed the price indices for decile classes for the years 1952-53 to 1973-74. Their results also confirms that the impact of inflation has not been uniform and "it is relatively more-severe for the poorer sections of the population."¹⁶

15 R. Radhakrishna and A. Sharma(1975), p. 67.

16 Murthy & Murthy (1977), p. 170.

Mukerjee and Chatterjee (1967) found out that the per capita private consumption expenditure in terms of the current prices and in real terms increased at a considerably slower rate, than per capita national income. At an all India level, there was some reduction in the disparity of private consumption at current prices during the period 1953-54 to 1961-62. In real terms the disparity was comparatively larger. There was a perceptible increase in the share of income of specified rich classes of income tax assesses in the national income. Though the movement of disparity in the distribution of personal income by size reckoned at current prices is not clear, they conclude that there has been a significant increase in real terms.

We carried out a study of the nominal and the real inequality of consumer expenditure based on the N.S.S. data for the years 1952-83 (Tables 2.4 and 2.5) and found out that there was a considerable decline in the nominal inequality in the case of the rural sector though there was a decline in the nominal inequality of the urban sector too. After deflating the nominal expenditure with the Murthy and Murthy indices, which are known to be statistically sound and covers a large number of years, we arrived at a few interesting results. Firstly, the real inequality was found to be greater than the nominal inequality and secondly the decline in the rural (nominal) inequality. The urban real inequality has more or less been the same. Finally, the urban sector both

Table 2.4 : Nominal Gini Coefficients (1951-83)

| Round | Time period | Rural | Urban |
|-------|---------------------------------------|-------|-------|
| 2 | April - June 1951 | .3586 | - |
| 3 | August - November 1951 | .3320 | .3756 |
| 4 | April - September 1952 | .3376 | .3532 |
| 5 | December 1952 - March 1953 | .3194 | .3792 |
| 6 | May - September 1953 | .3344 | .3618 |
| 7 | October 1953 - March 1954 | .3416 | .3536 |
| 8 | July 1954 - March 1955 | .3570 | .4038 |
| 9 | May - November 1955 | .3322 | .3810 |
| 10 | December 1955 - May 1956 | .3352 | .3863 |
| 11 | August 1956 - February 1957 | .3206 | .4076 |
| 12 | March - August 1957 | .3288 | .4122 |
| 13 | September 1957 - May 1958 | .3428 | .3640 |
| 14 | July 1958 - June 1959 | .3558 | .3516 |
| 15 | July 1959 - June 1960 | .3058 | .3688 |
| 16 | July 1960 - August 1961 | .3180 | .3466 |
| 17 | September 1961 - July 1962 | .3198 | .3788 |
| 18 | February 1963 - January 1964 | - | .3724 |
| 19 | July 1964 - June 1965 | .2988 | .3610 |
| 20 | July 1965 - June 1966 | .3054 | .3454 |
| 21 | July 1966 - June 1967 | .2886 | .3472 |
| 22 | July 1967 - June 1968 | .2886 | .3440 |
| 23 | July 1968 - June 1969 | .3072 | .3316 |
| 24 | July 1969-70 | .2900 | .3266 |
| 25 | July 1970 - June 1971 | .2900 | .3168 |
| 26 | - | - | - |
| 27 | October 1972 - September 1973 | .2998 | .3576 |
| 28 | October 1973 - June 1974 | .2866 | .3278 |
| 38 | January - December 1983 (Provisional) | .2972 | .3286 |

Table 2.5 : Real Gini Coefficients (1952-74)

| Round | Time period | Rural | Urban |
|-------|-------------------------------|-------|-------|
| 4 | April - September 1952 | .3326 | .3432 |
| 5 | December 1952 - March 1953 | .3140 | .3864 |
| 6 | May - September 1953 | .3292 | .3550 |
| 7 | October 1953 - March 1954 | .3344 | .3444 |
| 8 | July 1954 - May 1955 | .3460 | .3890 |
| 9 | May - November 1955 | .3184 | .3646 |
| 10 | December 1955 - May 1956 | .3212 | .3726 |
| 11 | August 1956 - February 1957 | .3126 | .3992 |
| 12 | March - August 1957 | .3222 | .4024 |
| 13 | September 1957 - May 1958 | .3378 | .3552 |
| 14 | July 1958 - June 1959 | .3520 | .3442 |
| 15 | July 1959 - June 1960 | .2974 | .3600 |
| 16 | July 1960 - August 1961 | .3090 | .3366 |
| 17 | September 1961 - July 1962 | .3108 | .3684 |
| 18 | February 1963 - January 1964 | - | .3626 |
| 19 | July 1964 - June 1965 | .2988 | .3610 |
| 20 | July 1965 - June 1966 | .3128 | .3528 |
| 21 | July 1966 - June 1967 | .2990 | .3564 |
| 22 | July 1967 - June 1968 | .3010 | .3544 |
| 23 | July 1968 - June 1969 | .3148 | .3420 |
| 24 | July 1969 - June 1970 | .2982 | .3364 |
| 25 | July 1970 - June 1971 | .2914 | .3194 |
| 26 | - | - | - |
| 27 | October 1972 - September 1973 | .3030 | .3666 |
| 28 | October 1973 - June 1974 | .2896 | .3340 |

in nominal and real terms showed a greater inequality than the rural sector. Table 2.6 shows the share of bottom and top 20 per cent of the households in the total consumer expenditure (both nominal and real) as calculated by our study.

Table 2.6 : Percentage Nominal and Real Shares of Bottom and Top 20 Percent of the Households in Total Consumer Expenditure

| | | (Percentage) | | | | | | | |
|--------|--|-------------------------------------|-------|-------|-------|--|-------|-------|-------|
| | | 4th Round (April-September 1952) | | | | 28th Round (October 1973-June 1974) | | | |
| | | Nominal | | Real | | Nominal | | Real | |
| | | Rural | Urban | Rural | Urban | Rural | Urban | Rural | Urban |
| Bottom | | | | | | | | | |
| 20 per | | | | | | | | | |
| cent | | 7.6 | 7.1 | 7.7 | 7.3 | 8.6 | 7.8 | 8.6 | 7.8 |
| Top | | | | | | | | | |
| 20 per | | | | | | | | | |
| cent | | 41.7 | 44.7 | 41.1 | 43.8 | 38.3 | 41.9 | 88.8 | 42.7 |

We also fitted a linear and exponential regression to the results given in Tables 2.4 and 2.5 and found that the decline in inequality was significant. For regression results see Table 2.7.

It is difficult to draw any conclusion regarding the time trend of income inequality. Studies have varied as regards the concepts of income and income recipient unit,

Table 2.7 : Regression Results

| | Linear (Y = a + bx) | | | | Exponential (Y = ae ^{bx}) | | | |
|-----------------------|---------------------|---------|---------|----------|-------------------------------------|---------|---------|----------|
| | Nominal | | Real | | Nominal | | Real | |
| | Rural | Urban | Rural | Urban | Rural | Urban | Rural | Urban |
| Slope (b) | -0.002 | -0.002 | -0.002 | -0.001 | -.008 | -.006 | -.005 | -.004 |
| Standard error of 'b' | .0003 | .0005 | .0003 | .0005 | .0010 | .0013 | .0010 | .0014 |
| T value of 'b' | -7.7287 | -4.0524 | -5.0781 | -2.6254* | -7.9308 | -4.1845 | -5.2215 | -2.6496* |
| R ² | .704956 | .396455 | .528560 | .230579 | .715579 | .411898 | .542422 | .233850 |
| \bar{R}^2 | .693154 | .372314 | .508063 | .197126 | .704201 | .388374 | .522521 | .200540 |

* These values were found to be insignificant at 95 per cent level of significance.

For data please refer to Tables 2.4 and 2.5.

Here X is taken to be time period and Y to be the concentration ratios.

and any reconciliation of alternative concepts to have a lucid picture does not seem feasible. Keeping in mind these limitations along with the inadequacy of income data, it seems sensible to rely on the consumer expenditure data. Not only this there also exists a fairly continuous time series of the distribution of per capita consumption levels. Some obvious results of the studies discussed above are as follows. (i) Inequality in the urban sector was found to be more than the rural sector, though the rural sector remains the more impoverished sector. (ii) In case of the inter-state disparities too, the conclusion as regards the decline in income/consumption inequality, remains inconclusive. (iii) Taxes have played a very insignificant and negligible role in reducing income inequality. (iv) As regards the decline in income/consumption inequality the controversy will remain unsettled but the majority of the studies point out to the decline in inequalities and finally, (v) Real inequality has been found to be greater than the nominal inequality.

CHAPTER III

INEQUALITIES IN THE DISTRIBUTION OF LAND

"The comparative wealth, esteem, military position and the sanguinary authority over the lives of the populace that went with land ownership assured its possessor of a position of eminence in his community and power in the state."¹ A drastically uneven distribution of agricultural land is one of the predominant features of almost all the developing countries. Given the traditional technological environment of these economies, the differences in the economic condition of the farmers to a great extent can be purely said to be a function of land. Inequalities in the distribution of land holdings also provide an answer to the persistent inequalities in the distribution of income. As a consequence, a number of countries have enacted a series of land reform measures to remedy the inequalities inherent in the conventional land holding structure as a part of their overall programme of socio-economic justice. Several economic and non-economic factors have had a considerable impact on the original structure of land holdings. Now, keeping in view the above-mentioned factors, a perusal of the structural changes in the land holdings pattern becomes inevitable.

1 J. K. Galbraith (1967) quoted from Peter Donner.

When we refer to the "structure of land holdings", our analysis pertains to the two basic distributions at the same time one, the distribution of the owned land and second that of operated or cultivated land. The two major sources of data relating to the structure of land holdings in India are the various rounds of the National Sample Surveys and the Agricultural Census Reports. This chapter, first deals with the conceptual framework of the N.S.S. data and the studies based on the N.S.S. data; then, it analyses the results of the data collected by agricultural census and it also endeavours to explain the divergence between the two sets of data.

The N.S.S. in its 8th, 16th, 17th, 26th and 32nd rounds made available detailed data on land holdings for the rural and urban areas for the years 1953-54, 1959-60, 1960-61, 1970-71 and 1977-78 respectively. The eighth round of the N.S.S. was the first enquiry on land holdings covering both the rural and urban areas. The schedule of enquiry, concepts and the standards remained the same in both the rural and the urban sectors. While collecting data, emphasis was laid on data pertaining to the operational and ownership holdings. As regards the rural sector, a total number of 4,456 sample villages were selected for the survey, out of which 1,424 constituted the central sample and rest constituted the state sample. Out of the given 1,424 central sample villages, survey was actually carried out in 1,410 villages and out of 2,544 state sample villages, 2,534 villages were actually

surveyed. A stratified two stage sample design was adopted. Villages were taken to be the first stage unit and households to be the second stage unit. A stratified multistage sampling design was adopted for the survey on land holdings in the urban sector. In Srinagar and Jammu and also in the four big cities viz. Calcutta, Bombay, Madras and Delhi, a two stage sampling design was adopted. The sample blocks were selected as the first stage unit and sample households were taken to be the second stage units. For the left over urban areas, the design was a 3 stage one. A total number of 2,459 sample households were surveyed out of the 468 sample blocks. These were then divided into a number of zones - north and north-west India, east India, central India and south and west India.

The sixteenth round (July 1960 - June 1961) was the second extensive survey on land holdings carried out by the N.S.S. It was restricted only to the rural areas. The total number of 3,798 villages were planned to be surveyed but only 3,735 villages could be surveyed. A stratified 2 stage sampling was adopted, villages being the first stage sampling units and households, being the second stage sampling units. While allocating the total number of sample villages amongst various states, rural population (Census 1951) and the area under food crops in respective states were kept under consideration.

The seventeenth round (September 1961 - July 1962) survey on land holdings did not differ with the sixteenth

round as regards concepts, definitions and sampling design, but its coverage was extended to urban areas also. For the rural areas a stratified two stage design was adopted with villages as the first stage units and the ultimate unit being the households. A total number of 3,888 villages were planned to be surveyed, however, the actual number of villages surveyed was 3,486. The urban area in this round was divided into 2 sectors. Sector one comprised of towns and cities with 1951 Census population, of 50,000 and above and the sector two, consisted of the remaining areas. A stratified multistage sampling design was adopted. A total number of 13,293 sample households were surveyed out of the 2,227 sample blocks, which was originally planned to be 2,237 blocks.

The twenty sixth round (July 1971 - September 1972) of the N.S.S. on land holdings covered 35,947 households in 4,547 villages and 19,820 households in 4,592 urban blocks spread over the entire country. A stratified two stage sampling design was adopted for both the rural and urban sectors, villages and urban blocks being the first stage units and the households being the ultimate unit in case of both the sectors. To have a fair idea of the structural distribution of land holdings, we reproduce the all India percentage distribution of households and of area owned by the size class of ownership holdings, as given by the 26th round in Table 3.0. Table 3.1 gives the all India percentage distribution of households and of area operated by the size class of household operational holdings.

Table 3.0 : All India Percentage Distribution of Households and of Area Owned by the Size Class of Ownership Holdings

| Number of sample blocks and villages 9,379 | | Number of sample households 55,767 | |
|--|---|------------------------------------|-----------------------|
| Size class of households by ownership holdings | Average area owned by the households (hect) | Percentage households | Percentage area owned |
| .002 hect and less | - | 19.50 | - |
| .00 - .20 | 0.03 | 29.09 | 0.78 |
| .21 - .40 | 0.28 | 6.32 | 1.43 |
| .41 - .50 | 0.44 | 3.78 | 1.31 |
| .51 - 1.00 | 0.74 | 10.87 | 6.40 |
| 1.01 - 2.02 | 1.44 | 12.59 | 14.51 |
| 2.03 - 3.03 | 2.45 | 6.45 | 12.64 |
| 3.04 - 4.04 | 3.47 | 3.28 | 9.09 |
| 4.05 - 5.05 | 4.46 | 2.46 | 8.77 |
| 5.06 - 6.07 | 5.50 | 1.28 | 5.64 |
| 6.08 - 8.09 | 6.92 | 1.68 | 9.26 |
| 8.10 - 10.12 | 8.97 | 0.96 | 6.86 |
| 10.13 - 12.14 | 10.91 | 0.54 | 4.74 |
| 12.15 - 20.24 | 15.03 | 0.85 | 10.26 |
| 20.25 - above | 29.91 | 0.35 | 8.31 |
| All sizes | 1.25 | 100.00 | 100.00 |

Source : N.S.S. (26th Round).

Table 3.1 : All India Percentage Distribution of Households and of Area Operated by the Size Class of Household Operational Holdings

| Size class of holdings by operational holdings | Average area operated by the households (in hect) | Percentage households | Percentage area operated |
|--|---|-----------------------|--------------------------|
| .002 hect and less | - | 41.30 | - |
| .00 - .20 | 0.09 | 6.86 | 0.48 |
| .21 - .40 | 0.28 | 5.59 | 1.23 |
| .41 - .50 | 0.44 | 3.35 | 1.13 |
| .51 - 1.00 | 0.75 | 11.07 | 6.40 |
| 1.01 - 2.02 | 1.45 | 13.12 | 14.76 |
| 2.03 - 3.03 | 2.46 | 6.95 | 13.24 |
| 3.04 - 4.04 | 3.48 | 3.44 | 9.26 |
| 4.05 - 5.05 | 4.47 | 2.46 | 8.53 |
| 5.06 - 6.07 | 5.51 | 1.31 | 5.60 |
| 6.08 - 8.09 | 6.93 | 1.73 | 9.30 |
| 8.10 - 10.12 | 8.97 | 1.00 | 6.91 |
| 10.13 - 12.14 | 10.99 | 0.57 | 4.83 |
| 12.15 - 20.24 | 14.95 | 0.91 | 10.49 |
| 20.25 - above | 29.91 | 0.34 | 7.84 |
| All sizes | 1.29 | 100.00 | 100.00 |

Source : N.S.S. 26th Round.

