

CHAPTER SEVEN

THE FUTURE OUTLOOK

7.1. The national income estimates and related tables for 1948-49 given in chapters 5 and 6 are provisional for two reasons. First, the figures are in many cases based on material the reliability of which is not known or in other cases on calculations involving assumptions the validity of which is uncertain. Secondly, as already noted in the two previous chapters it was not possible to make many of the desired breakdowns of the national income for lack of relevant material. It is necessary to improve the estimates in both respects. Continuing efforts must, therefore, be made to obtain statistical data which would be more accurate and more comprehensive in scope. Success depends entirely on the gradual improvement of statistical information in all sectors; and progress must be necessarily slow.

7.2. It is, however, encouraging to find that in the near future a good deal of new statistical data is likely to be available for the improvement of national income estimates. First, the field work for the decennial Population Census was completed during February-March 1951. The Registrar General (who is ex-officio Census Commissioner) has agreed to expedite the preparation of certain tables (in some cases by sample tabulation), which would be useful for national income estimation. The Census figures for the total population with breakdowns by sex, by urban and rural areas, and by important groups of means of livelihood are likely to be available by the end of 1951. These figures would relate to the Indian Union as it is now constituted and would provide up to date controlling totals for breakdowns by urban and rural areas, and for calculations based on occupational distribution.

7.3. In the Agricultural Labour Enquiry, which is being conducted by the Ministry of Labour, pilot studies were completed in 1948-49; the family budget data collected at this stage should give some useful indications. The main enquiry relates to 770 villages (selected at random after stratification and) covering the whole of India. The field work was started in 1949-50, and the collection of primary data covering 12 months in each village would be completed within a month or two. The general village questionnaire contains information on employment, wage rates, and retail prices of important commodities in the sample villages. The general family questionnaire covers all families in the selected villages

and contains information on housing, size of holding, employment of outside labour, livestock and implements. This material should supply useful information for the work of the Committee.

7.4. A plan for a continuing National Sample Survey was approved by Government in January 1950. A little later, in March 1950, the National Income Committee recommended the use of sampling methods to fill up gaps in the data required by the Committee. It was accordingly decided that high priority would be given to these requirements. Financial sanction was given in May 1950, and field operations started in different villages in October and November 1950. The first round of field survey in about 1833 sample villages (selected at random after stratification) covering the whole of the rural area of the Union of India is expected to be completed by the end of April 1951. The first set of schedules covered both producing and consuming activities. Preliminary enquiries were also made on capital formation in rural areas. The tabulation of the primary material has already started and preliminary results are expected to be available at an early date.

7.5. The second round of the field survey would begin on 23rd April, 1951, in which attention would be focussed on consumer expenditure. A proposal has also been submitted to Government to extend the enquiry to urban areas with effect from July or September 1951. The intention is to organize the tabulation work in such a way that a continuing flow of information would be available regarding different sectors of the national economy. The NSS is thus expected to supply a good deal of new material for the work of the Committee during the current year.

7.6. The annual Census of Manufactures covering large establishments (with a labour force of 20 or more and with power) is restricted at present to 29 groups of industry out of a total of 63 groups. At the request of the Chairman, an *ad hoc* sample survey covering all groups of industries (with the exception of railways and defence establishments) is being conducted by the Directorate of Industrial Statistics. Information relating to a first sample of 795 establishments has been already collected and tabulated. A second sub-sample of about 1200 establishments is also expected to be available at an early date. Considerable improvements in the estimates for this sector should be possible with the help of the above material.

7.7. However, even when the results of the surveys described above become available the material would still remain inadequate in many respects. Capital formation may require a more direct approach on the basis

of goods and services used mainly for the formation of physical assets. Information is lacking on the distribution of incomes by size of income for the country as a whole. The income tax statistics give breakdowns by income classes for persons with earnings above the tax exemption limit which, however, cover only a small fraction of the total population. An extension of the NSS to urban areas would provide a more comprehensive picture, but it will take some considerable time to secure reliable estimates of the distribution of incomes. Distributive trade, both in urban and rural areas, is likely to remain a difficult sector for a long time and would require patient study. Current information on the gainfully occupied is an essential requirement, and arrangements will have to be made to secure this. In India the household is a highly integrated economic unit; and it will be desirable to separate the monetized transactions from the non-monetized. This involves both conceptual and practical problems, but exploratory studies in this field would be most desirable. These are some of the problems to which attention will have to be given in future.

7.8. It is the intention of the National Income Committee to submit its final report by the end of 1951 or early in 1952. This report will contain estimates for 1949-50 to be prepared generally on the same lines as the estimates for 1948-49. A broad indication has been given above of the new statistical material expected to be collected by the end of 1951. It is unlikely that all or even most of this material will become available in time for use in the final report. Nevertheless, attempts will be made to improve the estimates for 1948-49 and 1949-50 to the extent possible with the help of such new information as may become available. It is, however, recognised that whatever refinements might be introduced in the final report, the estimates for 1948-49 and 1949-50 would still remain subject to large revisions on the basis of fresh material which is likely to become available in future.

7.9. During the recent meetings of the National Income Committee in December 1950 and January 1951 preliminary consideration was given, as desired in the terms of reference, to "measures for improving the quality of the available data and for the collection of further essential statistics" as well as to "ways and means of promoting research in the field of national income." It was decided to discuss these problems in greater detail before making definite recommendations. The members of the Committee and the foreign Advisers were, however, agreed about the importance of encouraging research in the field of national income in universities and research institutions which are specially fitted to take up this work. Analysis, historical studies, and current utilization of national income data in the

manifold fields of economic policy all are absolutely essential and can best be undertaken by non-official research workers and institutions. They were also agreed about the need of co-ordination in the field of statistics, and the importance of giving continuing attention to the improvement of the quality of the material which is being collected at present. They also decided that fullest information relating to sources and actual methods of calculation should be made available to all serious students of national income. With this object in view, detailed technical information relating to the estimates for 1948-49 is being given in the Appendix.

7.10. The National Income Committee hopes that by the time its final report is submitted a sound foundation will have been laid for the development of national income estimation in India. Improving the basic data in respect of both accuracy and coverage, and developing refined tools for economic analysis will necessarily take a good deal of time. It is not possible for the Committee to provide all the information urgently required for planning purposes or policy decisions. It would be foolish to encourage false hopes. The wise policy would be to proceed steadily with the work in hand with a firm conviction that difficulties, however great, will be overcome by hard work, seriousness of purpose, and intellectual honesty.

P. C. MAHALANOBIS
Chairman

V. K. R. V. RAO
Member

M. MUKHERJEE
Secretary

NEW DELHI
15th April, 1951

N.B.—Professor D. R. Gadgil, the other member of the National Income Committee, agreed to the preliminary report being submitted to the Government of India with the statement that he participated in the preparation of the framework and the synopsis but was not able to be present at the time of the final discussion of the report owing to his absence from India.