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Q&A

'Only 45 per cent of the population earns less than Rs 20 a day'

Subodh Varma, Aug 11, 2010, 12.00am IST

Information on income and expenditure of India's 200 million households has always been mired in controversy. A new dimension has been added by ***Rajesh Shukla*** , director of the Centre for Macro-Consumer Research under the aegis of the National Council for Applied Economic Research (NCAER). His recent book, How India Earns, Spends and Saves, reveals new data at variance with conventional thinking. ***Subodh Varma*** discussed some of the aspects with him:

Why does your recent book on earning and spending patterns carry the subtitle 'Unmasking the Real Indian'?

The National Sample Survey (NSS) collects data on spending by households. Our survey, carried out in 2004-05, collected data on how households earn, spend and save. Income data reveals several as yet hidden dimensions like how families affect savings, why some people earn more than others and geographical distribution of various strata. It sheds light on the role of factors like education, occupation and place of residence in determining income levels. Besides income, our data also reveals saving patterns.

Is this data reliable?

Our data is comparable to NSS and Census data. The NCAER has been carrying out such surveys for the past several decades. Top experts and institutions supervised this survey. It used an internationally accepted methodology. From an initial listing of over 4.5 lakh households, some 63,000 households were selected and samples from various strata based on, say, land ownership or educational level, were drawn. So, the data is reliable.

Does your data also show that 80 per cent of the population lives below Rs 20 per day?

No, our survey showed that about 45 per cent of the population is below that benchmark. That's a significant difference from the NSSO-based 80 per cent figure that was popularised by the Arjun Sengupta commission. Actually, there is a lot of confusion. This is mainly because of divergent definitions being used by different agencies. The reason why our data differs from NSSO data is because they are measuring expenditure and then using it as a proxy for income. This doesn't work. As our data shows, people are earning much more than revealed just by expenditure patterns. Moreover, on many counts their expenditure data also is unclear. Due to all these reasons, i suggest that there is a strong case for revisiting the data generated by other agencies.

How can your data be used?

Our survey can provide complete demographic profiles of any segment of the population. This can have multiple uses. The regional poverty data can be used to target the MGREGA (Mahatma Gandhi Rural Employment Guarantee Act) or PDS better, rather than going by the flawed measures of poverty. Affirmative action in favour of the poor can thus be better delivered. Similarly, you have an integrated profile of say the top 20 per cent income earners across the country. This includes their spending patterns, saving patterns and measures of disposable income in their hands. This can be of great use for those addressing this segment as a market. Our analysis also shows neglected dimensions like the bottom 60 per cent of the income pyramid account for 40 per cent of total private expenditure. That's a colossal amount in absolute numbers.

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