Sanyal (1976) has concised the coverage of the two main concepts of the ownership and 'operational holdings' over the number of rounds of the N.S.S. as given in Table 3.2.

Table 3.2 : Concepts of Ownership and Operational Holdings over Various Rounds of N.S.S.

| Item | 8th Round | 16th and 17th Rounds | 26th Round |
|----------------------|---|---|-------------------------------------|
| Ownership of land | Land held with the right of permanent and heritable possession | Besides pure ownership of 8th round, it also includes* land held in owner like possession, e.g. land held on long term lease etc. | Same as in the 16th and 17th rounds |
| Operational holdings | i) All holdings of the sample households whether put to agricultural | Only holdings put wholly or partly to agricultural production were covered | Same as in the 16th and 17th rounds |
| | ii) No geographical restriction provided the parcels formed the same technical unit | All parcels within the state will constitute a holding provided they formed the same technical unit | Same as in the 18th round |

* This gives an exaggerated picture of the decrease in the proportion of the landless during the period 8th - 17th rounds.

Note Agricultural holdings were, however, obtained at the tabulation stage on the basis of land utilisation particulars of the operational holdings by discounting the purely non-agricultural holdings. A comparison, therefore, with later rounds is possible. (Reproduced from Sanyal (1976)).

The thirty second round (1977-78) of survey, from each sample household, collected data on the area of the total land holding possessed in term of acres (the data on operational holdings were neglected). Table 3.3 gives the all India percentage distribution of households by size class

Table 3.3 : All India Percentage Distribution of Households by the Size Class of Household Ownership Holdings

| Size class of household ownership holdings | Percentage of households |
|--|--------------------------|
| .00 - .01 | 3.53 |
| .01 - 0.49 | 33.66 |
| .50 - 0.99 | 6.58 |
| 1.00 - 2.49 | 17.40 |
| 2.50 - 4.99 | 16.87 |
| 5.00 - 7.49 | 8.79 |
| 7.50 - 9.99 | 3.76 |
| 10.00 - 14.99 | 4.43 |
| 15.00 - 19.99 | 2.03 |
| 20.00 - above | 2.95 |
| | 100.00 |

Source : N.S.S. (32nd round).

of household ownership holdings. It is explicit from the data that the households of area 0.5 hect. i.e. the small holdings accounted for 46.5 per cent of the total rural households. Households possessing holdings (moderate (0.5 ha to 2.0 ha) constituted 31.1 per cent of the rural households. Approximately 3.5 per cent of the rural households either did not possess any land or possessed less than .002 hectares of land. Lorenz ratio, measuring the inequalities in distribution of owned land holdings, as calculated by us based on the data provided by the 32nd round, turned out to be approximately .82.

According to Dandekar and Rath (1971), the concept of 'operational holding' has more relevance as compared to the 'ownership holdings'. Their study of inequalities in the distribution of land holdings based on the 17th round of the N.S.S. (1960-61) data, show that the households cultivating no land or less than 2.5 acres each formed 57.59 per cent of the total rural households and they operated only 7 per cent of the total operated area. In contrast to this, the holdings of more than 30 acre each, constituting 2.09 per cent of the total operational holdings had an access to 23 per cent of the total operated land. Their statewise analysis also revealed that large proportion of the rural households cultivated very little or no land and a very minute section had relatively big operational holdings and the inequalities in the distribution of operational holdings was less than

inequalities in the distribution of ownership holdings. In their opinion, given the milieu of technological advances, it would be futile to redistribute the existing holdings on grounds of profitability and it would be more desirable and rational if existing ceiling is imposed more vigorously.

Vaidyanathan (1974) after analysing the 17th round of the N.S.S., found out that approximately 42 per cent of the rural households had operational holdings of less than one acre and these holdings accounted for 1.3 per cent of the total area operated. On the other hand 4.5 per cent of the operational holdings having an area of 20 acres of land and more, had a share of 35 per cent of the total area operated. On the whole, Vaidyanathan, concluded that the inequality coefficient for land holdings was significantly higher than for consumption, implicitly implying from this comparison that an unequal distribution of land does not mean that the majority of rural household population is worse off, since from the welfare point of view, consumption is a better indicator of levels of living. One of the reasons attributable to this feature, which is yet controversial, could be that the small holdings have more yield per unit area as compared to the large holdings. Several arguments in terms of labour cost, fertility and economies of scale have been put forward to establish that small farms are more productive. It has also been confirmed by the N.S.S. data (17th Round) and the Farm Management Surveys that the smaller holdings are better

irrigated and have higher cropping intensity. Available evidence, according to Vaidyanathan, also suggests that the output of animal husbandry, one of the important sources of rural income, is more evenly distributed among the various stratas of rural population.

Minhas (1974), constructed a projected distribution of operational and ownership holdings, area operated and area owned using the 1960-61 data with the "hind sight provided by the corresponding data for 1959-60 and 1953-54." The total operated area in 1969-70 was estimated to be 340 million acres, out of which 328 million acres was estimated to be owned by the rural households. The total number of rural households in 1969-70 was projected to be 86.5 million. According to projections, 57.59 per cent of holdings have a size class of household operational holdings of 3 acres and less and these holdings together account for 7.07 per cent of the total operated area. 6.99 per cent of the holdings operate land of 15 acres and more and occupy 44.86 per cent of the total area. 60.06 per cent of holdings with the holding size of 3 acres and less owned 7.58 per cent of the total owned land and holdings with holding size of 15 acres and more constituted 6.82 per cent of the total owned holdings and owned 45.50 per cent of the total owned land. Concentration ratio for land ownership for the years 1953-54 and 1960-61 as given by Minhas, are .66 and .68 respectively. The concentration ratio calculated by us for the projected

year, 1969-70 was found to be .72. These given figures established an increasing inequality in the distribution of ownership holdings.

C. H. Shah (1976) studied the 17th and 26th rounds of the N.S.S. relating to the years 1961 and 1971. He concluded that for the country as a whole, there was an insignificant fall in the value of Gini coefficient of concentration of ownership of land (including zero holders) from 0.72 to 0.71 over the past ten years. Value of Gini coefficient for the 8th round and the 10th round (i.e. from 1953-54 and 1959-60) was found to be 0.78 and 0.73 respectively. A noticeable steady decline in the concentration of ownership of land during 1950's is obvious by the results. In spite of these favourable outcomes, Shah, draws our attention to two important facts. "Firstly despite the ceiling laws, the concentration of ownership of land has not changed much in the recent period. Secondly, despite a marginal decline in the concentration of land ownership, the concentration of assets holdings has tended to increase."² Table 3.4 gives the change in the Gini coefficients of concentration of assets (for cultivators) and owned land (rural areas) between 1961 and 1971 in various states of India. A comparison of the concentration ratio of owned land holdings for 1961 and 1971 reveal that it had increased in the states of Punjab, Bihar, Tamil Nadu, Uttar Pradesh and West Bengal. Changes in the

2 C. H. Shah (1976), p. 8.

Table 3.4 : Change in the Gini Coefficients of Concentration of Assets* (for Cultivators) and Owned Land (Rural Areas) between 1961 and 1971 in Various States

| State | Assets | | Owned land | |
|--------------------|--------|------|------------|------|
| | 1961 | 1971 | 1961 | 1971 |
| Andhra Pradesh | 0.648 | .609 | .764 | .732 |
| Bihar | 0.639 | .622 | .701 | .712 |
| Gujarat | 0.512 | .527 | .683 | .683 |
| Kerala | 0.661 | .635 | .756 | .702 |
| Madhya Pradesh | 0.523 | .529 | .637 | .621 |
| Maharashtra | 0.552 | .548 | .707 | .682 |
| Karnataka (Mysore) | 0.602 | .593 | .663 | .663 |
| Orissa | 0.448 | .539 | .684 | .645 |
| Punjab) | | .482 | .749 | .776 |
|) | 0.497 | | | |
| Haryana) | | .485 | - | .753 |
| Rajasthan | 0.480 | .530 | .654 | .667 |
| Tamil Nadu | 0.625 | .558 | .749 | .751 |
| Uttar Pradesh | 0.546 | .536 | .621 | .631 |
| West Bengal | 0.580 | .561 | .666 | .672 |
| All India | 0.587 | .619 | .720 | .710 |

* Here assets include land, cattle, implements, durable household assets and liquid assets.

Source : Assets data drawn from R.B.I.'s two studies on Debt and Investment and Assets. Land ownership data are drawn from 17th and 26th rounds of the N.S.S. (Reproduced from C.H.Shah (1976)).

state level concentration of assets is a function of changes in the concentration of land holdings and other assets. Concentration of assets holdings had increased in the states of Gujarat, Rajasthan, Madhya Pradesh and Orissa. According to Shah, since the distribution of land ownership influences the distribution of income and other assets and also since the inequalities in wealth and income distribution are related to inequalities in land distribution, it is pertinent to have some idea of the factors which are associated with the concentration of land holdings. Average value of land per acre was found to have a very dominant influence on concentration of land holdings. Whenever the land was found to be more valuable there was a tendency for land to be concentrated "among the relatively substantial farmers". His district level analysis based on the Agricultural Census (1970-71) data indicates an inverse relation between concentration of operational holdings and average size of holdings. This in turn implies that there is a positive relation between value per hectare and concentration of land ownership and in case of a place where land is productive or fertile there is an inverse relation between average value of land per acre and average size of the holdings. As regards the land reform, he is of the view that "sweeping land reforms had welcome effect on the structure of ownership holdings of land, especially more farmers came to own land. This was mainly a qualitative difference (tenants becoming owners in some states). The

rising pressure of population had the positive effect. But the latter was submerged by the former."³

Singh (1976) studied the structural changes in the size distribution of holdings using the data provided by the 8th, 16th, 17th and 26th rounds of the N.S.S. He found out that the number of operational holdings grew at a rate of 1.7 per cent per annum, which is short of the rate of growth of population. On the contrary, the rate of growth of ownership holdings have been 3 per cent per annum. This being higher than the rate of growth of population, reflects the urge of the rural population to "have a title over the piece of land even if its cultivation in certain cases is uneconomic and difficult". The operational holdings formed 73 per cent of the total number of holdings at three points of time (1953-54, 1959-60 and 1970-71). His analysis shows that there has been an increase of 33 per cent in the total number of operational holdings between 1953-54 and 1970-71, the increase in the size class .01 - .40 hectare being 44 per cent and the increase in the size class 0.41 to 1 hectare being 69 per cent. There was, however, a decline of 41 per cent in the size group 1.01 to 2.02 hectares. This according to Singh, suggests that "the number of very small and small holdings is increasing perhaps as a result of the sub-division of larger (as well as smaller) holdings, and the growth of population in

3 C. H. Shah (1976), p. 14.

the absence of commensurate growth in the diversification of rural economy."⁴ This invalidates the "big fish is eating the small" theory. As regards the changing share of land, the share of very small holdings, i.e. upto .40 ha. increased from 1.1 per cent in 1953-54 to 1.7 per cent in 1970-71. The share of the size class 20.25 hectares and above declined from 17.0 per cent in 1953-54 to 7.8 per cent in 1970-71. This hints at the fact that the small holdings have gained both in number as well as in area but their gain in area is more than the percentage gain in their share to the total number of holdings. Big farmers lost both in area as well as in number but their comparative loss was less in area as compared to their loss in the share in the total number. The extent of concentration of land, as shown by Singh, is depicted in Table 3.5.

Table 3.5 : Concentration of Land

| | Lorenz ratio | | |
|--|--------------|----------------------|---------|
| | 1953-54 | 1959-60 - 1960-61 | 1970-71 |
| Ownership holdings including the landless households | .7523 | .7174 | .7660 |
| Operational holdings excluding the landless households | .6220 | .5922 | .5954 |

Source : Reproduced from H. Singh (1976).

⁴ H. Singh (1976), p. 12.

Table 3.5 shows that the concentration of land among ownership holdings has slightly increased. The value of Gini coefficient in case of ownership holdings is found to be higher than the operational holdings. This could be due to increasing multitude of landless households, who own zero land and add to already existing skewness of land. On the whole, he sums up by adding that the inequality in the distribution of land, over the years is evening out. Dahiya's (1976) analysis based on the N.S.S. 26th round and Agricultural Census (1970-71) data show that the pattern of distribution of ownership and operating holdings is one of inequalities "in the extreme degree with concentration of land in a few hands at the top and an overcrowding of a huge number of owners at the bottom."⁵ He also confirmed that the distribution of operational holdings is less skewed as compared to the distribution of ownership holdings and also, that the land reform measures have failed to bring about the required changes in the agrarian structure of the country.

As regards the inter-state disparities in the structural distribution of land holdings in rural India, a study by A. S. Sirohi, G. S. Ram and C. B. Singh (1976) may be mentioned. They worked out the Gini-Lorenz ratios for the years 1953-54, 1960-61 and 1971-72 based on the various rounds of the N.S.S. Their analysis revealed that Gini ratios were quite high in most of the states and existed

5 L. N. Dahiya (1976), p. 47.

persistently during all the periods of the study. Nevertheless, inequalities underwent some significant changes. They found a continuous decline in the disparities in the distribution of area owned. "In the period 1960-61, the degree of inequality with regard to both the area owned as well as operated had shrunk as compared to the inequality in 1953-54 in almost all states except Karnataka and Punjab. However, the overall decrease in disparity was not found statistically significant (the calculated 't' value was 1.21 at 26 d.f.). The inequalities in the area owned further decreased in 1971-72 as compared to 1960-61 in all the states and this decrease was statistically significant at 't' value being 3.57 at 27 d.f."⁶ The likely factors causing changes in the ownership distribution, according to them, are the various land reform measures and the disintegration of joint family system. In 1953-54, Andhra Pradesh followed by Punjab, Assam and Tamil Nadu, had the highest disparity shown by Gini ratios of ownership holdings and owned area. In 1960-61, Punjab became the first state in order of disparity, since the inequalities decreased in all the other states. In 1971-72, the situation was more or less the same. The largest decrease during the period 1953-54 to 1971-72 was observed in Assam. Inequalities reduced to a greater extent, if we consider the distribution of operational holdings and operated area. The decline was statistically significant

6 A. S. Sirohi, G. S. Ram and C. B. Singh (1976), p.18.

too. Number of marginal operational holdings increased in all the states except in Punjab. As regards the large-size group, the number of operated holdings and the operated area decreased in all the states, the largest decrease being in Kerala. The average size of operational holdings decreased in all the states.

Trends in the pattern of distribution of land ownership and operational holdings have been examined for the states of Punjab and Haryana, Gujarat, Andhra Pradesh, Bihar and West Bengal by Sanyal (1977) based on the data from the land holding surveys conducted by the N.S.S. in 8th, 17th and 26th rounds. The study points out that though the proportion of landless has decreased during the period of analysis, land reforms as corrective measures have failed to check the inequalities in the distribution. He found out that except for Andhra Pradesh and West Bengal, there was not any significant improvement in the distribution of ownership holdings between the period of 1954-55 to 1961-62. Punjab and Haryana present an image of severe concentration of owned land.

The sample surveys remained the only source of data on ownership holdings for quite a long time. The first ever Agricultural Census (1970-71) dealt with a complete enumeration of operational holdings in the country. "The operational holding is the fundamental unit of decision making in agriculture and consequently for development of programmes aimed at improving the income and standard of living of cultivators,

a census of operational holding providing data on their numbers, tenure, relationship, size, type of farming and farming practices assumes special importance."⁷

There are two broad categories in which one can phrase out the methodology adopted by the census. First, is concerning those states where comprehensive land information exists as regards size of operational holding, land use, area under crops etc. Second, is regarding those states where comprehensive land records do not exist. In this case independent sample surveys were conducted to get information on all the items. There have been three issues of Agricultural Census Reports till today - All India Report on Agricultural Census (1970-71), All India Report on Agricultural Census (1976-77), and All India Report on Agricultural Census (1980-81).

