

Urban households earn 85% more than rural counterparts

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The book *How India Earns, Spends and Saves* by Rajesh Shukla, director of the Centre of Macro Consumer Research at the National Council of Applied Economic Research, brings together a startling range of numbers to provide, for the first time, valuable data on income and spending in India. The book, published by Sage Publications, collates data on income, savings, spending, saving, distribution and income disparity, rural wellbeing and urban wellbeing to give important information on the state of the nation.

The data is sourced from National Survey of Household Income and Expenditure (NSHIE), which was conducted by the National Centre for Applied Economic Research and Centre for Macro Consumer Research. There are some discrepancies between NSHIE and Census 2001 and the NSSO, but the reason, according to the author, is that the survey under NSHIE left out states like Jammu and Kashmir and parts of the Northeast because of "operational difficulty".

However, this factor is likely to have a minor impact on the overall data, as these states account for only 3-4% of the population. The author's command over the available data is visible; he has painstakingly explained every figure and table mentioned and hardly leaves any grey areas. Although the data is from the year 2004-05 (which some people might call dated), but the information nevertheless is rich.

Income wise, the data does not look very promising for rural India. Urban households earn about 85% more than rural households. Also, despite the fact that the maximum number of people, even today, are in the agriculture sector, they have the lowest income, at Rs 48,097 per annum (figure 1).

The people in the agricul-

Figure 1: Estimates of households, population and income by sectors of engagement: All India

Sectors of engagement	Households (million)	Population (million)	Household size	Average Household Income (Rs per annum)	Per capita Income (Rs per annum)
Agriculture	86.7	437.9	5.05	48,097	9,518
Industry	19.7	97.8	4.95	71,372	14,411
Modern services	29.3	144.4	4.92	112,222	22,797
Traditional services	49.9	347.1	4.97	64,453	12,972
Total	206.6	1027.3	5.00	65,041	13,018

Figure 2a: Estimates of households, population and income by education level of chief earner: Rural

Education level of chief earner	Households (million)	Population (million)	Household size	Average Household Income (Rs per annum)	Per capita Income (Rs per annum)
Illiterate	37.5	190.4	5.08	35,455	6,974
Up to primary	32.5	145.0	5.08	41,783	8,229
Up to matric	52.5	244.4	5.04	52,640	10,444
Up to higher secondary	11.4	59.7	5.14	75,526	14,690
Graduate and above	10.1	52.4	5.17	114,514	22,161
Total	144.2	731.9	5.08	51,922	10,227

Figure 2b: Estimates of households, population and income by education level of chief earner: Urban

Education level of chief earner	Households (million)	Population (million)	Household size	Average Household Income (Rs per annum)	Per capita Income (Rs per annum)
Illiterate	4.9	24.7	5.07	49,416	9,738
Up to primary	7.1	36.0	5.11	58,015	11,357
Up to matric	22.3	107.5	4.82	76,948	15,980
Up to higher secondary	9.2	43.2	4.67	97,648	20,916
Graduate and above	17.9	83.9	4.68	145,859	31,189
Total	61.4	295.3	4.81	95,827	19,935

Source: NSHIE 2004-05 data; NCAER-CMCR analysis.

Figure 4: Ownership of selected consumer durable goods: Rural and Urban (Per cent of households that own products)

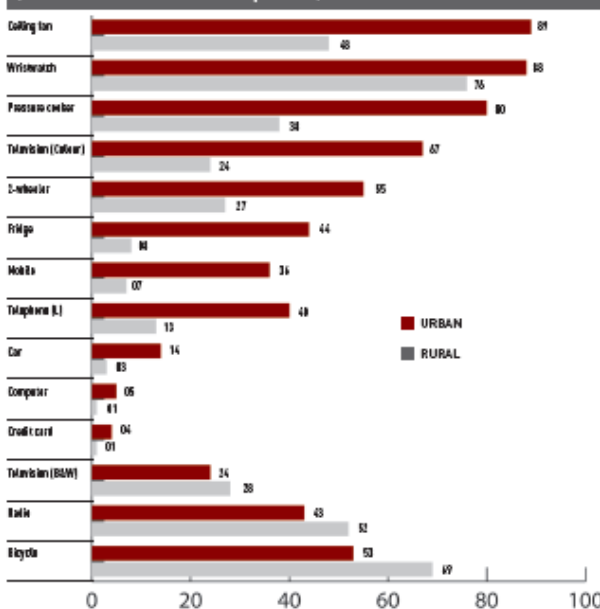
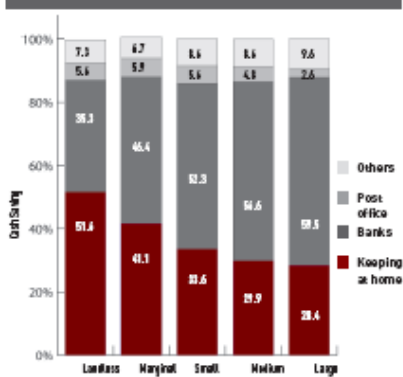


Figure 3: Preferred form of cash saving by land class: Rural



Source: NSHIE 2004-05 data; NCAER-CMCR analysis.

ture sector and living in urban India earn 1.5 times more than those in rural areas. The rural-urban divide is stark among households employed in the industrial and traditional services which earn 96% and 84%, respectively, more than their rural counterparts.

Though it is that the data says that for the first time ever, the number of high-income households has exceeded the number of low-income households. If true, this would be an important turnaround within just a decade. It started with just 13.8 million households described as high-income, or earning more than Rs 1.8 lakh per annum at 2001-02 prices.

However, the top quintile of Indians, who earlier contributed a third to the total GDP, now contribute more than half of the total GDP, thereby reiterating the notion that the rich are getting richer and the poor are getting poorer. Income levels also depend heavily on the education level and location. For each level of education, the income level in urban areas is higher (figures 2a and 2b).

In terms of saving, India is still a nation of savers, with national savings at 28%. Here, the gap between rural and urban India is bridged to a certain extent. Bank and cash in hand are

the two most important methods of saving, with the poorest people still preferring to keep cash at home (figure 3). Nearly 81.4% of all Indians save a part of their earnings, with urban India saving 88%, while the figure is 78.5% for rural India.

The spending pattern shows that people who earn the least spend the maximum on food. People employed in the agriculture sector spend 36.6% of their income on food items. The agriculture sector spends the highest on social ceremonies: 55% of their unusual expenditure. The other important factor in spending is the increasing role of product ownership, which is undergoing significant change in rural households. Nearly 76% of all black and white televisions are bought by rural India, while 26.7% of higher priced products like refrigerator have rural buyers (figure 4).

Dr Shukla's lucid writing makes flipping through the data a joy. The book is simple and intriguing enough for the general reader. But most importantly, the book seems to be targeted at policymakers and corporates. The high price of the book, Rs 1,500, may be a big deterrent though.

How India Earns, Spends and Saves by Rajesh Shukla, Sage, hardbound, pp. 202, Rs 1,500