Trends in Distribution of National Income
1950-51 to 1965-66

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Two major conclusions flow from this study of Trends in Distribution of National Income between 1950-51 and 1965-66.

First, the evidence is not conclusive on the movement of disparity in the distribution of personal income by size reckoned at current prices, but the overwhelming indication is that there has been some increase in disparity after 1951-54 and also towards the end of the period chosen for study.

Second, there has been a marked increase in disparity in distribution of personal income by size reckoned in real terms throughout the period. Taken together with the fact that per capita real consumption expenditure rose very slowly, this is indicative of stability or even deterioration of the level of living of the poorer sections of the population.

THE rate of growth of national income in India in real terms has been unprecedented during the post-independence period. The rate of growth of per capita real income during the period also has been significantly higher than the long period rate of growth of the economy.[1] This rapid growth was naturally accompanied by changes in the distributions of national income. Several different distributions are relevant and can be studied in order to find an explanation of the rapid rise in the rate of growth of the Indian economy in current times. Our present quest, however, is different. We propose to study only the distributions of personal income or consumption expenditure by size. A study of these distributions alone enables one to assert, with reasonable certainty, whether the rich have become richer and the poor poorer or whether a more egalitarian situation has been ushered in. Available information is not adequate to permit an unequivocal answer to our question. We have, therefore, made use of the other distribution as well throwing up corroborative evidence.

Geographical Considerations

Before we proceed to our main task, it is necessary to give some consideration to three general points. First, we shall always try to make statements about the nation as a whole, not about particular parts of the country or about particular sections of the population. Any finding in respect of the change in size distribution about any geographical region of the country or any particular section of the country's population does not enlighten us, in general, about the shifts in the national distribution. Thus, a reduction in income disparity within rural areas can be more than offset by an increase in income disparity within urban areas, and national income disparity may rise. Further, a reduction in income disparity within both urban and rural areas may be more than offset by an increase in disparity between urban and rural areas, and national disparity may again rise. What is true of such large geographical regions of the country is obviously true for smaller regions or smaller sections of the population. In the case of the urban-rural breakdown, however, the two sections add up to the country and conclusions about the country can be reached given relevant details about urban and rural areas. The point to note is that no conclusions about the country can be reached on the basis of data relating to the rural area or the urban area alone. Thus, data about smaller sections are of little use to us, unless we have information on other similar sections such that all sections, on aggregation, exhaust the nation or the country. In view of this, we did not consider it permissible to use data pertaining to smaller isolated sections of the country or the population; instead, we had to rely on national income and allied information which relate to the country as a whole.

Second, our reference period is, generally, 1950-51 to 1965-66, the period covered by the first three Five-Year Plans. For this, we could use only such statistics as would cover an appreciable part of the above period, and some information available for shorter periods could not be pressed into service. This also necessitated extension of certain series, and the level of accuracy of the extended part of the series is likely to be lower than that of the original series. This defect could, however, have been largely rectified had it been possible to devote more time to the study.

Size Distributions

Third, size distribution of income or consumption expenditure are always available at current prices, and any conclusion based on two such income (expenditure) distributions at two points of time does not apply to the underlying real distributions. Conclusions from distributions at current prices can be true for distributions in real terms only when the relative change in the price level has been the same at all income (expenditure) brackets between the two points of time. If there is some reason to believe that the average price paid by, say, the poorest 50 per cent of the population has increased more rapidly than the average price paid by the top 50 per cent, between the two dates, then there is some increase in income disparity in real terms

even when the shares in total income (or expenditure) of the bottom and top 50 per cent remain unaltered. A correction for prices enabling one to compare two size distributions of income (or expenditure) in real terms would require construction of price index numbers for different percentile groups of the population arranged by ascending order of their income (or expenditure). Surveys of income or consumption expenditure furnish data on size distributions at current prices, and information available in the surveys normally does not permit comparison of real size distributions. Since our main interest is in the comparison of real size distributions, data on size distributions at current prices alone fail to satisfy us, because, at best, such distributions could be deflated only under very unsatisfactory assumptions thus giving no conclusive answer to our basic question. It is, therefore, necessary to find corroborative evidence from other available distributions which are sometimes available both at current prices and in real terms.