For the first census, agricultural year i.e. July 1970 to June 1971 was adopted as the reference year for collecting the requisite information and it was held applicable to both the categories of states (with and without land information). According to the census, there were 70.5 million operational households in Indian agriculture, operating over an aggregate area of 162 million hectares. The average size of an operational holding in the country as a whole was found to be 2.30 ha of land.* The census data revealed that one

7 All India Report on Agricultural Census (1970-71), p.6.

* The average is the overall ratio between the aggregate numbers of operational households and their aggregate area.

half i.e. 35.7 million, of the total operational holdings constituted marginal and sub-marginal holdings and these holdings in all operated an area of 14.5 million ha, which forms, only 9 per cent of the total area of land operated in agriculture. The average size of an operational holding in this category was found to be 0.41 ha. Small and semi-medium holdings (1.0 to 4.0 ha) constituted 1/3rd of the total operated holding and operated nearly 30 per cent of the total area of operational holdings. The average size of operational holdings in this category was discovered to be 2.04 ha of land. Medium sized holdings (4.00 - 10.00 ha) formed 11 per cent of the total operational holdings and the average size of the holdings worked out to be 6.08 ha. Holdings with a size of 10 ha and above formed the large holdings. Holdings in this category constituted only 4 per cent of the total number of operational holdings but their share in area operated worked out to be around 30 per cent. The average size of holdings in this category turned out to be 18.10 ha. The above analysis confirms the preponderance of marginal holdings as regards the number of operational holdings is concerned but, it also confirms their negligible share in the total area constituted, hinting at the vast disparities of distribution.

As far as total number and area of holdings were concerned, the 1976-77 Agricultural Census was conducted in the land record states/union territories on complete enumeration

basis but the rest of the information was based on a sample of 20 per cent of the villages. As regards the states/union territories, where comprehensive land records did not exist, the entire information was based on the sample survey. The agricultural census of 1970-71, had excluded about 0.5 million holdings with less than 0.4 hectare area in Kerala. Now, the number of holdings in 1970-71 can be reckoned at 71 million. There was a 15 per cent increase in number of holdings when the second agricultural census was conducted. Marginal holdings which accounted for only 51 per cent of the total holdings in 1970-71, now accounted for 55 per cent of the total holdings and the analysis reveals that this category of land holdings alone accounted for about 80 per cent of the increase in the total number of holdings between 1970-71 and 1976-77. The second census also found out that there was an increase in the absolute number of small holdings, though their share in the total number of operational holdings declined from 19 per cent in 1970-71 to 18 per cent in 1976-77. Similarly, the number of semi-medium (2-4 hectares) and medium (4-10 hectares) holdings increased between 1970-71 and 1976-77, but their proportions to the total number of holdings declined. But on the contrary, the absolute number of large holdings decreased from 2.8 million in 1970-71 to 2.4 million in 1976-77. Their proportion to the overall number of holdings also declined from 4 per cent to 3 per cent during the same period. The census also found out that there has not been

any appreciable increase in the total area operated though the number of operational holdings had increased by 15 per cent. This according to the census as found out by the respective states, could be due to the prevalent inheritance laws, the implementation of ceiling laws and distribution of government's land to the landless could have also contributed to the increase in the number of holdings, more so in the category of marginal, small and semi-medium holdings. There has been a marginal increase in the total area operated by the marginal holdings constituting about 1/10th of the total area operated. The share of large holdings in the total area operated declined from 1970-71 to 1976-77. The average size of a holding, which is a crucial indicator of the agricultural economy declined to 2.0 hectares in 1976-77 as against 2.3 hectares in 1970-71. To get an idea of the extent of the variation in the size holding, we can compare the average size of holding of marginal and large holdings. The average area of a marginal holding was found to be 0.39 hectares, as compared to 17.5 ha of the large holding in 1976-77.

According to the Agricultural Census of 1980-81, there was an approximately 10 per cent increase in the total number of holdings, though the total area operated declined by .55 million hectares. The average size of the holdings was found to be 1.82 ha. Marginal holdings constituted 56.5 per cent of the total number of operational holdings, though their

share in the total area was only 12.2 per cent. The average size of the holdings in this category was found to be only .39 hectares. In contrast to this, large holdings contributed only 2.4 per cent to the total number of holdings. Their total area operated declined to 37.13 million hectares in 1980-81 from 42.87 million ha. in 1976-77 contributing 22.8 per cent to the total area operated. The average size of holdings of this category was found to be 17.27 ha.

Tables 3.6 and 3.7 give a very lucid exposition of the trends in the distribution of land holdings as revealed by the Agricultural Census Reports of 1970-71, 1976-77 and 1980-81. "According to the agricultural census of operational holdings, the operational holdings below 2 ha have gone up over the years with redistribution of land as well as devolution by inheritance, but a skewed distribution of land among different, size classes of operational holdings still persists."⁸ While summarising two broad findings do not go unnoticed. First, significant feature apparent from the data is that there has been a marked increase in the number of marginal operational holdings from 36.20 million in 1970-71 to 50.52 million in 1980-81. This obviously can be attributed to the distribution of ceiling surplus land to 3.24 million beneficiaries. Deduction of 3.24 million from the total leaves us still with 47.28 million, showing an increase of 4.08 million over 10 years period. The annual

8 D. Bandyopadhyay (1986), p. 50.

Table 3.6 : Comparative Figures of Operational Holdings and Area Operated as Revealed in Agricultural Census

| Category & size of operational holdings | Number of operational holdings (million) | | | Area operated (m. hectares) | | |
|---|--|------------------|------------------|-----------------------------|-------------------|-------------------|
| | 1970-71 | 1976-77 | 1980-81 | 1970-71 | 1976-77 | 1980-81 |
| Marginal (below 1 ha) | 36.20 (50.0) | 44.52 (54.5) | 50.52 (56.5) | 14.56 (9.0) | 17.51 (10.7) | 19.80 (12.2) |
| Small (1-2 ha) | 13.43 (18.9) | 14.73 (18.10) | 16.08 (18.0) | 19.28 (11.9) | 20.90 (12.8) | 22.96 (14.1) |
| Semi-medium (3-4 ha) | 10.68 (15.0) | 11.67 (14.9) | 12.51 (14.0) | 30.0 (18.5) | 32.43 (19.9) | 34.56 (21.2) |
| Medium (4-10 ha) | 7.93 (11.2) | 8.21 (10.0) | 8.09 (9.1) | 48.24 (29.7) | 49.63 (30.4) | 48.34 (29.7) |
| Large (10 ha & above) | 2.77 (3.9) | 2.44 (3.0) | 2.15 (2.4) | 50.06 (30.5) | 42.87 (26.2) | 37.13 (22.8) |
| All categories | 71.01 (100.0) | 81.57 (100.0) | 89.35 (100.0) | 162.14 (100.0) | 163.34 (100.0) | 162.79 (100.0) |

Figures in the brackets are percentages of totals in respective columns. The figures for 1980-81 are provisional.

Reproduced from D. Bandyopadhyay (1986).

Table 3.7 : Inter Census Variations in Operational Holdings and Area Operated

| Category and size of operational holdings | Increase/decrease in number of operational holdings in 1980-81 over that in 1970-71 (m.nos.) | Increase/decrease in operational area in 1980-81 over that in 1970-71 (m.ha.) |
|---|--|---|
| Marginal (below 1 ha) | 14.32 (5.5) | 5.24 (3.2) |
| Small (1-2 ha) | 2.65 (0.9) | 3.68 (2.2) |
| Medium (3-4 ha) | 1.83 (-1.0) | 4.56 (2.7) |
| Medium (4-10 ha) | 0.16 (-2.1) | 0.10 (-) |
| Large (10 ha and above) | -0.62 (-1.5) | -12.93 (-8.1) |
| Total | 18.34 | 0.65 |

Figures in the brackets are the difference in percentage of the total number of area in 1980-81 over 1970-71.

Reproduced from D. Bandyopadhyay (1986).

rate marginalisation (3.98 per cent) is found to be higher than the rate of growth (1.9 per cent) of population. "It perhaps indicates that marginalisation was more due to immeserization rather than normal devolution of property."⁹ Second important feature is that the number of large holdings

9 Ibid.

and the area operated have been declining. It is quite enigmatic that in spite of the fact that distribution has been pursued, the number of operational holdings instead of increasing have declined. "Thus the agricultural census which throw up very important data are unable to capture the real picture of the agrarian society. The short point is that while marginalisation of the poor peasantry is going on, on a fairly fast rate, there has not been any serious dent on the effective concentration of land in a few hands and in spite of the revised land ceiling law of early seventies and not withstanding some visible indication on the contrary."¹⁰

After discussing the two sets of data, the N.S.S. and the agricultural census, it becomes inevitable to make a comparison between the two as regards their concepts, time period, methodology etc. The agricultural census gives higher estimates of the area operated and of the number of operational holdings viz. 162 million hectares and 70 million holdings. "As far as number of households is concerned, the difference between the N.S.S. estimate (100.6 m) and that of the 1971 Census (100.2 m) is negligible (0.4 per cent)."¹¹

The prevalent differences can be attributed to the differences in the methodology, coverage, and agency used in the two

10 Ibid.

11 N.S.S. (26th Round).

surveys. The Agricultural Census defines holding as a land operated in the same tahsil/taluka, and if land is operated in more than one tahsil/taluka it is taken to be more than one operational holding. Both household and non-household sectors are covered by the census. In contrast to this, the N.S.S. 26th round treats the entire land operated by the household without considering, its geographical location as one operating household, and it takes only household sector in its purview. Next point worth taking note of is that the reference periods to which the 2 sets of data relate are not identical. "The 1971 Census relates to 1st April 1971, while N.S.S. estimates relate to the moving reference period of a day during July 1971 to December 1971."¹² The results of agricultural censuses are derived by a retabulation of the basic data from land records covering both households and non-household sector, whereas the N.S.S. estimates are derived by direct enquiries from a sample of households covering the household sector. Sanyal (1976), fears that the method of retabulation from land records has probably resulted in over numeration of small holdings in the Agricultural Census, and for the sake of implicity he suggests the replacement of the concept of operational holdings by that of the ownership holding. The choice and preference of one set of data over the other is purely subjective and should not be thought of

12 Ibid.

as an unresolved problem, since both the data reflect quite clearly the basic features of land distribution in India.

Before concluding a keen perusal of the overall picture that emerges from these studies is necessary. The first important conclusion would be that there has been a decline in the inequality of distribution of land owned/operated. Decline in the inequality of distribution of ownership holdings has been less marked as compared to the decline in the inequality in the distribution of operational holdings. The number of marginal holdings have been on an increase. These as the studies point out could be due to the laws of inheritance, land reforms, distribution of governments land to the landless, population pressure etc. This feature leaves no room for complacency on account of economies of scale and other reasons and herein arises the need for further scrutiny.

CHAPTER IV

INEQUALITIES IN THE DISTRIBUTION OF WEALTH

Inequalities in the distribution of wealth is yet another aspect of economic inequalities. In spite of the fact that the prime objective of Indian planning has been removal of social and economic inequalities via growth and redistribution, the distributional aspect of wealth ownership, which is an important source of non-salary income, has remained unexplored. Paucity of statistical data can be held responsible for the absence of an organised study into the dimensions of inequality in the distribution of wealth. By wealth we refer to the "various types of privately-owned assets that yield an income".¹ The wealth that a household possesses can be broadly grouped into tangible and intangible assets. Tangible assets can be reproducible and non-reproducible. Reproducible tangible assets comprise of buildings, inventories of raw materials, livestock, machinery etc. The tangible non-reproducible assets refers to land and other non-renewable resources. The intangible resources (all reproducible) includes all financial assets like commercial or cooperative deposits, life insurance, provident funds etc. Land, which is a tangible non-reproducible asset has been

1 S. Tendulkar (1983), p. 72.

discussed at length in the last chapter and would, therefore,
be generally overlooked in this chapter.

As estimate of tangible wealth in India for the financial year 1949-50 by Mukerjee and Sastry (1959), can be regarded as one of the earlier studies on wealth. According to this study the value of tangible wealth and reproducible tangible wealth in India (at the current market value) was Rs. 34,940 crores and Rs. 17,086 crores respectively, the share of land being Rs. 17,854 crores. RBI (1963) has also estimated the tangible wealth in India using the methodology adopted by Mukerjee and Sastry (1959), for the year 1960-61. The total estimated tangible wealth in India was calculated to be Rs. 32,164 crores. A similar estimate of tangible wealth of India was made by Uma Dutta and Prakash (1957), though their methodology was not similar to the one adopted by Mukerjee and Sastry (1959) the total reproducible and the total tangible wealth, for the period 1949-50 was found to be Rs. 14,991 crores and Rs. 34,991 crores respectively. According to Wadhwa (1964), the rough estimates of tangible reproducible wealth at the end of March 1950 and at the end of March 1961, as estimated by the Committee on Distribution of Income and Levels of Living (1960) was of the order of Rs. 17,086 crores and Rs. 32,164 crores respectively.

The Reserve Bank of India (R.B.I.) has conducted a series of decennial surveys on the debt and investment, furnishing valuable data on the distribution of assets in

the country. All India Rural Credit Survey (1951-52) was the first comprehensive investigation with regards to rural credit, which was thought to assist the R.B.I., Government of India and the state governments in the formulation of an integrated scheme of rural credit. Data was collected on all significant aspects of the working of the system of rural credit in the 75 districts covering about 600 villages with about 1,30,000 resident families. However, it did not provide an assetwise distribution, either of family and capital expenditure or of value of assets. All India Rural Debt and Investment Survey (1961-62) was the second on the series of surveys conducted by the R.B.I. It published the assetwise distribution of value of assets based on the market value of assets as on 30th June, 1962. According to AIRDIS, the value of tangible assets held by the rural households as on 30th June, 1962, was about Rs. 36,156 crores, the value of reproducible assets being Rs. 13,165 crores (approximately 38 per cent). Table 4.0 gives the percentage shares of the different asset groups in the total tangible wealth in respect of cultivator, non-cultivation and all rural households together with the proportion of the households. Analysis reveals that 13 per cent of the total number of rural households belonging to the two highest asset groups (Rs. 10,000 and above) accounted for about 58 per cent of the total tangible wealth. In contrast to this, 30 per cent of the rural households falling in the two lowest asset groups (below Rs. 1,000) had

Table 4.0 : Percentage Distribution of Tangible Wealth by Asset Group

| Asset group (Rs.) | (Percentage) | | | | | |
|----------------------|--|----------------------------------|--|----------------------------------|--|----------------------------------|
| | Cultivators | | Non-cultivators | | All rural households | |
| | Proportion of house-holds in asset group | Percentage share in total wealth | Proportion of house-holds in asset group | Percentage share in total wealth | Proportion of house-holds in asset group | Percentage share in total wealth |
| Less than 500 | 6.5 | 0.3 | 49.4 | 6.9 | 17.9 | 0.8 |
| 500 - 1,000 | 9.7 | 1.1 | 19.3 | 8.4 | 12.2 | 1.7 |
| 1,000 - 2,500 | 24.8 | 6.4 | 17.4 | 16.2 | 22.9 | 7.1 |
| 2,500 - 5,000 | 23.3 | 12.6 | 7.1 | 15.0 | 19.0 | 12.8 |
| 5,000 - 10,000 | 18.6 | 19.6 | 4.1 | 17.3 | 14.7 | 19.4 |
| 10,000 - 20,000 | 10.7 | 22.3 | 1.6 | 13.1 | 8.3 | 21.6 |
| 20,000 & above | 6.4 | 37.8 | 1.1 | 23.0 | 5.0 | 36.6 |
| All asset groups | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source : All India Rural Debt and Investment Survey (1961-62).

only 2.5 per cent of the total tangible wealth. The concentration of tangible assets holdings was found more in the higher brackets for both cultivator and non-cultivator households, though distribution of wealth was found to be more unequal among non-cultivators. The concentration ratios as calculated by us, based on the AIRDIS data for the cultivators, non-cultivator and all rural households were 0.584, 0.697 and 0.642 respectively. The average value of tangible assets per household in the country was found to be Rs.5,267, while it was Rs. 6,609 and Rs. 1,574 for the cultivator and non-cultivator households respectively. As regards the statewise data relating to the average value of the tangible assets per household, Punjab headed the list both in respect of cultivator (Rs. 14,631) and non-cultivator (Rs. 3,627). Land and residential buildings accounted for a major share in the total value of tangible assets.

