CHAPTER V

TRENDS IN INEQUALITY PARAMETER : 1951-1971
5.1 As pointed out earlier, Kuznets had analysed the experience of the process of economic development in selected developed countries and had reached the conclusion that in the process of capitalist development, increasing income inequalities created a situation for the generation of more savings and that given the investment opportunities, higher growth in an economy could be postulated and on this basis, he stated that "modern economic growth inevitably fostered inequality." In this context, it may be relevant to point out that we have seen elsewhere that in British India, the agricultural output more or less stagnated and yet economic inequalities and particularly skewness in land distribution increased. Thus in British India, despite a limited growth of capitalism, a stagnant agricultural output was accompanied by increasing inequalities. After gaining independence, the nationalist leadership set about to transform Indian economy through planned development. One of the major objectives of the First and subsequent Plans was to ensure a rapid development of the economy and to take steps for reducing the inequalities in income and wealth.

5.2 Now we would like to ask whether the process of economic development initiated in India after Independence has been accompanied by an accentuation or alleviation of inequalities.
in income/assets of rural households. Here we would like to review some of the findings. The Committee on Distribution of Income and Wealth and Concentration of Economic Power appointed by the Planning Commission in 1961 to enquire into the changes in the distribution of income and levels of living over the period 1951-61, reported in 1964 that there was no significant change in the overall distribution of income during the first planning decade.\(^1\) The National Council of Applied Economic Research (NCAER) have studied the problem of inequalities among rural households on the basis of data pertaining to 1962 and 1970-71. Sarma (1976) has reported on the basis of these surveys that "no significant change in the shares in the income claimed by different quintile groups has occurred over the period except for a decline in the share of the top quintile by about 1.6 per cent. The shares in income of the other quintile groups have increased very little, by less than one-half of one per cent. The Lorenz ratio for the rural households sector declined from 0.41 for 1962 to 0.38 for 1970-71."\(^2\) NCAER Reports have indicated Gini ratio of 0.35 for 1964-65 and 0.46 for 1967-68 for rural households.\(^3\) Thus based on NCAER data, the trend for rural income inequalities works out as under:


Table V.1

LORENZ RATIOS FOR SELECTED YEARS

<table>
<thead>
<tr>
<th>Year</th>
<th>Lorenz ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>0.41</td>
</tr>
<tr>
<td>1964-65</td>
<td>0.35</td>
</tr>
<tr>
<td>1967-68</td>
<td>0.46</td>
</tr>
<tr>
<td>1970-71</td>
<td>0.36</td>
</tr>
</tbody>
</table>

5.3 It will be seen from above that no clear-cut trend about inequalities in income in rural India emerges on the basis of NCAER data.

5.4 In India, 80 per cent of total population lives in rural India. Furthermore, about 70 per cent of the work force is engaged in agriculture. A large majority of the cultivators operate tiny holdings and one-fifth of the rural population belong to the category of landless labour exclusively depending on wage labour. In this situation, a figure about inequality in income distribution is not likely to reveal much about the living conditions of a majority of rural people. What is needed is to investigate the relationship of income inequality with that of productive assets inequality. Furthermore, one has also to find out whether very unequal distribution of land with big concentration of land in the hands of a few big farmers and a small proportion of land area available to a very large
proportion of small cultivators, has retarded agricultural growth. Thus one has to understand the dynamics of the situation and ascertain if:

(i) land/assets inequalities have been increasing;
(ii) rural poverty has been getting accentuated.

5.9 As regards the changes in the pattern of land distribution during the period 1953-54 to 1970-71, V.S. Vyas (1979) after an in-depth study of this problem, has pointed out certain changes in the pattern of land distribution. Some of his important findings in this regard are as under:

(1) The number as well as the proportion of households in the marginal holding group (i.e. below one acre) has significantly increased, but the area under these has slightly declined.

(2) The number of small landowners, i.e., of holdings of 1.00 to 4.99 acres, has increased, but their importance in terms of proportions of total number of landowners has marginally declined. However, the area under them has increased both in absolute terms as also in proportion to the total owned area in India.

(3) The number as well as the proportion of big holdings, i.e., 15.00 to 49.99 acres and large holdings, i.e., 50.00 acres and above, has declined, the only exception being a slight increase in the number of big farmers in 1961-62 compared
to 1953-54. The acreage under large holdings has declined both in absolute terms and as a proportion of total acreage. This also holds true for big farmers, but for a marginal increase in acreage in 1961-62 compared to 1953-54.

5.6 On the basis of his findings, Vyae (1979) states that "since the mid-fifties small and marginal holdings gained in importance, while big and large holdings, relatively speaking, lost their importance... Over large part of the country, ownership structure has become less skewed over a period of time and access to land is more equitably distributed."