II

The Distribution

Distribution by Industrial Origin: The national income, as produced, is given by certain industrial classification. In India, while the estimates of contributions to national income at current prices are given by fourteen industrial sectors, the real contributions are given by only four aggregative sectors. Using this information simultaneously with that on the industrial distribution of the labour force, it is possible to work out the values added per worker in different industrial sectors. The movement in the disparity of these average values, or in other words, the movement in inter-sectoral disparity during a period of time is related to the movement in the disparity of the distribution of average incomes as produced. When the inter-sectoral disparity is increasing, one would normally expect an increase in the disparity of the size distribution of income. Since measures of inter-sectoral disparity

can be obtained both at current and at constant prices, it is possible to get some idea of the shifts in size distributions at current prices and in real terms.

Distribution by Factor Shares: Income produced in a sector is first distributed to the several factors of production, giving the distribution by factor shares. The return of labour is wages and salaries, and the return of capital is income from assets. There is also a third category, income of the self-employed which is a return of both capital and labour in enterprises in which it is not possible to separate one from the other. What is suggested if we find that the share of income from assets in national income is increasing during a period of time? While there may be many impecunious holders of assets, a holder of asset on an average is likely to be richer than a wage or salary earner or a self-employed person. If this is so, increase in the share of income from assets in national income would suggest an increase in income disparity, provided it is not offset by something else. Indian data on factor distributions enables one to undertake some of these calculations. Unfortunately, since available estimates are at current prices, no surmises about the real movements could be made on the basis of this information.

Distribution by Size: Factor shares of income and certain other earnings reach the ultimate recipients, persons or households, and the amounts received by them give rise to size distributions, when these personal incomes are grouped into several size classes. A part of personal income is spent on the purchase of consumer goods and services and a part is saved. Thus, like a size distribution of personal income, it is possible to obtain a size distribution of household consumer expenditure. Information on size distribution of consumption expenditure is available from the various rounds of the National Sample Survey (NSS) and covers a large part of the post-independence period. Size distributions of person in-

come based on surveys conducted by the National Council of Applied Economic Research (NCAER)[2] are available for one or two points of time. Attempts have been made by several research workers to obtain estimates of size distribution of personal income indirectly by using data on consumption expenditure, income tax, and other available information.[3] We shall make some use of income tax data in our subsequent analysis.

Available Data Imperfect

It is necessary to point out some imperfections of the available information. The NSS data are most satisfactory from our standpoint. But even here the published distributions relate to rural and urban areas and not to the country as a whole. Further, all distributions are given at current prices. Fortunately, it is only with NSS that the information collected permit deflation of size distributions though the tabulated data are not adequate for the purpose. The NCAER data on size distribution of personal income, available for a current year, give an idea of the structure of the distribution and do not throw any light on its change over time in which we are interested. Further, the distributions are given separately for urban and rural areas and not at the national level. Finally, income distributions based on consumption expenditure and other data are also not particularly suitable for a study of the change even though they are available at several points of time during 1950-51 to 1965-66, because all of them are based on certain assumptions, and the changes observed may as well spring from the assumptions made.