The All India Debt and Investment Survey (1971-72) is the third decennial survey conducted by the R.B.I. in the collaboration with the N.S.S.O., the Government of India and the state statistical bureaux. As regards the methodology and the approach, this survey was more or less similar to the earlier survey but due to the "changed context of credit policy", the scope of AIDIS was extended to cover the urban households of the country also. Information was collected on the inventory of assets and liabilities of the household as at the beginning of the survey year i.e. 30th June 1971.

Data was also collected on the receipts from farm and non-farm business, capital expenditure and loan transactions. The assets, as on 30th June 1971, were recorded in gross term and the valuation was done at the current market price of assets.

Table 4.1 gives the asset groupwise percentage distribution of estimated number of households and total value of assets as on 30th June, 1971, as given by AIDIS (1971-72). As is obvious from the figures approximately 20 per cent of the households belonging to the two lowest asset group accounted for only 0.76 per cent of the total value of assets, whereas approximately 4 per cent of the households belonging to the two highest asset group accounted for 31.42 per cent of the total value of assets. The concentration ratio calculated for the above given distribution in Table 4.1 was 0.6563. Table 4.2 gives the Gini coefficients of some states regarding the distribution of assets as calculated by us based on the AIDIS data. The average value of assets per household (all-India) was found to be Rs. 11,343.34 whereas, the average value of asset per household for cultivator and non-cultivator households was found to be Rs. 14,693.99 and Rs. 2,599.80 respectively.

An attempt has been made by Divatia (1976) to study and analyse the existing inequalities in the distribution of rural household assets in India based on the AIDIS (1971-72). According to his calculations, the concentration ratio for

Table 4.1 : Percentage Distribution of Estimated Number of Households and Value of Assets by Asset Groups

| Asset group (Rs.) | Percentage of households to the total | Percentage value of assets to the total |
|----------------------|---|---|
| Upto 500 | 11.38 | 0.23 |
| 500 - 1,000 | 8.35 | 0.53 |
| 1,000 - 2,500 | 15.49 | 2.30 |
| 2,500 - 5,000 | 16.09 | 5.17 |
| 5,000 - 10,000 | 18.31 | 11.63 |
| 10,000 - 15,000 | 9.71 | 10.47 |
| 15,000 - 20,000 | 5.69 | 8.65 |
| 20,000 - 30,000 | 6.24 | 13.40 |
| 30,000 - 50,000 | 4.83 | 16.22 |
| 50,000 - 1,00,000 | 2.94 | 17.55 |
| 1,00,000 and above | 0.96 | 13.87 |
| Total | 100.00 | 100.00 |

Source : AIDIS (1971-72).

Table 4.2 : Gini Coefficients in Assets Distribution of Rural Households

| State | Gini ratio |
|----------------|------------|
| Madhya Pradesh | .589 |
| Uttar Pradesh | .592 |
| Orissa | .597 |
| Haryana | .630 |
| Maharashtra | .659 |
| Kerala | .661 |
| Bihar | .671 |
| Punjab | .683 |
| Andhra Pradesh | .703 |

all India is 0.66. The states with very high degree of inequality were Tamil Nadu, Andhra Pradesh and Punjab and the states with low degree of inequality were Meghalaya, Himachal Pradesh, Manipur and Jammu & Kashmir (Refer Table 4.3). Distribution was found to be less unequal for the cultivator class, when compared with all other households. States with a sizeable proportion of agricultural labourers showed less inequality and land and buildings were found to be the major components of total assets. The study also discovered that machinery, implements and financial

Table 4.3 : Percentage of Estimated Households to the Total and Share of Total Assets of Various States in India

| State | Percentage of estimated households to total | Percentage share of assets |
|-------------------|---|----------------------------|
| Andhra Pradesh | 8.68 | 6.20 |
| Assam | 2.51 | 1.74 |
| Bihar | 11.20 | 12.71 |
| Gujarat | 4.90 | 5.58 |
| Haryana | 1.37 | 3.30 |
| Himachal Pradesh | 0.60 | 1.20 |
| Jammu and Kashmir | 0.72 | 0.98 |
| Karnataka | 5.42 | 4.81 |
| Kerala | 3.38 | 3.47 |
| Madhya Pradesh | 7.68 | 7.14 |
| Maharashtra | 7.78 | 8.04 |
| Manipur | 0.19 | 0.12 |
| Meghalaya | 0.23 | 0.12 |
| Orissa | 4.77 | 2.54 |
| Punjab | 2.01 | 5.67 |
| Rajasthan | 4.06 | 4.58 |
| Tamil Nadu | 8.35 | 5.04 |
| Tripura | 0.22 | 0.12 |
| Uttar Pradesh | 17.80 | 21.29 |
| West Bengal | 7.89 | 5.12 |
| Delhi | 0.07 | 0.14 |
| All India | 100.00 | 100.00 |

Estimate value of assets (in lakhs) = Rs. 87,13,161

Estimate number of households (in 000's) = 77,035

Source : Divatia (1976).

instruments constituted a small portion of total assets held by a small proportion of rural households. On the whole, this study did not record any reduction in the degree of inequality over the decade of 1961-62 to 1971-72.

R.B.I.(1977), also made a comparative study of the AIRDIS data with those of AIDIS data to comment on the change in the composition of assets of rural households during the decade 1961-62 to 1971-72 and its eventual impact on the concentration of asset holdings. The study pointed out that though the concepts and definitions used in both the surveys are more or less identical, the comparison between the results arrived at by both the surveys are not devoid of difficulties. First and foremost in the AIDIS (1971-72), the financial assets included annuity deposits, deposits with non-banking companies, chit fund contributions, insurance premiums and unit trust. All these were overlooked in AIRDIS (1961-62). Secondly, with the rise in prices of all non-financial assets rises the need of an acceptable price deflator and since no such suitable price deflator exists, a comparison on the basis of average values remains unsatisfactory. Third problem, relates to the 'changes in the boundaries of some states due to bifurcation and reorganization that had taken place since 1961-62' (example - Punjab and Meghalaya). Next problem, is regarding the estimated number of rural households. AIRDIS estimates the total number of rural households on the basis of 1961 Census, whereas the AIDIS estimates fall short of 25 lakhs or

3.2 per cent in relation to 1971 Census. Statewise variations were quite wide too. Finally, the assets data was not available from the beginning of the AIRDIS survey 1961-62. In order to overcome the impact of general price rise during the decade, households with assets of Rs. 1,000 in 1961 was compared with that of rural households with aggregate assets of less than Rs. 2,500 in the year 1971. Since the composition of non-cultivators, household varies, the study restricted its comparison only to class of agricultural labourers households among the non-cultivators. The study revealed that there was a 12.2 per cent increase in the total number of households over the decade, the increase being mostly observed in the class of non-cultivator households. The proportion cultivator households who did not own any land declined to 1.9 per cent in 1971 from 26.1 per cent in 1961 and the proportion of cultivators owning one acre of land also increased to 24.0 per cent in 1971 from 14.4 per cent in 1961. According to the study - "Among the factors that might have led to such an increase in percentage of small cultivators would be transfer of ownership rights to tenants, land ceiling legislation and redistribution of surplus land, partition of households on inheritance and efforts of non-cultivator land owners to get back land given on lease or mortgage in view of enhanced profitability of agriculture due to adoption of new farm techniques."² Punjab was the only exception to the

2 R.B.I. (1977), p. 6.

trend of declining number of cultivators. The concentration of asset holdings revealed a marginal change both in the case of cultivator and all rural households. The concentration ratio value rose from 0.6524 in 1961 to 0.6551 in 1971 among all the rural households, but it revealed a slight decline in case of cultivator households; the concentration ratio value decreased from 0.5976 in 1961 to 0.5847 in 1971. Statewise, the inequality increased in the states of Punjab, Gujarat, Rajasthan, Assam and West Bengal, whereas it declined in the other states (See Table 4.4). Next, the proportion of households reporting complementary assets like machinery, livestock etc. declined and also, the number of poor rural households increased by 64 lakhs during the decade to 2.71 crores in 1971. (Those households having total assets of, less than Rs. 2,500 in the year 1971 have been taken to represent the rural poor).

R.B.I. (1977), also carried out a study on the financial assets of the rural households and their comparison over the decade 1961-62 to 1971-72. The analysis revealed that the rural households invested most in the physical assets instead of investing in the financial assets. Only a few types of assets like shares of cooperatives, insurance premia and provident fund were found to be popular with the rural households. There was a 223 per cent increase in the financial assets of all rural households, an increase of Rs. 642 crores to 930 crores between 1961 and 1971. However,

Table 4.4 : Coefficients of Concentration of Assets Among the Rural Households

| State | All households | |
|-------------------|----------------|--------|
| | 1961 | 1971 |
| Jammu and Kashmir | 0.4810 | 0.4390 |
| Assam | 0.5514 | 0.5560 |
| Rajasthan | 0.5320 | 0.5588 |
| Orissa | 0.5768 | 0.5976 |
| Haryana | - | 0.6291 |
| Punjab | 0.6332 | 0.6831 |
| Gujarat | 0.6178 | 0.6342 |
| Madhya Pradesh | 0.5966 | 0.5890 |
| Uttar Pradesh | 0.6040 | 0.5922 |
| Maharashtra | 0.6576 | 0.6488 |
| West Bengal | 0.6558 | 0.6600 |
| Karnataka | 0.6675 | 0.6547 |
| Tamil Nadu | 0.7188 | 0.7113 |
| Bihar | 0.6938 | 0.6715 |
| Andhra Pradesh | 0.7284 | 0.7030 |
| Kerala | 0.7272 | 0.6608 |
| All India | 0.6524 | 0.6551 |

Source : R.B.I. (1977).

in proportion to the total assets, the increase was merely from 0.8 per cent to 1.1 per cent during the decade under study. Though almost all the states contributed to this increase, the share of West Bengal was found to be the largest (Rs. 100 crores). In 1971-72, deposits formed 85 per cent of the total financial assets and second in order was the investment in shares, whose share was approximately 15 per cent of the total financial assets. Cultivator households had 69 per cent of the total assets, while among the non-cultivator households, agricultural labourers had the largest share of the total financial assets (12 crores). The poor households owning assets upto Rs. 2,500 held only Rs. 53 crores of the total financial assets. In contrast to this, the five higher asset groups (Rs. 5,000 - Rs. 10,000, Rs. 20,000 - Rs. 30,000, Rs. 30,000 - Rs. 50,000, Rs. 50,000 - Rs. 1,00,000 and Rs. 1 lakh and over) accounted for 10 per cent of each financial assets.

It has been pointed out that for an effective redistributive strategy it is pertinent for policy makers and analysts to make a rigorous study of the "two tail ends of the assets distribution". While formulating tax policies, it is essential to have an insight into the distribution of assets among the top asset holders of the country. Sreelekha Basu (1976) focussed her attention on the change in the assets distribution of the top 50 per cent of the rural households. According to the 1971-72 survey, the top 1 per

cent and the top 50 per cent of the rural households accounted for 14.30 per cent and 91.89 per cent of the total assets respectively. Table 4.5 gives the proportion of land and other assets held by the top 50 per cent of the households in 1971.

Table 4.5 : Percentage Share of Different Assets in the Total Assets of Different Fractile Groups

| Fractile groups | (Percentage) | | | | |
|-----------------|--------------|------------|---------------|--------|-------|
| | Land | Build-ings | Durable goods | Others | Total |
| Top 1% | 75 | 13 | 3 | 9 | 100 |
| Top 5% | 73 | 14 | 4 | 9 | 100 |
| Top 10% | 70 | 16 | 4 | 10 | 100 |
| Top 25% | 68 | 18 | 4 | 10 | 100 |
| Top 50% | 63 | 20 | 5 | 12 | 100 |

Source : S. Basu (1976).

The study revealed that the overall concentration ratio for this group at the all India level increased from 0.4566 in 1962 to 0.4657 in 1971. The states which recorded an increase in inequality were Assam, Gujarat, Orissa, Punjab, Rajasthan and Tamil Nadu, whereas the states recording fall in concentration ratios were Bihar, Uttar Pradesh, Maharashtra and West Bengal. As regards the average asset holding per

household by the 50 per cent group, wide variations were observed amongst the states. The range was something between Rs. 60,000 or more in case of Punjab and Rs. 10,000 or less in case of Meghalaya. Finally owned and, was discovered to be the main asset of the rural households in India.

Rao (1976) has pointed out some of the blatant deficiencies in the paper. He has criticised the arbitrariness of the author in fixing the cut off point of 50 per cent and according to him, "it may not be difficult to arrive at any acceptable set of coefficients of concentration by suitably shifting the cut-off point for truncation."³ However, anything that is fixed as the cut off point can be arbitrary. Secondly, another defect in the paper is that no explanation is provided for the observance of low Gini coefficient in case of land ownership for the top 50 per cent of the population as compared to the coefficient values for the total assets. Thirdly, Rao pointed out that, Basu has wrongly related the percentage distribution of households according to the area of land owned with their share in total value of land instead of total area of land. For measuring the concentration ratio of a variable, it is meaningful to classify the households according to the same variable. Rao has also mentioned of the misinterpretation of new inequality measure of O. Elteto and E. Frigyes used by author for the

3 G. N. Rao (1976), p. 67.

decompositional analysis.* He consequently corrected the calculation based on this measure and found out that there was a significant contribution of lower 50 per cent of the households to the overall inequality and "the extent of their contributions varied substantially over the states." Another point made by Rao is that instead of asking for further disaggregation of highest group as exhorted by Basu, more genuine demand would be to ask for large sample size of these classes.

Steep rise in prices affect the value of assets and make the comparison of asset distributions cumbersome. To overcome this, predicament, Pathak, Ganpathi and Sarma (1977) fitted a log normal distribution to the asset groupwise distribution of assets based on the data provided by the AIRDIS and the AIDIS. Fitted distribution for the AIRDIS reveal

* According to Rao (1977), if " m denotes the average value of assets for the all rural households and m_1 and m_2 denote averages for the lower half and the upper half of the households", then $u = \frac{m}{m_1}$ will give the measure of

inequality for the lower half of the rural households, and $w = \frac{m_2}{m}$ will give the measure of inequality for the upper

half of the rural households. $V = uw = \frac{m_2}{m_1}$, measures the overall inequality. (For details refer to O. Elleto and E. Frigyes, *Econometrica*, Vol. 36, No. 2 April, 1968).