5.7 As regards the concentration of assets, an analysis of data on rural assets collected by the Reserve Bank of India in its Rural Debt and Investment Surveys show that there is no change in the concentration ratio for 1961-62 and 1971-72. The concentration ratio of assets owned by rural households was 0.65 in 1961-62 and 0.66 in 1971-72. The available data about the distribution of rural assets shows existence of sharp inequalities. Thus in 1971-72, the poorest 20 per cent of the rural households, each having less than Rs.1000 of assets, accounted for less than one per cent of all such assets. As against this,

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2. Draft Sixth Five Year Plan (Revised), op.cit., p.186.
the top 4 per cent of the population associated with assets worth Rs 50,000 and more, owned over 30 per cent of the total assets.

5.8 Rural inequalities are again reflected by the data of the Agricultural Census relating to cultivating households for 1970-71. On the basis of data of this Census, it was observed that the two highest deciles of cultivating households operated 68 per cent of the area, whereas the lowest two deciles accounted for only 2 per cent of the cultivated area at all-India level. The overall picture works out as under:

Table V.2

<table>
<thead>
<tr>
<th>Operational Holdings</th>
<th>Percentage of total area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 5 per cent</td>
<td>35</td>
</tr>
<tr>
<td>Top 10 per cent</td>
<td>50</td>
</tr>
<tr>
<td>Top 20 per cent</td>
<td>68</td>
</tr>
<tr>
<td>Top 30 per cent</td>
<td>79</td>
</tr>
<tr>
<td>Top 40 per cent</td>
<td>86</td>
</tr>
<tr>
<td>Top 50 per cent</td>
<td>91</td>
</tr>
<tr>
<td>Bottom 50 per cent</td>
<td>9</td>
</tr>
<tr>
<td>Bottom 40 per cent</td>
<td>5</td>
</tr>
<tr>
<td>Bottom 30 per cent</td>
<td>3</td>
</tr>
<tr>
<td>Bottom 20 per cent</td>
<td>2</td>
</tr>
<tr>
<td>Bottom 10 per cent</td>
<td>1</td>
</tr>
</tbody>
</table>

1. Agricultural Census figures have been based on the revenue records of various states and Union Territories barring the states of West Bengal, Orissa and Kerala whose estimates were based on random sample surveys. As revenue records do not reflect the actual field conditions, these figures are subject to errors.
5.9 In absolute terms, it was observed that 51 per cent of the cultivating households associated with holdings up to one hectare, operated on 9 per cent of the cultivated area, leaving 91 per cent of the cultivated area to be operated by the remaining 49 per cent of the rural households. Further, 15.2 per cent of the rural households associated with holdings exceeding 4 hectares operated on 61 per cent of the cultivated area.\(^1\)

5.10 Existence of sharp inequalities in rural areas may, to some extent, is also getting reflected, although to a much lesser degree, in inequalities in consumption expenditure in rural India. Thus according to the 28th round of the NSS (1973-74), the consumption expenditure of the two lowest deciles was 9.5 per cent of the total consumption expenditure in rural areas, while the two highest deciles accounted for 38 per cent.\(^2\) Relative lower inequalities in the distribution of consumption expenditure compared to the inequalities in the distribution of land and of rural assets may imply supplementation of income by subsidiary occupations as also by borrowings by the weaker sections of the society.

5.11 As regards the situation regarding the accentuation of rural poverty, it may be useful to refer to Montek Ahluwalia:\(^1\)

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study on the subject. He has estimated the incidence of poverty on the basis of NSS data for the period 1956-57 to 1973-74, after standardising the consumption expenditure by the use of consumer price index for agricultural labourers as the deflator for the rural areas. Ahluwalia's major findings are that there has been no trend, up or down, in the incidence of absolute poverty during the period 1956-57 to 1973-74, though there has been considerable fluctuations around the trend. He has noted, however, that there has been an inverse relationship between the incidence of poverty and the agricultural performance.1

C.H.H. Rao (1979) while reviewing Ahluwalia's Paper has stated that "the most important finding of this study is the absence of any discernible trend in the proportion of the people below the poverty line. There are, however, marked fluctuations over time in this ratio, implying that it is not possible to generalise about the trends in poverty ratio, on the basis of comparison between any two points of time."2 It has been stated that conflicting conclusions regarding the incidence of poverty may be reached on the basis of NSS Consumption data over different periods, depending on whether the initial or the terminal year had a high or low agricultural production.3

3. Draft Sixth Five Year Plan (Revised) 1978-83, op.cit., p.4.
3.12 An interesting aspect relating to the pattern of land distribution relates to the empirical evidence regarding the role of the various factors in influencing it. We have already explained the role of exogenous and endogenous variables in influencing a given pattern of land distribution in Chapter No. quantitative information seems to be available for finding out the role of demographic pressure and laws of inheritance in influencing the pattern of land distribution for various regions of India. We have, however, some limited information about the role of market transactions as contrasted with the role of land reform measures in influencing the pattern of land distribution. Thus Jantwala and Shah (1971) have shown that in western India during the period 1956-57 to 1964-65, there were few market transactions and that most of the changes in land distribution were brought about through land reform measures. An important finding of their study was that out of the total arrivals into the small farm sector, a large majority came from below, i.e., the phenomenon of landless farmers acquiring land was much more prominent than that of small farmers losing land and becoming landless farmers. 1