Distribution by Final Use: National income is finally used as consumption expenditure and capital formation. Net national capital formation is identical with net savings in the economy. From our angle, two aspects of this distribution is of interest. First, the movement in the share of saving in national income is an indicator of the shifts in the size distribution of income because it is known that the largest contribution to savings is

made by persons in higher income brackets[4]. Thus, if the share of savings in national product increases during a period, this would suggest an increase in the disparity of size distribution of income. National income statistics in India enable one to make these calculations at current prices for a large part of the period 1950-51 to 1965-66. Second, when one is interested in the level of living of the population, the movement in private consumption expenditure in real terms is a better indicator than per capita real national income. The socio-economic significance of a particular degree of concentration varies with the average level of consumption, the same concentration connoting greater human misery when the average itself is low in an absolute sense. For this, the rate of growth of consumption expenditure is pertinent information for a study of change in distribution. Further, when the composition of consumption expenditure is available at several points of time, a particular shift in consumption pattern may imply an increase in disparity of personal incomes while some other shift may suggest a reduction in the disparity. More detailed tabulation of NSS data would permit a study of this type, though we have not been able to do this in the present paper.

Regional Distribution: The final piece of evidence we propose to consider is the inter-regional disparity of incomes. Here again, a shift in inter-regional disparity in a particular direction is suggestive of a shift in the national size distribution of incomes in the same direction. But as in the case of other indirect evidences, no unequivocal conclusion about changes in size distribution can be drawn on the basis of this evidence alone. In particular, shifts in opposite directions in intra-regional disparity will have an offsetting influence and little is known about intra-regional disparity.

The next section of the paper presents the results. Supporting evidences are considered first and then the size distributions. The paper concludes with a brief appraisal of the results.

III

The Results

Intersectoral Disparity: The measure of inter-sectoral disparity used in this paper is half the sum of the absolute differences between the sectoral percentage compositions of the national product and the labour force.[5] Since we are interested in getting the measure both at current and at constant prices, we have used only four major aggregative industrial sectors and not fourteen industrial sectors. This makes the estimates less reliable. Further, even with four major sectors, it was necessary to project the labour force estimates; this was done by using the sectoral rates of growth. Finally, to carry the income estimates in real terms up to 1965-66, we have made use of the estimates at 1960-61 prices given in the Draft Outline of the Fourth Plan. We have, however, applied the sectoral rates of

growth of national product obtained from this source to constant 1948-49 price estimates given in official national income statistics. In the absence of data, our current price series stops at 1963-64. Both the series start from 1948-49 and not from 1950-51, the initial point of the period in which we are interested.

The estimates of the measure of inter-sectoral disparity are given in Table 1. The figures show that inter-sectoral disparity at current prices is generally higher during the plan era in comparison with the pre-plan period. Second, the average for the First Plan period is inflated by extremely high levels of disparity in 1954-55 and 1955-56 when the general price level in the country reached the lowest point. In general, the level of disparity probably remained stable during the First and Second Five Year Plan

Table 1: Measures of Inter-Sectoral Disparity at Current and Constant Prices

Year	Measure of Disparity		
	Current Prices	Constant Prices	National Income Deflator
(1)	(2)	(3)	(4)
1948-49	0.234	0.234	100
1949-50	0.226	0.230	102
1950-51	0.212	0.234	108
Pre-plan average	0.224	0.233	—
1951-52	0.220	0.236	110
1952-53	0.233	0.237	104
1953-54	0.215	0.225	104
1954-55	0.268	0.232	93
1955-56	0.268	0.242	95
First Plan average	0.241	0.234	—
1956-57	0.232	0.242	103
1957-58	0.256	0.260	105
1958-59	0.224	0.242	108
1959-60	0.235	0.254	109
1960-61	0.232	0.254	111
Second Plan average	0.236	0.250	—
1961-62	0.246	0.262	113
1962-63	0.260	0.280	115
1963-64	0.240	0.285	124
1964-65	—	0.284	—
1965-66	—	0.322	—
Third Plan average	0.249	0.276*	—

* Based on the first three years only, so that the figure is comparable with the current price average.

periods. There is, however, some increase in inter-sectoral disparity during the Third Plan. The inter-sectoral disparity at constant prices, however, increased progressively from the First Plan to the Second Plan and from the Second Plan to the Third Plan. Also, the disparity during the First Plan period was not different from that in the pre-plan period. Thus, while disparity at current prices remained relatively stable during the plan era except for some rise during the Third Plan period, disparity at constant prices progressively increased during the periods covered by the three plans. This suggests that disparity of size distribution of incomes also probably followed the same pattern, the disparity at current prices rising during the period of the Third Plan but the disparity at constant prices rising more pronouncedly throughout the period. The above findings are generally supported by a more detailed calculation with 11 sectors relating to the period 1948-49 to 1959-60 not presented in this paper.