Basu (1976) had taken $u = \frac{m_1}{m}$ and hence the variations in the results.

that the top 5 per cent and the 1 per cent of the rural households accounted for 47 per cent and 23 per cent of the assets respectively, while 50 per cent of the households having assets worth less than Rs. 4,800 accounted for 5.70 per cent of the total assets. Another significant finding of the study is that, there has been a steady decline in the share of assets accounted for by each of the first nine decile classes. Table 4.6 shows the concentration ratios in asset distribution of rural households as on December 31, 1961 and as on June 30, 1976. It is obvious from the table that the distribution of assets among the rural households has become unequal from 1961-1971. The states exhibiting high degree of inequality were Punjab, Tamil Nadu and Andhra Pradesh. Punjab also had the highest average value of assets per household. States witnessing fall in the inequality over the decade were Kerala, Maharashtra and Jammu and Kashmir. Another striking result of the study was that the percentage increase in the average value of assets was highest in the lowest decile class, followed by the other decile groups.

Lahiri (1978) endeavoured to identify various factors that go into explain the variations observed in the asset structure of rural households. He found out that wealth or acquisition of assets is an increasing function of literacy. Financial infrastructural facilities also have a positive impact on the demand for financial deposits. However, in the case of middle and non-farmers, the preference for

Table 4.6 : Concentration Ratios in Asset Distribution of Rural Households

| State | 1961 | 1971 |
|-------------------|-------|-------|
| Andhra Pradesh | .7379 | .7645 |
| Assam | .5739 | .5908 |
| Bihar | .7103 | .7006 |
| Gujarat | .6443 | .6945 |
| Himachal Pradesh | - | .4966 |
| Jammu and Kashmir | .4842 | .4223 |
| Karnataka | .6690 | .7152 |
| Kerala | .7639 | .6736 |
| Madhya Pradesh | .6211 | .6459 |
| Maharashtra | .7511 | .7356 |
| Manipur | - | .5362 |
| Meghalaya | - | .5346 |
| Orissa | .6020 | .6513 |
| Punjab | .7250 | .7931 |
| Haryana | - | .7538 |
| Punjab & Haryana | - | .7793 |
| Rajasthan | .5466 | .5501 |
| Tamil Nadu | .7746 | .7974 |
| Tripura | - | .6756 |
| Uttar Pradesh | .5920 | .6311 |
| West Bengal | .6795 | .7593 |
| Delhi | - | .7632 |
| All India | .6799 | .7016 |

Source : Pathak, Ganapathi and Sarma (1977).

deposits is on decline. Thus we find "differential behavioural responses" among the various categories of households. With an improvement in irrigation facilities, Lahiri noted that there was an increase in the assets related to cultivation and the demand for other assets like buildings livestock etc. declined, in case of all the groups. Next, with the growing household size, "the households adjust their asset portfolios depending on whether they have a surplus or shortage of labour relative to land and implements and machinery and their priorities regarding augmenting in consumption of goods."⁴ The rate of interest too was found to have its impact on the demand for shares, deposits and liabilities. To conclude, we can say that the Indian rural households exhibit a lot of sensitivity to the above-mentioned factors.

Before we wind up the discussion on the nature of the R.B.I. data on the assets distribution and the studies based on them, it is pertinent to mention that the data furnished by the R.B.I. have been found to be quite insufficient for an indepth probe into the distributional aspect of wealth by a few studies. Though, the AIDIS has provided the estimate of total number of rural households at 78 million on June 30, 1971, it does not provide statewise number of households. The AIRDIS does not even give the total estimate of rural households. Nevertheless, one should be at least contented with

⁴ A. Lahiri (1978), p. 160.

the fact that a broader view of the whole problem is available.

The NCAER has also conducted several studies on wealth distribution in India. Some of the studies have directly estimated the concentration of wealth and some have merely thrown light on the distribution of major assets owned by the households. Accumulated savings is one of the sources of wealth. Urban income and savings (1962), collected information on the distribution of savings and its various forms among the urban households in India. This survey finds out that the households with an income of Rs. 3,000 and less, which form 86 per cent of the total households, do not on an average show any positive savings. The top 14 per cent of urban households were responsible for roughly entire aggregate savings. As regards the forms of savings, payments to the provident fund was found to be the most frequent form of savings (28 per cent of the households, to be followed next by the liquid assets (21 per cent), investment in owner occupied houses (17 per cent), life insurance (16 per cent), gold and jewellery (16 per cent), consumer durables goods (12 per cent) and investment in own business (10 per cent).

The All India Rural Household Survey (1965, 1966) estimated the level of income, investment and savings in the country. As the households were reluctant to disclose the value of various forms of intangible assets, survey decided not to collect information regarding them. Over and

under statement of the value of farm land owned and livestock also lead to their exclusion. The survey estimate of tangible reproducible wealth was calculated at the current market prices. The wealth of rural households based on the survey at the end of 1962 amounted to Rs. 66.62 abjas. The average value of wealth per household was found to be Rs. 1,013. Buildings and business premises accounted for the (64 per cent) largest share in the total value of assets, followed by the farm assets. As regards the households belonging to different asset classes, the survey found out that 23 per cent belonged to the asset range of Rs. 1,000 and less, 44 per cent to the asset range of Rs. 1,001 - Rs. 5,000 and 33 per cent to the asset range of Rs. 5,001 and above. Analysis of the survey data show that the lowest 5 per cent of the rural households had no share in the total reproducible wealth. Share of the lowest 50 per cent of the households was only 7.4 per cent, while for the top 1 per cent of the households it was 18 per cent of the rural wealth. The concentration ratio relating to the tangible reproducible wealth of the rural households at the end of December 1962 was found to be 0.684.

All India household survey of income, saving and consumer expenditure (1972), collected data on the consumer durables and the distribution by the income class. It was found out that for the year 1967-68, the household sector spent Rs. 3,870 million on acquisition of consumer durables. Middle class, with annual disposable income of Rs. 5,000 -

Rs. 14,999, accounted for more than 50 per cent of the total expenditure in urban areas and for more than 60 per cent in the urban areas. For the country as a whole, the share of middle class stood at 55 per cent. It was the income group Rs. 7,500 - 10,000, which spent the largest proportion of its disposable income on consumer durables, even though it was lower in rural areas as compared to the urban areas. Thus we find that the proportion of household which owned consumer durables increased with income.

Household Income and Its Disposition (1980) is the latest of the NCAER surveys, which has enquired into the nature and distribution of wealth during the reference period July 1975 - June 1976. 5,125 households were scientifically sampled from all over the country. According to this study, wealth comprised only of physical assets. Stocks included were those of agricultural assets, livestock, house property, business assets and selected consumer durables. The total wealth of the household sector as on 1st July 1975 amounted to Rs. 1,65,000 crores, 84 per cent of which was with the rural households. The average wealth per household calculated was Rs. 16,783. The study discovered that the distribution of wealth was more skewed and peaked than the distribution of income. Table 4.7 gives the percentage distribution of households by wealth in rural, urban and all India.

The bottom 50 per cent of the households accounted for than 7 per cent of the total household wealth, while the top

Table 4.7 : Percentage Distribution of Households by Wealth
(1975-76)

| Wealth range (Rs.) | Rural | Urban | All India |
|---------------------|--------|--------|-----------|
| Upto 250 | 13.98 | 3.51 | 5.76 |
| 251 - 500 | 7.48 | 5.63 | 6.03 |
| 501 - 1,000 | 13.84 | 6.08 | 7.75 |
| 1,001 - 2,500 | 13.05 | 10.77 | 11.26 |
| 2,501 - 5,000 | 12.13 | 12.35 | 12.30 |
| 5,001 - 10,000 | 11.95 | 16.45 | 15.48 |
| 10,001 - 20,000 | 11.54 | 19.31 | 17.64 |
| 20,001 - 40,000 | 8.47 | 14.67 | 13.34 |
| 40,001 - 60,000 | 3.50 | 4.87 | 4.58 |
| 60,001 - 1,00,000 | 2.13 | 4.20 | 3.75 |
| 1,00,001 - 2,00,000 | 1.30 | 1.73 | 1.64 |
| Over 2,00,000 | 0.63 | 0.43 | 0.47 |
| Total | 100.00 | 100.00 | 100.00 |

Source : NCAER (1980).

1 per cent claimed as much as 14 per cent. The Lorenz ratio calculated for the rural, urban and all India were .639, .757 and .665 respectively. Agricultural assets constituted a significant proportion of rural wealth, whereas house property dominated the urban wealth. Activity status, number of

earners in the household and education were the few factors, which were found to influence the distribution of wealth in the country.

The NCAER data have not been satisfactory for our study because not only their size of sample households is small (though sampling errors were small), they also pertain to single years and hence limit any kind of comparison that would have been possible with the availability of continuous data. The N.S.S. has occasionally thrown up some data, which at best can give only a segmentary or partial view of the whole distribution scenario. The eleventh round (August 1956 - February 1957) of the N.S.S. has conducted study on some aspects of agriculture in India. This survey throws light on the distribution of value of implements and equipments used in the agricultural sector. The major revelation of this survey was that the households which possessed cultivated land as compared to the household not possessing cultivated land, also had almost 99 per cent share in the distribution of total value of implements and equipments used by the agricultural holding classes.

The 25th Round of N.S.S. (July 1970 - June 1971) gathered information on the earnings, indebtedness, cultivated holdings and assets of weaker sections of households in rural India. Weaker section households composed of the households - small cultivator households and non-cultivating wage earner households. Around 13.27 per cent of the small cultivator

households 45.85 per cent of wage earner household belonged to the asset group of Rs. 500 and less and approximately 3.93 per cent of the small cultivator households and 2.59 per cent of the wage earner household belonged to the asset group of 10,000 and above. Data shows great disparities, more in the case of wage earner households.

The N.S.S.O. conducted 37th round (January - December 1982) survey on the assets and liabilities of rural and urban households. It was fourth in the series of decennial country wide investigation on household indebtedness and investment. Assets owned by the households included all the items which had money value. The survey found out that 99.88 per cent of the rural households and 99.22 per cent of the urban households at the all India level reported ownership of one asset or the other. The average value of asset per household for the rural and urban sector was found be Rs. 36,133 and Rs. 40,890 respectively. Punjab topped the list of average value of total assets for households amongst states in the rural sector with an average of Rs. 96,631 followed by Haryana (Rs. 90,950). In the urban sector, Kerala reported a very high figure of Rs. 1,12,475. Table 4.8 gives the percentage distribution of households over household asset holding classified by household type separately for rural and urban sector.

In the rural sector approximately 6 per cent of the households belonged to the asset group of Rs. 1,000 and less

Table 4.8 : Percentage Distribution of Households by the Asset Holding Class

| Asset holding class (Rs.) | Rural | Urban |
|---------------------------|--------|--------|
| Upto 1,000 | 5.75 | 14.51 |
| 1,000 - 5,000 | 18.18 | 17.54 |
| 5,000 - 10,000 | 14.58 | 12.86 |
| 10,000 - 20,000 | 18.68 | 15.47 |
| 20,000 - 50,000 | 23.77 | 18.76 |
| 50,000 - 1,00,000 | 11.09 | 11.25 |
| 1,00,000 - 5,00,000 | 7.60 | 8.95 |
| 5,00,000 and above | 0.35 | 0.65 |
| All groups | 100.00 | 100.00 |

Source : NSSO, 37th Round.

and approximately 8 per cent of the households belonged to assets range of Rs. 1 lakh and more. Among the various types of households in rural sector, the cultivator households were found to be much well off than the other households. The urban sector depicted greater inequality. Among the household type, self employed group showed 'better performance'. They were roughly 33 per cent of all the urban household but accounted for more than 44 per cent of the total assets.

This was regarding the little information that N.S.S. has provided for our study. N.S.S. had also conducted surveys on the distribution owned houses and livestock. Vashista and Rukmini (1982) gave an account of the quantitative work done on income, wealth and savings based on the survey data provided by the various organisations. They have used NCAER (1980) and NCAER (1982)* to arrive at some conclusions regarding the distribution of wealth in India. An important feature of the NCAER (1982) survey was that it collected data on the inheritance of various assets also. Their decompositional analysis of the total inequality revealed that "inherited component of wealth was responsible for 68.9 per cent in north rural, 62.9 per cent in south rural, 35.6 per cent in north urban and 54.5 per cent in south urban of the total wealth inequality."⁵ This study also confirmed that wealth was more unequally distributed than income.

In India, a number of studies have been conducted with regards to rural households because the availability of data does not pose much problem as compared to the urban sector. In the opinion of Mahalonobis Committee, "no data, not even scattered bits of information are available for a direct study of the distribution of personal wealth in the forms of such as bank deposits, shares, securities and commercial

* NCAER (1982), Study of Assets Preferences (mimeographed).

⁵ Vashishta & Rukmini (1982), p. 41.

property, even at a particular point of time."⁶ Jakhade and Shetty (1974) have tried to construct a distribution of urban household wealth in India. The authors after estimating the total reproducible wealth of the country, deduct from it, the wealth held by the government and corporate sector to arrive at the total household wealth in India. The relevant data used here are the ones provided by Mukerjee and Sastry (1959) for the year 1949-50 and by the RBI (1963) for the year 1960-61. Now, the household wealth is further divided into farm and non-farm wealth. The study implicitly assumes that "in a given year, all wealth tax assesseees to belong to the highest income brackets as revealed by the income tax assessment data, the total wealth of such assesseees is assumed to correspond to their income assessed to income tax."⁷ Data from 'wealth' and 'income-tax revenue statistics are "welded together in order to capitalise the income levels." Thus we now get the capitalisation rate which is used to convert the income tax assessment data into the data on the distribution of urban wealth. Table 4.9 gives the total derived household reproducible wealth for the years 1949-50, 1960-61 and 1966-67.

Table 4.10 shows that the proportion of urban households with wealth above Rs. 20,000 (at current prices) has

6 The Mahalonobis Committee on distribution of income and levels of living (1964), p. 21.

7 Jakhade and Shetty (1974), p. 677.

Table 4.9 : Estimates of Urban Household Reproducible Wealth (1949-50, 1960-61 and 1966-67)

| Year | Total household wealth | Farm household wealth | Non-farm household wealth |
|---------|------------------------|-----------------------|---------------------------|
| 1949-50 | 12,131 | 6,416 | 5,715 |
| 1960-61 | 19,298 | 9,604 | 9,694 |
| 1966-67 | 31,249 | 17,389 | 13,860 |

Source : Jakhade and Shetty (1974).

increased over the years. The concentration ratios worked out show that the inequality in the distribution of wealth increased from 1949-50 to 1960-61, but thereafter the trend is seen to be in the opposite direction. The concentration ratio for the year 1960-61 was found to be .7220. The above study is subjected to a number of limitations. Firstly, the households paying income tax form a very small proportion of the total households and among them wealth tax payers form much more insignificant group. Second, comes the obvious problem of tax evasion. Thirdly, the data refers to the years of reporting and not the year of earning and lastly, each tax paying assessee is assumed to represent a household and that wealth assessed is related to the income assessed during the given year. In spite of these limitations, the credit must go to this study for at least giving us the

Table 4.10 : Distribution of Urban Household Wealth (1949-50 and 1966-67)

| Asset group (Rs.) | 1949-50 | | | 1966-67 (Estimate I) | | | 1966-67 (Estimate II) | | |
|----------------------------|---------------------------|----------------------------|-------------------------|---------------------------|----------------------------|-------------------------|---------------------------|----------------------------|-------------------------|
| | Percentage dist. of H.Hs. | Percentage dist. of wealth | Average wealth per H.H. | Percentage dist. of H.Hs. | Percentage dist. of wealth | Average wealth per H.H. | Percentage dist. of H.Hs. | Percentage dist. of wealth | Average wealth per H.H. |
| Below 20,000 | 98.5 | 71.66 | 3.07 | 96.78 | 64.40 | 4.47 | 86.86 | 40.14 | 3.10 |
| Above 20,000 | 1.45 | 28.34 | 82.87 | 3.22 | 35.60 | 74.30 | 13.14 | 59.86 | 30.62 |
| 20,000 - 50,000 | 0.82 | 6.25 | 32.40 | 2.01 | 9.31 | 31.14 | 11.28 | 15.35 | 9.14 |
| 50,000 - 1,00,000 | 0.37 | 5.89 | 67.53 | 0.67 | 7.04 | 71.12 | 1.02 | 10.74 | 70.94 |
| 1,00,000 - 2,00,000 | 0.16 | 5.21 | 134.38 | 0.37 | 7.70 | 139.48 | 0.49 | 10.75 | 147.57 |
| 2,00,000 - 5,00,000 | 0.07 | 5.11 | 285.03 | 0.13 | 5.90 | 293.96 | 0.28 | 12.15 | 295.92 |
| 5,00,000 & above | 0.02 | 5.87 | 1147.87 | 0.04 | 5.64 | 984.71 | 0.06 | 10.86 | 1088.34 |
| Total | 100.00 | 100.00 | 4.29 | 100.00 | 100.00 | 6.72 | 100.00 | 100.00 | 6.72 |
| Concentration ratio | | .6738 | | | .6824 | | | 0.6842 | |

Note : Estimate I is based on 3.75 capitalisation rate, while Estimate II is based on 5.52 capitalisation rate.