Another study by G.K. Mulla (1973) has shown that out of all the land distributed by the Government of Maharashtra since

1954, only half was distributed to the landless. Another study by B.M. Rao (1972) on land transfers in Gujarat and Maharashtra has shown that in the period prior to 1956, land ownership tended to get concentrated in the hands of large cultivators; during the period 1956-69, on the other hand, the land market worked to lessen the concentration of land ownership.

5.13 As against this, the evidence for Punjab and Bihar shows that in selected regions of these states, market transactions have been found to be more important in influencing pattern of land distribution. A study on Punjab suggests that as a result of purchase and sale transactions over the three-year period 1967-68 through 1969-70, the farmers in the smallest group, i.e., below 9.5 acres, registered 0.95 per cent increase in area owned as against a decline of 2.5 per cent in the case of largest size group, i.e., above 20 acres. A study by the Agro-Economic Research Centre, University of Delhi has observed that although the number of large farmers operating above 20 acres may have gone down in 1967-68 when compared to 1961 owing to sub-divisions, a section of large farms has become bigger


2. Rao, B.M. (1972); "Land Transfers in Rural Communities Some Findings in a Ryotwari Region", *Economic and Political Weekly*, Review of Agriculture, September 30.

between 1955-56 and 1967-68 principally through purchase of land. However, as C.H.H. Rao (1975) points out that this study has not given similar information regarding purchase of land by farms below 20 acres. Hence it is not possible to draw any inference regarding the change in the concentration of land ownership especially because absentee landowners could account for a large proportion of land sold.

In case of Bihar, some evidence suggests that several marginal holdings seem to drop every year from the list of ownership holdings. In Kosi region of Bihar, Appu (1973) has pointed out that with the completion of Kosi project, the enhanced land values and the increased productivity of land have whetted the appetite of the bigger landowners and money-lenders to acquire more land and expand the size of their holdings and many a small holder have been obliged to mortgage or sell his land to big landowners. Thus the evidence for

3. In Bihar, for instance, about 67,000 holdings with an average size of less than one acre or about 1.2 per cent of the total ownership holdings were being sold off annually by their owners during the period 1959-1962. See Bose, S.R. (1970): "Land Sales and Land Values in Bihar", Indian Journal of Agricultural Economics, April-June.
Bihar seems to suggest that land market in Bihar has worked to change the ownership pattern in favour of large farmers.

5.15 Examination of the available evidence regarding the relative role of land reform measures vis-a-vis market transactions for selected areas of Gujarat, Maharashtra, Punjab and Bihar has shown that in Punjab and Bihar, market transactions have been more important in influencing the pattern of land distribution, whereas in Western India, land reform measures have played a more important part in affecting the pattern of land distribution. In view of this varying scenario, one may not fully agree with C.H.H. Rao (1975) that land transfers through land reform measures have been negligible and that bulk of the land so transferred may have gone to the medium and small owners already owning land and that transfer of land through market sales seems to have been more important than through re-distributive land reform.¹

Conclusions

5.16 We have seen that as regards the inequality in the distribution of rural incomes during 1951 to 1971, no clear-cut trend indicating increase or decrease emerges. With regard to the changes in the distribution of land, it has been stated that since the mid-fifties, small and marginal holdings have gained

in importance, while big and large holdings, relatively speaking, lost their importance. Over a large part of the country, ownership structure has become less skewed over a period of time and access to land is more equitably distributed. As regards the concentration of assets, an analysis of RBI data does not show any change in 1961-62 and 1971-72. Existence of sharp inequalities in the distribution of rural assets as also of cultivated land between the top deciles and the bottom deciles has been highlighted. However, the relative inequalities in the distribution of consumption expenditure in the top deciles and bottom deciles has been observed to be of a lower order implying the role of subsidiary occupations in supplementing the income as also of the borrowings. Further no trend has been observed in the incidence of poverty during 1956-57 to 1973-74 and that conflicting conclusions regarding the incidence of poverty may be reached depending on whether the initial or the terminal year had a high or low agricultural production. The available evidence regarding the relative role of land reform measures vis-a-vis market transactions in land has been examined for selected areas of Gujarat, Maharashtra, Punjab and Bihar and it was found that in Punjab and Bihar, market transactions have been more important in influencing the pattern of land distribution. In fact, in Bihar, market transactions have led to the increase in concentration of land with the large farmers at the cost of weaker sections of the farming community. In Gujarat and Maharashtra, land reforms have played a more important part in affecting the land distribution.