It is necessary to note that conclusions of this type are suggestive and not definitive for two reasons. First, the estimates used for the purpose are subject to error, and large errors in the estimates may lead to a conclusion not conforming to reality. Here, in particular, the sectoral composition of labour force as implicit in the official "conventional" national income statistics is subject to large margin of uncertainty. As is well known, the 1951 Census estimates of labour force are not consistent with the 1961 Census estimates, though mainly due to definitional reasons. When estimates based on 1961 Census comparable with 1951 Census estimates are prepared and national income estimates are made to depend on this, it is not impossible that the estimates of the measure of inter-sectoral disparity will change.[8] But it is probable that the direction or extent of the change will not invalidate our present conclusions fully. Second, the measure used relates to disparities between sectors, and it is not impossible that a change in between-sector disparity in one direction is offset by a change in within-sector disparity in

another direction. But this contingency appears to be unlikely in India today. In any case, it can be established only when we have fuller information on movements of income and labour force for detailed subdivisions of the sectors. As this information is not available, one cannot be very certain either way. It is in view of this that we regard conclusions of the type reached here as suggestive and not definitive.

Distributive Shares: Estimates of distributive shares available in India are of very uneven quality. Out of these, estimates prepared by Narayanan and Roy[7], who followed a fairly detailed and uniform methodology, cover 1948-49 to 1957-58. These estimates have been extended by Weintraub[6] upto 1962-63. Thus, it is possible to get a series from 1948-49 to 1962-63 and thus cover a sufficiently large part of the time period in which we are interested. Close scrutiny shows that Weintraub's extension is based on rough and ready methods and this part of the series is weaker than the earlier part. Further, it may be recalled that the estimates of factor shares are at current prices and hence do not permit us to draw any inference about the movement in size distribution of incomes in real terms. Hence, too much weight should not be attached to our findings depending on distributive shares.

The estimates for fifteen years, 1948-49 to 1962-63, show that there has been a progressive increase in the share of income from assets in national income from about 22 per cent to about 28 per cent, leading to a decline in the share of participation income comprising wages and salaries and income of the self-employed from 78 per cent to 72 per cent. Within participation income, the share of wages and salaries has increased from 28 per cent to 32 per cent and the share of income of the self-employed decreased from 50 to 40 per cent of national income. Since the average earnings of a wage and salary earner and a self-employed may be of the same dimensional orders, the differential movements in the share of wages and salaries and the share of income of the self-employed do

not throw any light on shifts in the size distribution of income. But the increase in the share of income from assets suggests that there could be some increase in the disparity of size distribution of income at current prices. It may be observed from the relevant estimates presented in Table 2 that the upward shift in the share of income from assets is gradual throughout the period. In fact, the average percentage share is 22 in the pre-plan years, 25 during the First Plan, 27 during the Second Plan, and 28 during the two years of the Third Plan covered.

It is possible to work out the distributive shares for major groups of industrial sectors and we have calculated the percentage shares separately for the agriculture sector and all non-agricultural sectors put together. We are not presenting these results in this paper because they are not directly relevant for our purpose. The main results may, however, be described. The shifts we have observed for the country as a whole spring almost entirely from the shifts occuring in the non-agricultural sectors, the relative percentage shares of the three factors considered in the agriculture sector remaining more or less unaltered during the fifteen year period. Thus, the share of income from assets in the agriculture sector creeps up from 18 to 19 per cent in fifteen years while the share jumps up from 25 to 35 per cent in the non-agricultural sector during the period.