Source: Jakhade & Shetty (1974).

broad idea of the trend of wealth distribution among the urban households.

It is very difficult to pass any conclusive judgement on the nature of the trend of the distribution of wealth in India, due to the paucity of relevant, meaningful data. However, making use of the little existing data on assets, we find that the inequality in the distribution of wealth within the states is on an increase, the urban sector taking the major responsibility of the total inequality. In the rural sector, amongst the class of cultivators and non-cultivators, inequality seems to be much acute in case of non-cultivators. Among the non-cultivators, agricultural labourers seems to be in the relatively comfortable position. In the urban sector, the group of self-employed have an advantage over the others since they command a greater share of the total wealth. Land, buildings and house property constituted a major portion of the total assets. Physical assets were found to dominate, as the financial assets are still not very popular amongst the households. The statewise distribution show that the states of Punjab, Haryana and Tamil Nadu have vast disparities of wealth. Finally, inequalities in the distribution of wealth was found to be greater than the inequalities that exist in the distribution of income and consumption, by the studies mentioned above. All the same, one cannot permit a hair splitting analysis since a continuous data on wealth with similar concepts and coverage does not exist. One can only be contented with some broad features which we have mentioned above.

CHAPTER V

GROWTH VERSUS EQUITY

'Growth' and 'Equity' are the two broad objectives of Indian planning. Few are of the opinion that Indian development experience has favoured growth at the cost of widening inequalities. They hold that the growth process has resulted in a lopsided development with an "accelerated growth in certain high productivity dynamic (usually industrial) sectors relative to other slow growing low productivity (usually agricultural) sectors."¹ Apart from this our growth-oriented strategy has culminated in a higher concentration of power in a few hands. As against these arguments, the proponents of growth oriented strategy argue that for an underdeveloped economy like India, a substantial increase in the national income cake is imperative and gradually, this growth, they believe would 'trickle down' taking care of the initial inequalities. Secondly, the growth process results in "shifts of different income-receiving units along, the income-scale". This income mobility not only helps removing any kind of 'economic class consciousness' but, also helps in assuaging the consequent 'social impact' of inequalities.

1 S. Tendulkar (1983), p. 99.

Although the relationship between inequality and development have been studied from the days of Ricardo and other classical economists, no significant conclusion has yet been arrived at. Kuznets (1955) hypothesised that in the earlier phases of growth the inequality tends to widen as compared to the later phases when it declines. He pinpoints towards the two main forces that account for an increase in the inequality in distribution of income at the initial stages of development. They are concentration of savings in the higher income brackets and the industrial structure of the income distribution. Inequality in the distribution of savings being more unequal than the inequality in the distribution of income and consumption, has a 'cumulative effect' and would eventually lead to "the concentration of increasing proportion of income yielding assets in the hands of the upper groups - a basis for larger income share of these groups and their descendants."² Next, due to a shift from agriculture to the industry in the process of industrialisation, we have to examine two sets of income distributions - rural and urban. Average per capita income and inequality in the distribution of income is found to be lower in the rural sector relative to the urban sector. Keeping this in mind, a shift from agriculture to industry, (especially in the lower income brackets), would imply greater inequality, because the weight of the urban population increases, in the total population and hence the

2 S. Kuznets (1955), p. 7.

increasing inequality. Moreover, according to Kuznets (1955), "per capita productivity in urban pursuits increases more rapidly than in agriculture."³

Now, given the 'cumulative effect' of concentration of savings and increasing weight of urban population with higher per capita income, it is perhaps inevitable to take note of factors that lead to the decline, in inequality over time. Kuznets (1955) has picked up some factors counteracting the above-mentioned forces responsible for initial increase in inequality. Firstly, it was found that the proportion of population belonging to higher income bracket was fast diminishing. This is possibly attributable to the varying rates of growth, since family control was initially more popular with this group. This ultimately accounted for a decline in the relative income share of this group. Secondly, "freedom of individual opportunity", an essential element of a laissez faire economy gives ample opportunities for the growth of new profitable industries, thereby curbing the hegemony of 'descendants of higher income group'. Thirdly, the service incomes form an important composition of total income and it is unlikely that this can account for an increase in the income of upper income bracket over the years since, for these income brackets there is little scope and incentive for any increase in inter-industry shifts or an improvement in excellence to increase their income, because their income has

3 Ibid., p. 8.

already reached a higher level. But this is not the case with the households belonging to the lower income brackets. Given the technological advancement, we find that the lower income brackets will shift from one industry to another and would also improve their efficiency to increase their incomes. This would ultimately lead to a narrowing down of inequality in the distribution of income during the growth process. Apart from this, government interference via redistributive policies would also help reducing inequalities - "one can there say, in general that the basic factor militating against the rise in upper income shares that would be produced by the cumulative effects of concentration of savings is the dynamism of a growing and free economic society." (Kuznets, 1955). It has also been said that as an economy grows over the years, the lower income group belonging to the non-agricultural population becomes economically better off and begins to take advantage of the facilities that an urban life offers. Along with varying changes in inequality, other important variables also undergo changes. "Long swing in income inequality must be viewed as a part of a wider process of economic growth and interrelated with similar movements in other elements."⁴ These other elements are the rate of growth of population, urbanisation, savings or capital formation and ratio of foreign trade to domestic activities. Another important conclusion made by this study is that the income was unequally

⁴ S. Kuznets (1955), p. 18.

distributed in the developing countries as compared to the developed countries and also that the share of lowest income brackets was greater in developing than in developed countries.

Kravis (1960) studied the distribution of pre-tax income in the ten countries, after comparing them with the prevalent distribution in United States. His study also confirmed Kuznets' finding that the under-developed countries experience greater inequality than the developed countries. His results "lend some support to the hypothesis that the distribution of income tends to be more equal the longer and the more thoroughly the country has been exposed to the processes of economic and social change associated with the idea of industrialisation."⁵ He calculated the shares of quintiles and Gini ratios for the countries for the early 50's taking U.S. as the basis of comparison. His standard deviation method is based on the ratios between the incomes at 80th and 20th percentiles. Establishing a positive correlation between the degree of equality and the level of per capita income, he confirms with Kuznets' results that the share of lowest income groups tends to be higher in poor countries than in developed countries and the greater inequality prevalent in developing countries can be attributed to 'greater dispersion in the upper part of the distribution

5 Kravis (1960), p. 409.

scale'. According to him, "while early changes in economic structure bring greater economic differentiation and thus may produce more inequality than prevailed in the pre-industrial society, further economic growth, accompanied by the spread of education, the rise of insurance, the growing importance of the corporation, and the tendency for the labour share in income to rise relative to the property share, produces a movement toward the more equal distribution of income."⁶

Oshima (1960) warns us of several heterogeneous factors like historical, racial, physical, religious etc. which if taken heed of proves, Kravis' conclusion of "greater inequality in underdeveloped countries than in developed areas", unreliable. For example, we find that greater inequality in semi-developed countries like those of U.S.S.R. and Italy can be mainly due to the vast geographical heterogeneity." Nevertheless, according to Oshima (1960), inter temporal conclusions regarding the trend of inequality and growth can be made. He assumed that the countries pass through four stages - undeveloped, underdeveloped, semi-developed and fully developed. According to him inequality is initially low in the undeveloped stage. But as an economy grows, the dispersion in incomes increase and after the semi-developed stage, the rise in inequality is finally contained, i.e. in the fully developed stage. Next, the weight of the farm

6 Ibid., p. 416.

sector in the total economy was found to be the main determinant of dispersion of quintile shares amongst the countries. Dispersion of land holdings and dispersion of capital per worker were found to be the main determinants of inequality within the agricultural and non-agricultural sectors respectively. Oshima (1970) keeping in view the surplus of labour in under developed countries advocates only those developmental strategies, which lead to full employment in the economy. "The attainment of full employment will accelerate growth of income but the reverse is not necessarily so, as post-war experience shows. The greater inequality and low savings rate in many of the countries in Asia are largely due to an insufficient volume of work for household members in the lower income groups."⁷

Kuznets (1963) undertook a historical study of the size distribution of income for 18 different countries (1913-19 to 1944-48). He concluded that for most of the countries there has been a decline in the share of upper income brackets and an increase in the share of lowest income bracket, but, the rise in the share of lower income bracket was less conspicuous than the decline in the share of upper income brackets. A common feature of the size distributions of these countries was that the share of upper income bracket in under developed countries was strikingly greater than the share in the developed countries. Secondly, the

7 Oshima (1970), p. 34.

share of the lower income bracket was smaller in U.D.Cs than in developed economies but the difference was found to be very insignificant as compared to the earlier one. Most of the countries showed a decline in the income inequality somewhere around the first world war. This study was followed by a number of studies with international comparisons of size distribution of income.

Paukert (1973) studied the size distribution of income for 56 countries with the help of data provided by Irma Adelman and Cynthia Taft (1971). Not unlike the studies mentioned above, this study also examined the changes in size distribution of income at different levels of economic development. Using Gini coefficient and the maximum equalisation percentage* as the measure of inequality and the gross domestic product per head as the level of development, his analysis also, confirmed with the Kuznets' hypothesis. "Taking the 43 countries with G.D.P. per capita below \$ 1000 in 1965, as developing and the remaining 13 as developed, we find that the average Gini ratio is .467 for developing and .392 for developed countries. Similarly, the maximum equalisation percentage is 35.8 for developing and only 28.4

* This measure shows what percentage of total income would have to be shifted between quintiles in order to achieve an equal distribution of income. As it is calculated as a sum of the excess share of income over the share of income recipients, it is equal to the sum of the percentages by which the share of income falls short of the share of income recipients.

for developed countries."⁸ The share of the top 5 per cent of the recipient in the total income was highest in the G.D.P. per head group of \$ 201-300 and \$ 301-500 groups. The share was slightly smaller for the countries in the below \$ 100 group. But for the countries belonging to the group of \$ 500 and above, the top 5 per cent share was distinctly less compared to other groups. The share of the bottom 20 per cent was highest in poorest countries with G.D.P. per head less than \$ 100. However, above the \$ 200 group, no clear pattern could be observed.

A serious limitation to the study of income inequalities across the countries lies in the unavailability of comparable data. Varying definitions of income, income recipient unit, scope of the study and time frame used while collecting the data, results in 'technical drawbacks' and consequently rendering the conclusions arrived at by these studies, unreliable. One way out of this predicament, perhaps would be choose only those countries for analysis which are similar in their definition of income, income recipient unit, scope and time frame. But, unfortunately we might have just a handful of homogeneous countries that the results of their comparison, would not suffice for an emphatic conclusion. In order to get rid of these 'systematic biases', Cromwell (1977) first regressed, the Gini coefficient of each of the countries 'on a set of variable

8 Paukert(1973), p. 120.

describing sample characteristics as well as underlying casual variables such as per capita incomes'. The consequent structural equation was then utilised to 'adjust the actual ratios for significant biases'. The countries were initially ranked according to their per capita incomes and were then grouped by income class. Then, average Gini ratios and percentile shares were calculated for each of the group. He found out that the Gini ratios and the share of the top 5 per cent exhibit a similar pattern, i.e. increasing during the early phases of growth and than ultimately declining. The declining share of the bottom 20 per cent in the most advanced countries, according to Gromwell, "reflects the fact that a significant portion of these benefits generally do not accrue to poorest segment of society."⁹ The increase in income inequality which appears during the initial stages of development, according to him is due to the persistent existence of two types of dualism - economic and educational, borne out by the capitalist mode of production. The economic growth per se cannot be held responsible for the widening inequality. He compares the income distribution of non-socialist countries with socialist countries and found that - inequalities (measured by the Gini ratio) within the socialist countries are 39 per cent less (0.438 - 0.267/0.438) than for the 62 non-socialist countries in the sample."¹⁰ The five socialist countries in the sample of

9 Gromwell (1977), p. 297.

10 Ibid., p. 305.

67 countries were East Germany, Czechoslovakia, Poland, Hungary and Yugoslavia.

Now the most pertinent question that can be raised would be as to why do we need to know about the level and trend of inequality and growth of these western, south-east Asian and other countries, to be able to say something about the inequality prevalent in our economy. It is superfluous to say that the level of inequality has little meaning unless we examine its trend over the years. In spite of certain prevailing heterogeneities, the experience of other countries help us know, where we actually are. Indeed, we need to know, whether the present inequalities would recede if we rely on growth, as Kuznets hypothesised and the development experience of other countries established it. The experience of socialist and non-socialist countries as regards inequality and growth, help us pick up the kind of economic system, which would suit us best given our national objectives.

Swamy (1967) studied the interrelation between the changes in economic structure and the size distribution of income in India from 1951-60. He found out that the intersectoral inequality (i.e. relative productivity per worker leading to shifts) contributed 85 per cent to the total inequality, whereas intra sectoral inequality (i.e. inequality within the sector) contributed merely 15 per cent to the total inequality. Secondly, the size distribution of income

has widened over the years. The concise results given in Table 5.0 show that significant structural changes have been taking place in Indian economy and it largely supports the cross-results arrived at by Kuznets. Swamy compared the level of inequality in India with 8 developed countries and found that the inequality in India is much higher than these countries (Italy, West Germany, U.S.A., Netherlands, U.K., Denmark, Australia and Sweden). "International evidence suggests that inequality in the sectoral and size distribution will widen in initial phases of growth, then stabilise and finally decline. India is at present at the earlier end of this range and inductively one would expect further periods of widening inequality."¹¹ Other notable studies in this regard are those by Ojha and Bhatt, Ahmed and Bhattacharya, etc., which have been dealt at length in the Chapter II. India embarked upon the path of planned development after she attained independence in 1947. A series of five year plans were formulated to achieve our proclaimed objectives. A wide range of alternate strategies were available to choose from. Tendulkar (1983) has focussed on the four major development strategies with 'varying combination of efficiency and growth'. The first one relates to the radical transformation of 'production and distribution processes and social relations', before growth process starts off. As opposed to this, the second strategy puts its main emphasis on growth alone and according to this

11 S. Swamy (1967), p. 170.

Table 5.0 : The Pattern of Inequality in Consumer Expenditure - All India, 1951-52 to 1959-60

| | 1951-52 to 1954-55 (Plan I period) | 1955-56 to 1959-60 (Plan II period) | Percentage change (Plan I to Plan II) |
|--|---|--|--|
| Intra sectoral inequality | | | |
| Rural | 0.33 | 0.33 | 0.0 |
| Urban | 0.37 | 0.38 | 2.4 |
| Inter sectoral inequality | 1.43 | 1.49 | 4.2 |
| Sectoral weights | | | |
| Urban | 0.18 | 0.20 | 11.1 |
| Rural | 0.82 | 0.80 | -2.5 |
| Total inequality in the size distribution | 0.37 | 0.39 | 4.8 |
| Per capita consumer ex- penditure (Rs.) | 241 | 254 | 5.4 |

Source : Swamy (1967).

growth-oriented strategy 'the percolation effect and income mobility effect' would ease out the initial disparities which are an outcome of the heavy emphasis on growth. According to the third strategy, 'growth' and 'equity' should be given equal weights in developmental plans of the economy. The final of the set of strategies given is a 'less extreme version' of the first one. Recognising the mutual exclusiveness of both 'growth' and 'equity' it implies that redistribution can only be possible at the cost of growth. Now having outlined various strategies of development, it is pertinent to see how plans have differed on their emphasis on growth and equity.

