

Household Income Surveys In India: Lacunae And Illustrations From Village Surveys

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In recent years, the rate of economic growth in India has accelerated: per capita income grew at 10.7 per cent per annum at current prices and 6 per cent per annum at constant prices during the Tenth Plan Period (2002-2007), as compared to 3 per cent during the Ninth Plan period (1997-2002). Studies of the nature of this growth and whether it is equalizing or unequalising are, however, seriously lacking on account of lack of data.

In this paper, we review existing household income surveys and show that there are no reliable large-scale sources of data (Section 2). We then discuss a methodological framework that we have developed for estimation of rural household incomes (Section 3). In Section 4, we present some features of income inequality based on findings from eight village surveys conducted using our approach. In Section 5, we argue that there is urgent need to undertake systematic household income surveys in India.

NSS and NCAER surveys:

Estimates of household incomes can be derived from National Accounts Statistics (NAS) or household surveys, with the latter allowing for inter-personal comparison of incomes as well as analysis of patterns of income generation. Although India has a long and well-established system of statistical data collection, there are no regular surveys on incomes, in rural or urban areas. The National Sample Survey Organisation (NSSO) made a few attempts to conduct household income surveys, but could not evolve an acceptable methodology and therefore does not conduct income surveys.

The second source of relatively large-scale household income surveys (though still smaller than the NSSO surveys) is the National Council of Applied Economic Research (NCAER). The first NCAER income survey was a panel study for the period 1968-69 to 1970-71. In this paper, we discuss the methodological issues in the last two rounds of the NCAER surveys (1993 and 2005). We argue that the 1993 survey which is supposed to have “a fairly comprehensive measure of rural household incomes” (Lanjouw and Shariff 1994) has in fact a very weak questionnaire. The 2005 survey questionnaire collected information on a longer list of items than the 1993 survey questionnaire did, the data are nevertheless likely to be affected by serious errors on account of two factors. First, the methods used were arbitrary, and did not draw on tested methodologies for the collection of data on, for example, crop incomes or employment. Secondly, rather than

collecting detailed information on the components of income and then building a profile of information on incomes on incomes, the data collected were aggregates, and thus subject to significant error.

Methodology for estimation of incomes in PARI village surveys:

As part of the Project on Agrarian Relations in India of the Foundation for Agrarian Studies (www.agrarianstudies.org), we have developed a methodology for calculation of rural household incomes. Our calculation is based on the understanding that the majority of rural households are self-employed in crop production or other non-agricultural occupations and unable to report their total household income as such. Income is thus a derived variable, derived on the basis of a detailed accounting of output and costs of all economic activities. The derivation is complex given that markets are thin or even absent for many outputs and inputs. A further complication is the relevant time period. We argue that crop production can be treated on an annual cycle and used to estimate annual incomes (for the crop year, July to June). However, there are some crops with a longer production cycle (perennial tree crops, ratoon crops, etc) for which an annual income will need to be derived. We also argue that a household has to be considered as the basic unit for estimation of incomes even though this poses challenges such as accurate estimation of remittances of household members that are not regularly resident, or apportioning of incomes in the presence of joint cultivation (say, by brothers residing in two separate households).

Incomes of households were estimated separately for each of the following income sources : crop production, animal husbandry, wage labour (agricultural and non-agricultural), salaried employment, business and trade, money lending, pensions and scholarships, remittances and gifts, income from rent, from artisanal work and any other source.

Estimates of income inequality- illustrations from eight villages:

Data from eight villages across four states indicate very high levels of inequality. The estimated Gini coefficient of per capita income across persons ranged from 0.49 to 0.68. By way of comparison, the Gini coefficient in the NCAER 2005 survey was 0.54 (Vanneman and Dubey). Secondly, there was extreme concentration in the top decile. The ratio of income shares of decile 10 to decile 9 was of the order 2.5 to 3.7. Thirdly, in every village, the mean and median income of Scheduled Caste households was lower than the corresponding income of other/all households.

Concluding remarks:

The NSSO does not conduct regular household income surveys, on the grounds that available methods result in serious under-estimation. We believe that response errors and underestimation of household incomes can be minimized through a meticulous design of the questionnaire. If all components and sources of income are identified accurately and an accounting framework is applied to estimate incomes from each source, fairly accurate estimates of income can be prepared. The accounting framework should, of course, disaggregate the items of costs and receipts in a way so as to facilitate recall and minimise under-reporting.

As part of the Project on Agrarian Relations in India, we have attempted to develop a framework for estimation of household incomes, and the paper discusses some of the major methodological issues involved. Data from our village surveys reveal a picture of extremely high income

inequality and concentration of incomes in the top decile. For those concerned about an inclusive growth strategy, it is important to monitor patterns of income distribution. We argue strongly for systematic large-scale household income surveys to be conducted in India.