We have already noted that estimates of factor shares are extremely weak in India. But despite this shortcoming, the direction of the shifts indicated by the figures is probably not far from reality. That is, it is permissible to conclude that there has been, in fact, some increase in the share of income from assets in India during the post-independence period. This conclusion is consistent with increased income disparity.

Shares of savings and consumption in the national product: We do not propose to dilate much on the shifts in shares of savings and consumption expenditure in national

Table 2: Distributive Shares of National Income in India:
Current Prices, 1948-49 to 1962-63

	Per Cent Share in National Income of			
	Participation Income			
Year	Income from Assets	Total	Wages and Salaries	Income of the Self-employed
(1)	(2)	(3)	(4)	(5)
1948-49	21.6	78.4	27.9	50.5
1949-50	21.8	78.2	27.6	50.6
1950-51	22.4	77.6	27.1	50.5
Pre-Plan average	21.9	—	—	—
1951-52	24.8	75.2	26.6	48.6
1952-53	24.5	75.5	27.3	48.2
1953-54	25.0	75.0	26.8	48.2
1954-55	26.2	73.8	29.3	44.5
1955-56	26.4	73.6	29.2	44.4
First Plan average	25.4	—	—	—
1956-57	27.4	72.6	27.8	44.8
1957-58	27.9	72.1	29.2	42.9
1958-59	26.7	73.3	28.7	44.6
1959-60	26.9	73.1	29.3	43.8
1960-61	27.1	72.9	29.7	43.2
Second Plan average	27.2	—	—	—
1961-62	27.6	72.4	30.5	41.9
1962-63	28.0	72.0	31.6	40.4
Third Plan average	27.8	—	—	—

income because the facts on this subject are pretty well known[9]. The share of savings in national income was 5.7 per cent in 1950-51. During the First Plan period, the average percentage was 6.5. Afterwards, there has been further increase in the percentage during the Second Plan period and in the two years of the Third Plan period for which statistics are available, the average percentages for the two periods being 8.4 and 9.5, respectively. Sharp increase in the rate of savings occurred between 1953-54 and 1955-56, and the rate did not increase materially after 1955-56. Thus, the progressive increase in the percentages during plan-periods gives a distorted picture of the movement of the rate of savings in the country. Probably a better way of describing the situation would be in terms of two periods, 1948-49 to 1953-54 with low savings and 1954-55 to 1962-63 with high savings. Certain studies undertaken by NCAER show that the

upper income groups were responsible for bulk of the private saving[10]. So an increase in the rate of saving in the economy is suggestive of an increase in the disparity of incomes. Since all estimates here are at current prices, the above evidence suggests that we could expect an increase in the disparity of size distribution of income at current prices from 1953-54 onwards. On the other hand, we should not expect the disparity to increase very much from 1956-57 from which year the rate of savings fails to show a markedly rising trend.

Obviously the share of total consumption expenditure[11] in national product was somewhat higher upto 1953-54 or 1954-55 and then became lower and remained more or less stable up to 1962-63. But since the share of government consumption increased continuously throughout the period, the share of private consumption declined markedly during

the post-Independence period. The reduction of the share was large during the First Plan, relatively small during the Second Plan, and again large during the Third Plan. As we have pointed out earlier, these findings throw little light on the probable shifts in the size distribution of income. But the reduction in the share of private consumption shows that the average consumption expenditure of the population is not rising as sharply as the per capita national income. Calculation at constant prices also brings this out, showing that per capita real income is rising more sharply than per capita private consumption expenditure. Since increasing disparity is a cause of worry mainly because of its effect on the average level of living of the poorer classes, a lower rate of reduction of disparity could be tolerated provided a higher rate of increase of the average is assured. Increasing disparity thus is a cause of greater worry because of the slow rate of growth of the average private consumption expenditure in real terms.