It was acknowledged, during the formulation of First Five Year Plan, that the period before independence was one of absolute stagnation and glaring inequalities. Immediate need was felt to initiate a growth process which would lead to a higher total national income. Market forces could not be relied upon and hence it became states' prerogative to achieve quick results. The industrial policy resolution of 1948 said - "the private enterprise should have a public purpose and there is no such things under present conditions as completely unregulated and free private enterprises." Keeping in view the loss in terms of total quantum of production, it was decided to gradually transfer the private owned assets into the hands of state through various redistributive measures, like ceiling on land holdings etc.

As regards the plans emphasis on 'growth' and 'equity', the document added - "the urge to economic and social change under present conditions comes from the fact of poverty and of inequalities in income, wealth and opportunity. The elimination of poverty cannot, obviously be achieved merely by redistributing the existing wealth. Nor can a programme aiming only at raising production remove existing inequalities. The two have to be considered together; only a simultaneous advance along both these lines can create the conditions in which the community can put forth its best efforts for promoting development."¹²

Second Five Year Plan (1956-61) laid down the foundation for achieving a socialist pattern of society. "Essentially this means that the basic criterion for determining the lines of advance must not be private profit and social gain and that the pattern of development and the structure of socio-economic relations should be so planned that they result not only in appreciable increases in national income and employment but also in greater equality in incomes and wealth."¹³ The main thrust of the Second Five Year Plan seems to be on growth, which was thought to be achieved through vigorous industrialisation. Special emphasis was placed on basic and heavy industries and the necessary ancillaries like transport

12 First Five Year Plan (1951-56), p. 2.

13 Second Five Year Plan (1956-61), p. 22.

etc. The plan did not only expect the public sector to expand but also expected it to play an important role in initiating the entire pattern of investment in the economy. Private sector was expected to play its parts within the framework of the comprehensive plan accepted by the community. Thus the two of the major objectives of the Second Five Year Plan were, "(a) a sizeable increase in national income so as to increase the level of living in the country (b) reduction in inequalities in income and wealth and a more even distribution of economic power."¹⁴

After a decade of planning, Third Five Year Plan was launched in 1961. Not unlike the earlier two plans, this plan also contained a thorough discussion on the issues relating to 'growth' and 'equity'. "It is a basic premise in India's Five Year Plans that, through democracy and widespread public participation, development along socialist lines will secure rapid economic growth and expansion of employment, reduction of disparities in income and wealth. Prevention of concentration of economic power, and creation of the values and attitudes of a free and equal society A high rate of economic growth sustained over a long period is the essential condition for achieving a rising level of living for all citizens and especially for those in lower income groups or lacking opportunity for work."¹⁵ According

¹⁴ Ibid., p. 24.

¹⁵ Third Five Year Plan (1961-66), p. 9.

to the plan document, the primary condition securing equal opportunities was assuring 'gainful employment' to all willing to work. It envisaged large scale programme of rural works along with the development of large and small scale industries. In order to curb the increase in concentration of economic power, plan chalked out a three pronged strategy. Firstly, by the extension of public sector. Secondly, by encouraging the new entrants by widening opportunities, and finally curbing the growth of concentration of power by various governmental rules and fiscal measures. To narrow the disparities of income, plan put foremost emphasis on provision of employment opportunities along with education and social service benefits.

After the annual plans (1966-69), which were formulated due to unforeseen severe drought of 1965-66 and external aggressions of 1962 and 1965, Fourth Five Year Plan came into being. In order to do away with disparities in income, plan stressed upon the need to step up the pace of growth. "To some extent income disparities can be reduced through fiscal measures aiming at reduction of income at the top levels, but for us it is important to lay far greater stress on positive steps for ameliorating the conditions of poorer people through planned economic development ... we have to reach the social and economic objectives through more rapid growth of the economy, greater diffusion of enterprise and of the ownership of the means of production, increasing

productivity of the weaker units and widening opportunities of productive work and employment to the common man and particularly the less privileged sections of the society."¹⁶ The plan also suggested that the surplus over the present consumption especially from the higher income brackets should be invested to ensure greater consumption in future. 'Time-specific target group oriented programmes' for the marginal and small farmers, agricultural labourers and for scheduled castes and scheduled tribes were launched. Plan also aimed for a decentralised method of planning and this grass-root level planning was expected to expand employment opportunities for a number of rural households.

Fifth Plan (1973-74 to 1978-79) set out with two major objectives - removal poverty and attainment of self-reliance. As regards growth, the draft plan document said, "Achievement of this objective requires higher level of investment apart from higher level of efficiency. Greater emphasis on self reliance implies that a higher level of savings has to be generated domestically to correspond to the required level of investment. The objective of reduction of inequalities in incomes and more especially in consumption level requires that the required savings must come from the more efficient sections of our society."¹⁷ It aimed at increasing level of consumption of lowest 30 per cent of the population, through

16 Fourth Five Year Plan (1969-74), p. 15.

17 Draft Fifth Five Year Plan (1974-79), p. 15.

extensive programme of employment generation. "To put it very briefly, policies designed to improve distribution of income must, include measures which lead to a better distribution of material property, especially land, improve substantially earning from labour through providing extensive opportunities for gainful work and facilitate the process of formation of human capital especially in deprived sections of our society through equitable sharing of public goods such as education and health."¹⁸ For poor, a programme of minimum needs covering elementary education, drinking water etc. was initiated. In order to achieve the twin objective of removal of poverty and self-reliance, the plan recognised that the consumption differentials have to be narrowed. This was sought to be tackled at the 'stage of accrual of income' and the manner in which the accrued income is allocated amongst different uses. "It is by operating vigorously and effectively, at all the three stages, namely accrual, taxation and savings that progress may be made toward a less skewed distribution of consumption."¹⁹

Unlike the other Five Year Plans, the Draft Sixth Five Year Plan (1978-83), genuinely admitted the 'explicit trade off' between 'growth' and 'equity'. Removal of poverty was taken to be as the foremost objective to be achieved by creating abundant employment opportunities. Importance of

18 Ibid., p. 25.

19 Draft Fifth Five Year Plan (1974-79), p. 27.

adopting labour intensive techniques and implementation of series of land reforms earlier passed on was underlined. It also, for the first time dwelt upon the need for some sort of an organised effort on the part of the have-nots for quicker redistributive benefits. With the political change in 1980, Sixth Five Year Plan (1980-85) was restarted. This version also declared removal of poverty as its prime objective. "The basic task of economic planning in India is to bring about a structural transformation of the country so as to achieve a higher and sustained rate of growth, a progressive improvement in the standard of living of the masses leading to the eradication of poverty and unemployment and material base for a self-reliant socialist economy."²⁰ Realizing that, an increase in the rate of growth is imperative, the Sixth Plan, nevertheless admitted that the 'trickle-down-effect' during the earlier plans have been unimpressive. It spelt out the need for "a sharper redistribution focus in raising the share of the poorer sections in national income and consumption in the utilisation of public services."²¹ Several 'specific action anti-poverty programmes' like National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP) were floated to realise the objective of removal of poverty. The plan also stressed upon the important role of the public

20 Sixth Five Year Plan (1980-85), p. 17.

21 Ibid., p. 17.

sector can play in the economy, via. several linkages. Effective role of 'public participation' was also highlighted in the plan.

The Seventh Five Year Plan (1985-90) aimed at the acceleration of growth in foodgrains production, employment opportunities and productivity. The attainment of these stated goals required - "(i) action to sustain and enhance the momentum of economic expansion, technological development; (ii) adoption of effective promotional measures to raise productivity and incomes of the poorer sections of the population, poorer religious and poorer states; (iii) expansion and qualitative improvement in facilities of health, education, and other basic civic amenities; (iv) measures for bringing about a sharp reduction in rate of population growth."²² Not unlike the earlier Five Year Plans, the Seventh Plan's main thrust was on attaining social justice, self-reliance and productivity. But, it also made abundantly clear that an increase in efficiency will have to be a necessary condition to help achieving other objectives. According to the approach paper - "the lack of competition has also done much harm and time has come for a new policy framework that emphasises efficiency, competition and modernisation."

It is apparent from the plans discussed above, that the need and importance of socio-economic justice was well

22 Seventh Five Year Plan (1985-90), p. 8.

recognised. Every Five Year Plan contained interesting discussion on the desire to accelerate growth and the want to wipe-off glaring economic inequalities. Except for some brief indications in the Seventh Plan in favour of the private sector, we find that the public sector was heavily relied upon to enhance growth without conflicting with the aforesaid objectives. Public sector was thought to be an answer to all the claims and hopes of the lower strata of the economy. A series of redistributive and welfare programmes like those of land redistribution, Community Development Programme (CDP), fiscal policies hitting at the top most income bracket and public works programmes were chalked out. Expansion of employment opportunities was expected to be the chief instrument to get the required results. Upto the Fourth Five Year Plan, narrowing of economic inequalities was stressed upon along the growth process. But from the Fifth Plan onwards the emphasis was more on the removal of poverty. All along these years faster growth or increased efficiency was regarded as the primary condition for development. Over the plans, we find that a growth rate of 5 to 5.5 per cent was targeted. But a similar quantification of inequality and poverty was absent except very vaguely in the Sixth Five Year Plan, when the government sought to abolish poverty by 1990. Tendulkar (1983) has divided the Indian development experience into two phases; the sustained growth phase and the deceleration phase and examined the issues relating to 'growth' and 'equity'

during these phases. The period since First Five Year Plan to Third Five Year Plan is referred to as the sustained growth phase, due to the fact that there was a spurt in the rate of growth of investment, industrial output and food-grains production. "Overall per capita income in real terms experienced a compound growth rate of 1.75 per cent per annum."²³ But, since the mid-sixties the increase in the growth rates were contained. This could probably be due to the two successive droughts of 1965-66 and 1966-67 and hence the declaration phase, According to him, "for practical purposes the distributional objective, although articulated at a general level, remained secondary in importance and basically an adjunct to the predominant growth orientation of the first phase."²⁴ The first three five year plans followed a growth oriented strategy but it acquired a clear growth with re-distributive focus from the Fifth Five Year Plan onwards. "Despite the articulation of redistribution at the level of rhetoric, the declared policy choices can always be seen to be governed by considerations of minimizing social conflicts. Given the staggering magnitude of the problem of poverty as brought out by the plan documents, this led to a hiatus between aspirations and performance and consequent loss of the credibility of the planning process."²⁵ The immediate

23 S. D. Tendulkar (1983), p. 98.

24 Ibid., p. 104.

25 Ibid., p. 112.

need, according to him is to first restore the 'credibility of political process' in order to subside the social tensions involved in the redistributive measures and secondly, our development experience must result in a faster growth rate.

In order to know whether the growth process has resulted in greater inequality, we need to find out the contribution of growth to the total inequality and this calls for an examination of key indicators of economic performance in an economy. Since, this is not feasible at the present stage, we shall only refer to a few important studies which speak about the relationship between 'growth' and 'equity' in Indian context.

Bardhan (1974) is of the opinion that we have had a number of well-meaning redistributive policies but several constraints have hindered the effective implementation of these policies. Policies relating to the distribution of land did not bear desired results. Laws relating to the distribution of surplus land, ceiling, tenancy, etc. were biased in favour of the 'rural oligarchy'. Land records were not maintained systematically and the revenue administration was also found to be inefficient. Public sector, which was thought to pave way for the attainment of socio-economic objectives had no 'significant impact on personal income inequalities'. "Much of the 'nationalisation' has been on payment of heavy compensation and the poor utilisation of capacity and low rate of profits in many public enterprises

(several exceptions not withstanding) have led to a lower surplus avoidable for either growth or distribution."²⁶ Benefits of the policies concerning public investment have been appropriated by the socially and economically influential people. Credit and other services meant for the rural poor have actually not reached them. As regards education, most of the studies relating to enrolment wastages, drop out etc. in view of Bardhan reveals that 'benefits of educational subsidies accrue disproportionately less to the lower income groups at each level of education'. Rural Works Programme designed to help the rural unskilled and under employed labour have been badly administered and generally starve for finance. The agricultural prices, the public distribution system, the statutory stipulation of minimum wages and the rent control legislation have all gone into strengthen the big farmers. Though programmes relating to health, sanitation, nutrition, drinking water, housing etc. have made some progress over the years, they fall much short of the required need. According to Bardhan, there are two kinds of constraints which have resulted in the failures of the social welfare programmes designed for the needy. The first one relates to the lack of finance. "Faced with a financial squeeze, the government immediately prunes social welfare programmes for the poor, or resorts to deficit financing, or both, the inflationary consequences hit the

26 P. K. Bardhan (1974), p. 256.

poor hardest."²⁷ The second constraint relates to the exploitation by the 'urban elites' and the 'rural oligarchy' resulting in glaring inequality and poverty. The fault, Bardhan argues, does not lie in the policies or programmes formulated but "in the power realities of a political system dominated by a complex constellation of forces representing rich farmers, big business, and the so-called petite bourgeoisie including the unionised workers of the organised sector. In such a context it is touchingly naive not to anticipate the failures of asset distribution policies or the appropriation by the rich of a disproportionate share of benefits of public investment."²⁸

Srinivasan (1974) has distinguished between two sets of policies affecting the income distribution. First set of policies concerns those policies that affect income generation. Policies regarding the distribution of wealth, wages land, property, technology fall into this first category. Policies dealing with subsidies, education, taxes etc. came under the second category. He has dealt at length with the policies belonging to both the categories and the impact they have had on various stratas of society.

As regards the land policies, he says that implementation of ceiling legislations, have not been effective. Redistribution of surplus land has benefited only a

27 Ibid., p. 261.

28 Ibid., p. 261.

negligible percent of the rural poor. Objective of tenancy reform is yet to be achieved. "The incentives for eviction of tenants periodically to prevent them from establishing any record of rights to a particular parcel of land that have existed in the past have been intensified by the substantially increased returns to cultivation by owners using hired labour that have come about particularly in irrigated areas because of the new agricultural techniques."²⁹ Programme of land consolidation, advocated by Minhas, has not yet been achieved and it has been found that the small cultivators "do not often get back after consolidation land of value equal to that of land they owned prior to consolidation."³⁰ Programmes like SFDA and MFAL for the weaker sections have a similar story to narrate. The benefits have ultimately been passed on to the rich farmers leaving the poverty and inequality intact. This according to Srinivasan, reflects nothing but a serious lack of political will.

Policies regarding the non-agricultural wealth includes the industrial licensing policy, 'policy of progressive expansion of public sector', policy for encouraging small scale and village industries, policies relating to urban property etc. As regards the industrial licensing, several governmental committees and other studies reveal that it has favoured the big business houses at the cost of small units.