Size distribution of income and consumption expenditure: As we have noted earlier, the available estimates of size distribution of income are not adequate for drawing any definitive conclusion on shifts in the pattern of income distribution. The direct survey estimates here relate to only one or two time points. The other estimates, while covering a larger time period, are based on certain assumptions about the size distribution of savings that are partly subjective in character and are available only at current prices throwing little light on real size distributions. In contrast, it is possible to draw some conclusions from these size distributions of consumption expenditure available in the succeeding rounds of the NSS. The distributions of consumption expenditure are available at many points of time during the period in which we are interested, they are not subject to any arbitrary assumptions and, finally, it is possible to deflate the figures, though in an extremely rough manner. We do not claim that the NSS consumption data are fully satisfactory for our

purpose, but we would like to point out that while no conclusions on the trends in size distribution emerge from the income distribution data, some conclusions can be drawn from the data on size distribution of consumption expenditure.

The NSS consumption data enables us to to obtain an estimate of disparity in the same way as we have computed inter-sectoral disparity earlier[2]. Further, to get an idea of the real shifts, we have divided the per capita expenditure in the several expenditure classes by price index numbers of cereals available by these classes, and then calculated the distributions afresh and obtained the measure of disparity This is hardly a valid procedure for obvious reasons. But since cereals cover a large share of the consumption expenditure, and also because movements in other consumer goods prices may follow a sympathetic trend, the procedure should give a much better idea of the movement in the real size distribution than the figures at current prices.

The basic results of this experiment are presented in Table 3. Reckoned at current prices, there appears to be some reduction in the disparity of the distribution of consumption expenditure during the period covered, both within urban and rural areas and for the country as a whole. The real figures, however, tell a different story. Roughly there appears to be relative stability within both rural and urban areas. The all-India figures, however, exhibit a higher level of disparity during the Second and Third Plan periods. We have already shown that it is during the earlier part of the period that the rate of savings increased markedly and then became relatively stationary. Taking the two pieces of evidence together, we can conclude that perhaps there has been no marked increase in the disparity of the size distribution of personal income at current prices during the period 1953-54 to 1961-62 because the slight fall in the disparity of the distribution of consumption expenditure should be offset by the increase in the rate of savings. However, some increase in the dis-

parity of distribution of personal incomes is not inconsistent with our results. On the other hand, there must have been an increase in the disparity of size distribution of personal income at constant prices both within urban and rural areas and more markedly at the national level during the period because the distribution of consumption expenditure itself shows stability within urban and rural areas and increasing dis-

parity at the national level. This observation is corroborated by our earlier findings on inter-sectoral disparity and share of income from assets.

As an additional evidence we present in Table 4 the share of national income accruing to taxed assessees earning above Rs 10,000 and Rs 25,000 per annum[3]. The table shows that the share of income earned by both individual

Table 3: Inter-Class Disparity of Household Consumption Expenditure

Period Covered	At Current Prices				In Real Terms	
	Rural	Urban	All-India	All-India	Rural	Urban
(1)	(2)	(3)	(4)	(5)	(6)	(7)
First Plan average	0.246	0.275	0.258	0.246	0.235	0.2??
Second Plan average	0.232	0.266	0.243	0.265	0.248	0.289
Third Plan average	0.222	0.258	0.238	0.276	0.239	0.28?

Note: Line (1) based on 7, 8 and 9 NSS rounds covering the period October 1953 to November 1955, (2) on 12, 13, 15 and 16 rounds covering March 1957 to June 1961, and (3) 16 and 17 rounds covering July 1960 to July 1962.

Table 4: Share of National Income Earned by Specified Groups of Income Tax Assessees

Year	Percentage Share of National Income Earned by			
	Individuals		All Assessees	
	Above Rs 10,000	Above Rs 25,000	Above Rs 10,000	Above Rs 25,000
(1)	(2)	(3)	(4)	(5)
1948-49	2.2	1.3	4.9	3.8
1949-50	2.2	1.2	4.8	3.2
1950-51	2.6	1.4	5.5	3.9
1951-52	2.4	1.4	5.0	3.7
1952-53	2.9	1.6	5.9	4.2
1953-54	2.2	1.2	5.3	3.7
1954-55	3.2	1.7	5.9	4.4
1955-56	3.4	1.7	7.0	5.0
1956-57	3.3	1.6	6.5	4.5
1957-58	3.5	1.7	7.3	5.2
1958-59	3.4	1.6	6.6	4.5
1959-60	3.4	1.6	6.9	4.7
1960-61	3.5	1.7	8.1	5.9
1961-62	3.5	1.6	7.9	5.7

assessees and all assessees earning above Rs 10,000 and Rs 25,000 per year increased during the period covered. This is suggestive of an increase in the disparity of personal income at current prices. In fact, the data on consumption expenditure presented by us, being based on an all-India sample survey, do not adequately represent the very small group of extremely rich persons. In spite of evasion and under reporting, income tax statistics cover this group more adequately. The information presented in the above table together with our earlier findings would indicate that there is probably some increase in the disparity of personal incomes at current prices as well.

Regional disparity: Finally, we would like to present some evidence on shifts in inter-regional disparity of per capita incomes. In India, we have a fairly long series of per capita incomes for a few States at current and constant prices[14]. It is, therefore, possible to compute the rate of growth of nominal and real per capita income of these States. If we observe that the rates of growth in real terms are generally more for States which were poorer during a base year, we would conclude that there has been a reduction in real inter-regional disparity. This would suggest a probable reduction of the disparity of the real size distribution. But by and large, the evidence on inter-regional disparity in real terms appears to be inconclusive. Some high income and some low income States have large real rates of growth, while some high and medium income States have negligible rates of growth. Thus, the available evidence of inter-regional disparity does not either support or negate our earlier findings.

IV

Summary and Appraisal of Results

Our main findings may be summarised as follows:

(i) (a) Inter-sectoral disparity at current prices was higher during the plan era compared with the pre-plan period; it remained relatively stable during the first two plans but increas-

ed somewhat during the Third Plan.

(b) Inter-sectoral disparity at constant prices remained stable upto the first plan period and then steadily increased.

(ii) The share of income from assets (at current prices) increased throughout the period.

(iii) The share of savings in national income remained at a low level upto 1953-54 and was at a considerably higher level during the subsequent period.

(iv) Per capita private consumption expenditure, both at current prices and in real terms, increased at a considerably lower rate than corresponding per capita national income estimates.

(v) (a) Disparity of private consumption expenditure at current prices exhibited some reduction at the all-India level during the period 1953-54 to 1961-62.

(b) Disparity of private consumption expenditure in real terms showed a large increase from the First to the Second Plan period and then maintained a high level.

(vi) The share of income of specified relatively rich classes of income-tax assessees in national income increased perceptibly during the period.

As we have already noted, two major conclusions flow from the above findings. First, the evidence is not conclusive on the movement of disparity in the distribution of personal income by size reckoned at current prices, but the overwhelming suggestion is that there has been some increase in disparity

after 1953-54 and also towards the end of the period. Second, there has been a marked increase in disparity in distribution of personal income by size reckoned in real terms throughout the period. Coupled with the fact that per capita real consumption expenditure moved up very slowly, this is indicative of stability or even deterioration of the levels of living of the poorer sections of the population.

The above conclusion, as we have indicated earlier, is based on bodies of data of indifferent quality, taken individually. One could reasonably reject a conclusion like this had it been based on any one of the separate pieces of evidence presented by us. But since all different pieces appear to tell a coherent story, there is good deal of justification in accepting our final conclusion as a reasonable hypothesis. More penetrating work is possible in most of the fields covered by us, and it will be of great interest to do this. Apart from testing our hypothesis, such work would give interesting details about the shifts in income distribution in the country.