29 T. N. Srinivasan (1977), p. 373.

30. Ibid., p. 373.

With an increase in the rate of urbanisation, the land prices increased and as a consequence the land owners have greatly benefited but nothing as yet has been done to curb it. Employment policies have a particular relevance in a poverty stricken economy like ours. Expert committee set up to study unemployment complain that our plans make it obvious that employment creation has absolutely no relation to the investment pattern. It is essentially required to determine the investment required 'to produce a specified volume and pattern of employment', in order to make a dent into the problems of unemployment. Programmes specially designed to create employment have been cramped by the paucity of funds, not to speak of the rampant red-tapism and lack of inter-departmental coordination. Wage policies have little significance in our economy, since only a tiny segment of the working population is employed in the organised sector. Committee of wage policy also remarks that the wage structure has little relation with the pattern of rest of the economy. Pricing and distribution policies have also been seen to serve the upper echlons of the society. Firstly, it has been found that only an insignificant section of the community was covered by the public distribution system. It mainly served the population living in the metropolitan cities and other large urban concentrations. It is not very rare to find the instances of households cheating by giving false data on its size and age composition. Also not rare is the corruption of the

administrative staff of rationing department. Support prices did not benefit the small farmers as much as they benefited the big farmers. Restrictions on the inter-state movement of foodgrains added to the disparities in consumption and prices of foodgrains, encouraging a number of illegal activities. Coming to subsidies and their impact on various segments of society, we find that they have increased the welfare of the upper income groups. Irrigation and electricity rates have subsidised the big farmers, big industrialists and rich households more than the small farmers, small industrial units and lower income households. Banking system is found to be more accessible to the upper income groups in urban and rural areas and high interest rates were enough to ward-off the credit requirements of the weaker sections. As regards education, Srinivasan say, "It goes without saying that enormous expansion of subsidised higher education has benefited mostly the upper income groups."³¹ Apart from this salary structure favoured the university professors, college lecturers more than the primary teachers. Government's public housing policies have also benefited the better-off sections. Proportionate increase in housing units of the higher income public servants was more than the requirement and public servants are also often seen to benefit from the lower rent of public houses by renting out their own private houses at market rents. Our tax policies too, have failed to play

31 T. N. Srinivasan (1974), p. 389.

their redistributive role. Several welfare programmes including the Minimum Needs Programme proved to be ineffective due to regular cuts in their budget. Social welfare programmes relating to sanitation, health, family planning etc., have been beneficial.

The above-mentioned studies have clearly shown that the redistributive policies have ended in a failure. Programmes meant for the needy failed to reach them. Most of the times, the policies were ill-conceived, not well thought out and lack of coordination and sincerity have resulted in these unrealised objectives. Corruption and red-tapism ate into all our programmes. Apart from all these reasons, lack of funds is also primarily to be blamed. Now, after all this analysis we are tempted to ask whether our objectives were not well chosen or whether our strategy of attaining them were faulty. These studies and several other studies do not blame the objectives chosen. They believe that with our preoccupation with a higher rate of growth, we have paid scant attention to the distributive aspect and all we need to attain these objectives is the political will and a disciplined implementation of our objectives.

According to Bhagwati (1985) it is wrong to think that growth was considered as the main goal all these years. In fact, "the objective being to provide such minimum incomes, or to ameliorate poverty, rapid growth was decided upon as the instrumentality through which this objective could be

implemented."³² In order to make a sustained impact on poverty an increase the size of the national income cake is essential, the growth oriented strategy is nothing but an 'activist strategy' to raise absolute incomes of the poor. Along with this 'pull-up strategy', a series of programmes like land reforms, public distribution etc. were formulated and according to Bhagwati (1985) it has borne results. Now it is pertinent to find out that if poverty and inequality has declined, has not growth helped. A study by Ahluwalia (1978) prove that there is a positive correlation between the reduction in poverty and increase in agricultural output. It is said that if a redistribution of assets occurs before the growth process takes on it will generate a more equal distribution of incomes. "If such redistribution can be undertaken politically and its implementation is not disruptive economically (as was the case with Soviet collectivisation), we can only rejoice."³³ Poverty can be removed directly by implementing a number of social welfare programmes and indirectly the growth process can also help by financing the redistribution.

A conclusion as to whether 'growth' or 'equity' should be given first priority is difficult. A number of questions have to be answered first. If we find a decline in the economic inequality, can we say a growth oriented strategy

32 J. Bhagwati (1985), p. 39.

33 Ibid., p. 43.

is justified? Well, even if there is a decline in total inequality, we really cannot do away with distribution, unless it has been assured that poverty has been eradicated. According to Debroy (1986), reduction of inequality as a policy goal loses its desirability once the position of the worst-off individuals in society is elevated in absolute terms and not in relative terms. But, redistributive measures can be adopted even after the provision of basic minimum to all, if the savings rate of an economy is not hampered by financing distribution and there is no indication of brewing up social tensions. Redistributive policies can enhance the productivity of the population below the poverty line and can ultimately culminate in an increasing national income. Greater emphasis on 'growth-oriented strategy' must also make sure that the top income bracket who are responsible for savings and investment in the economy, 'save' and 'invest' as much as they are expected to. Given all this, it must nevertheless be remembered that 'growth' can never be a substitute to redistributive policies.

CHAPTER VI

SUMMARY AND CONCLUSIONS

In this work, we are concerned only with the distributional aspect of inequality, which studies how the factors like income, consumption, land, wealth, power etc. are distributed among various individuals in the society. In spite of the social desirability of economic equality on the humanitarian grounds, economic inequality has been favoured in terms of efficiency and growth. Economic inequality does not only strengthen the incentive to work (work-incentive-effect) but also assumes a high saving rate (personal-savings effect) for the future growth of an economy. As regards the social acceptance level of economic inequality, we really cannot say much because it depends upon the value judgements and is quite subjective.

Since economic inequality is an outcome of several economic and socio-political forces at work, an examination of our institutional framework, which helps moulding these inequalities becomes imperative. After a keen perusal, we find that the desire for an egalitarian society was explicitly expressed much before independence. The preamble, the Directive Principles of State Policy, clearly outlined the socio-economic justice that India strived for. The role of

state as a welfare state was accepted quite early in India. The state was expected to ensure that there was no further increase in inequality. Ever since, India adopted a planned way of development, every plan document has contained a desire to remove socio-economic injustices. A mixed economy with co-existence of private and public sector was established to deliver the required goals.

Here we have concentrated mainly with the inequalities of income, consumption, land and wealth. Since Indian census do not provide data on distribution of income or consumption, the predicament was eased by relying on the sample surveys conducted by the NCAER and the NSS. The NCAER has been publishing data on income, savings and consumption expenditure from 1960-61 onwards and the last survey was conducted in 1975-76. The time-lag between the reports was roughly about five years. The common criticism about the NCAER is that the sample size of the surveys have been considerably small, though the sampling errors and non-response rates were not so disturbing. Further the definition of income has undergone changes over the surveys and we are not provided with continuous data to facilitate meaningful comparisons. Objections have also been raised regarding the under sampling of the high income households. Nevertheless, we can have a cursory look at the NCAER surveys. The studies conducted by the NCAER are Urban Income and Savings (1962), All India Consumer Expenditure Survey (1966-67), All India Household

Survey on Income, Savings and Consumer Expenditure (1972), All India Rural Income Survey (1974) and Household Income and Its Disposition (1980).

From studies, we gather that urban inequality shows a decline from 1969-70 to 1975-76, whereas rural inequality declines from 1967-68 onwards. The N.S.S. have been the main source of data for studies on consumption expenditure. These data are preferable to income data on account of the fact that consumption is less susceptible to seasonal fluctuations and it also does not suffer from recall problems. In case of India, we have a continuous time series data on the distribution of consumption, which is not so in the case of income distribution. Inequalities in the distribution of consumption in a broad sense, can be regarded as a lower bound of income inequality coefficient. Few prominent studies using the N.S.S. data are those of Chatterjee and Bhattacharya (1974), Swamy (1967), Ahluwalia (1978), Dutta (1980) and Rajaraman (1975). These studies also show a temporal decline in inequality. As regards the regional disparities Majumdar (1976) and Chatterjee and Bhattacharya (1974) found a decline in the inequality coefficients over the years.

Some studies have been conducted by splicing together the consumer expenditure data with savings and tax data to arrive at the income distribution. This involves a number of assumptions, which are often accused of being arbitrary. Some of the studies of this sort are those by Ojha and Bhatt

(1964), Ranadive (1968), Divakar Rao (1985), Iyengar and Jain (1974) and Ahmed and Bhattacharya (1974). These studies give mixed results and not unlike the other studies here too, urban inequality is found to be greater than rural inequality.

It is more relevant to study and evaluate inequality keeping in mind the changes in price index over time. Since prices do not increase in the same proportion for all the expenditure classes. What is needed is fractile specific price indices. Consumer price index for agricultural labourers (CPIAL) and consumer price index for industrial workers (CPIIW) are two sets of price indices, which give an average price for the rural and the urban sector respectively. But, these indices would be valuable only when one wishes to study the extent of poverty or rural urban differentials. The needed fractile specific indices have been worked out by Vaidyanathan (1974), Radhakrishna and Sarma (1975) and Murthy and Murthy (1977). The studies based on these indices reveal that real inequality is greater than nominal inequality and decline in the real inequality has been slower than the nominal inequality over the years.

Since studies discussed above, varied as regards the concept of income and income recipient unit, a lucid conclusion regarding the time trend of income/consumption inequalities was found to be difficult. Therefore we conducted a study on the inequalities in the distribution of consumption based on the N.S.S. data for the years 1952-83. We then

deflated by the Murthy and Murthy (1977) indices to arrive at the real coefficients. The results indicated a significant decline in consumption inequality. Real inequality was found to be greater than the nominal inequality and urban sector experienced a greater inequality than the rural sector.

When we refer to the structural changes in the land holdings pattern, we refer to the distribution of owned land and the distribution of operated or cultivated land. The two major sources of data relating to the structure of land holdings in India are the various rounds of the N.S.S. (8th, 16th, 17th, 26th and 32nd) and the Agricultural Census Reports (1970-71, 1975-76 and 1980-81). Dandekar and Rath (1971), Vaidyanathan (1974), Minhas (1974), Shah (1976), Singh (1976) studied the structural changes in the distribution of owner/operated land holdings using the N.S.S. data. Inter-state disparities in the structural distribution of land holdings was studied by A. S. Sirohi, G. S. Ram and C. B. Singh (1976) and Sanyal (1977). These studies reveal that there has been a decline in the distribution of land owned/operated, though the decline in the inequality in the distribution of ownership holdings was less than the decline in the inequality in the distribution of operational holdings. The number of marginal holdings have been ^{on} an increase. These could be, as the studies have pointed out, due to the laws of inheritance, land reforms, distribution of government's land to the landless, population pressure etc. As regards the inter-state

disparities, there was a statistically significant decline. Punjab was the state with highest disparity and Kerala with the lowest. In spite of the fact that Agricultural Census Reports differed from the N.S.S. with respect to concept, time period and methodology, both the sets of data have been unanimous about their judgements on the basic features of land distribution in India.

Inequality in the distribution of wealth is concerned with distribution of tangible reproducible, tangible irreproducible and intangible reproducible assets. The R.B.I. has conducted a series of decennial surveys on the debt and investment, furnishing valuable data on the distribution of assets in the country. They are All India Rural Credit Survey (1951-52), All India Rural Debt and Investment Survey (1961-62) and All India Debt and Investment Survey (1971-72). The NCAER also conducted several studies on the wealth distribution in India. Some of the studies have directly estimated the concentration of wealth and some have merely thrown light on the distribution of major assets owned by the households. The relevant NCAER report, in this context are Urban Income Survey (1962), All India Rural Household Survey (1965, 1966), All India Household Survey on Income, Savings and Consumer Expenditure (1972) and Household Income and its Disposition (1980). The N.S.S. has occasionally thrown up data, which gives only a partial idea of the total wealth distribution. The 11th round of the N.S.S. conducted a study

on some aspects of agriculture in India. The survey collected data on the distribution of value of implements and equipments used in the agricultural sector. The 25th round of the N.S.S. collected data on the earning, indebtedness, cultivated holdings and assets of the weaker sections of households in India. The 37th round of the N.S.S. contained data on the assets and liabilities of rural and urban households. This was regarding the data sources of the study. Now coming to the studies based on these data, we have studies of Divatia (1976), R.B.I.(1977), R.B.I. (1976), Sreelekha Basu (1976), Rao (1976), Pathak, Ganapathy and Sarma (1977), Lahiri (1978), Vashista and Rukmini (1982) and Jakhade and Shetty (1974). We cannot say anything about the trend in the inequality of distribution of wealth, since we know only about the inequality within the states which has increased as revealed by the review. Urban sector was found to be more unequal than the rural sector and amongst the class of cultivators and non-cultivators, inequality was much acute in the case of non-cultivators. Among the non-cultivators, agricultural labourers were in a relatively better position. In the urban sector, the self-employed group commanded a greater share of the total wealth. Physical assets were more popular with the households as compared to the financial assets. The statewide distribution of wealth shows that the states of Punjab, Haryana and Tamil Nadu have a very high rate of inequality. Another finding was that the inequality in the distribution of wealth was much greater

than the inequality in the distribution of income/consumption.

After analysing the distribution of income, consumption, land and wealth, it is relevant to have an idea about the changes in the relationship between inequality and growth over the years. Kuznets (1955) hypothesised that in the earlier phases of growth, inequality tends to widen as compared to the later phases, when it declines. Kravis (1960), Oshima (1962, 1970), Kuznets (1963), Paukert (1973), and Gromwell (1977), in their inter-country comparisons overtime have confirmed with Kuznets' hypothesis. Swamy (1967) studied the interrelation between the changes in the economic structure and the size distribution of income in India from 1951-60. His study showed that significant structural changes have been undergoing in Indian economy and the results largely supported the cross-section results arrived at by Kuznets. Inequality in India, according to Swamy had widened and this suggested that probably India was at the earlier end of the development range. A scrutiny of our Five Year Plans show that the need for socio-economic justice was well recognised in our planned efforts. Public sector was heavily depended upon to attain the welfare goals. Several redistributive and welfare oriented programmes were launched. It was realised that in order to make a dent into poverty and inequality, employment opportunities have to be expanded to meet the growing needs. Upto the Fourth Five Year Plan, narrowing of economic inequality was stressed upon but from the Fifth Plan onwards

emphasis was mainly on the removal of poverty. A quantified target growth rate of about 5 to 5.55 per cent was aimed at but a similar quantified target in the case of inequality or poverty did not exist. Analysis by Tendulkar (1983), Bardhan (1974) and Srinivasan (1974) reveal that the redistributive measures have ended in a failure. There were several loopholes. According to them, the fault does not lie in the objectives chosen but on the strategy adopted. As against this, Bhagwati (1985) holds that growth by itself was not a policy goal. It was stressed upon as an 'activist strategy' to finance redistribution and to raise the absolute levels of incomes of the poor.

In conclusion, all that can be said is that a decline in inequality need not be stressed upon if basic minimum is attained. But, if it is possible to have redistribution without affecting the growth rate, then redistributive measures are welcome. In this work we find that the inequality in the distribution of income/consumption has declined, whereas inequality in the distribution of wealth has increased. Now can we say that there is a correlation, positive or negative, between these two sets of distribution? Well, though there is no study to prove this, we can safely say that the inequality in the distribution of income and consumption is affected by the distribution of wealth but, the trend in the inequality of income/consumption cannot only be explained by the trend in the distribution of wealth.

It can be very well argued that for an economy like ours where 37 per cent of the population is below poverty line, it is more relevant to conduct a study on poverty rather than on inequality. It is true, inequality can exist without absolute poverty because inequality refers only to the unequal levels. However, it is relevant to know whether high absolute poverty indicate high inequality, or high inequality imply high poverty. Moreover, the decile shares do give an idea about the degree or amount of redistribution required to bring about reasonable equality in the country. However, this requires further research, which is beyond the scope of our present work.

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