Notes

[1] See, for example, M Mukherjee: "A Preliminary Study of the Growth of National Income in India, 1857-1957", 'Asian Studies in Income and Wealth'. Asia Publishing House, 1965. pp 71-103.

[2] NCAER: "All-India Rural Household Survey". Vol II: "Income, Investment and Savings, 1965"; and NCAER: "Urban Income and Saving, 1962".

[3] Planning Commission. Government of India: Report on Distribution of Income and Wealth and Concentration of Economic Power by the Committee on Distribution of Income and Level of Living, 1964. The report gives a summary of more recent attempts.

[4] Savings-consumption ratios based on NCAER surveys mentioned in note (2) are given in Table A below.

Table A

Household Annual Expen- diture Classes	Saving-Consumption Ratio	
	Rural	Urban
upto Rs 360	— 0.060	— 0.226
Rs 360 — 600	— 0.053	— 0.200
Rs 800 — 1200	— 0.003	— 0.153
Rs 1200 — 1800	0.036	— 0.060
Rs 1800 — 3600	0.096	— 0.009
Rs 3600 and above	0.221	0.195

It is probable that survey data underestimate saving. It is inconceivable how large sections of population could carry on year after year if the survey estimates of saving-consumption ratio are accepted at their face value.

[3] We may call this Kuznets' measure of disparity (K). This is the simplest measure given data tabulated by fixed size classes or by equifrequency ranges.

[6] See, Alice Thorner: "How to Use the 1961 Census Working Force Data", 'Economic and Political Weekly', Vol I No 12 November 5, 1966, pp 495-502, for a discussion on the comparability of 1951 and 1961 Census working force data.

[7] R Narayanan and B Roy: "The Movements of Distributive Shares in India, 1948-49 to 1957-58", 'Papers on National Income and Allied Topics', Vol III, Asia Publishing House, 1965, pp 75-114.

[8] S Weintraub: "Growth without Inflation", National Council of Applied Economic Research, 1965.

[9] Estimates of savings are given in different sources. We have taken our figures from, "Estimates of Saving and Investment, in the Indian Economy 1950-51 to 1962-63", Reserve Bank of India 'Bulletin', March 1965, Vol XIX, No 3, pp 314-33.

[10] See note (4).

[11] Given estimates of saving i e, net national capital formation and details available in official national income statistics published in annual Estimates of National Income, it is possible to work out estimates of private consumption expenditure.

[12] When b_1 p c of the aggregate is consumed by the poorest a_1 p c of the population, b_2 p c by the next a_2 p c of the population and so on, the last b_n p c being consumed by the richest a_n p c of the population, then the Kuznets' measure of disparity (K) is given by,

$$K = \frac{1}{2} \sum_{i=1}^{n} |a_i - b_i|$$

The time trends of disparity obtained from this measure are not widely different from those obtained

from the Lorenz measure (L) N S Iyengar in his unpublished thesis computed Lorenz measures for certain NSS rounds covered by u His figures are compared with our figures in Table B below In general, the Lorenz measures here are higher than Kuznets' measures but both the measures show similar trends. It may be noted that Iyengar's estimates are based on slightly different data.

[13] Income tax data are culled from various issues of the 'Income Tax Revenue Statistics' (mimeo)

[14] A fairly comprehensive account of State income estimates is available in B F Hoselitz and M D Chaudhury: "General Survey of State Income Studies in India" Seminar on State Income, Indian Conference on Research in National Income, 1962 (mimeo).

Table B

NSS Rounds	Rural		Urban	
	L	K	L	K
7	0.334	0.241	0.371	0.272
8	0.350	0.255	0.390	0.285
9	0.335	0.241	0.371	0.270
12	0.331	0.238	0.393	0.288
13	0.333	0.240		