

**CASTE**  
**IN A**  
**DIFFERENT**  
**MOULD**



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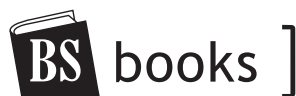
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# CASTE IN A DIFFERENT MOULD

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UNDERSTANDING  
THE DISCRIMINATION

RAJESH SHUKLA  
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PREETI KAKKAR



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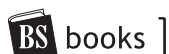
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## PREFACE

Too many discussions in India take place in a data vacuum. Though matters have improved in several areas—the publishing of corporate results and GDP data on a quarterly basis and inflation on a weekly basis being examples—several critical pieces of legislation have been passed in the recent past with absolutely no data. The Right to Education Act, for instance, seeks to rid the country of ‘unrecognised’ private schools but there is no authentic official data on the number of students being educated at such schools or how their performance compares with government schools. The Mahatma Gandhi National Rural Employment Guarantee Act, similarly, is aimed at tackling the country’s unemployment problem but without a clear understanding of the scale of unemployment (unemployment surveys are conducted once every four years). Thousands of crore rupees are spent each year on various anti-poverty measures, but the government has no data on household incomes, which is why poverty estimates are mired in controversy. The lack of data on income is also a huge problem when it comes to policies like caste-based reservation, and now even religion-based affirmative action, since there is very little data on just how serious the discrimination is, assuming it does exist.

This book plugs this gap. We know that scheduled castes as a group are disadvantaged vis-à-vis the other backward classes and upper caste Hindus, but how serious is this discrimination and, more importantly, what is the reason for it? This book tells you that much of the reason lies in disparate levels of education, urbanisation and even the state of residence of these groups. A particular innovation is to track the rise in income levels of different caste groups as they move from one occupation group to another; from one educational level to another; from rural to urban settings and, within this, from small cities to large metros. A similar exercise has been done, though with a little less detail, for different religious groups.

The data used is from the National Council of Applied Economic Research’s (NCAER) annual National Survey of Household Income and Expenditure (NSHIE) which, under a different name in the past, has been conducted almost annually since 1985 and is recognised as the

regular data-set for income and consumption at the household level. In the past, NCAER and *Business Standard* have collaborated to write up this data, but this book is an independent effort by the three of us. The data-set belongs to NCAER, but the analyses are ours and NCAER is not responsible for it in any way.

The principal aim of the book is to anchor all debate on caste/religion-based affirmative action in data. And, as such, it is the first definitive income-based analysis of caste/religious groups in the country.

We would like to take this opportunity to thank, in no particular order, all those who have played a big role in this work. Suman Bery, Director-General of NCAER, for allowing us to use the NCAER data and, more importantly, for his unstinted support of the NSHIE survey and for providing an overall framework that we, as researchers and journalists, may not necessarily have had. T N Ninan, Editorial Director of *Business Standard*, not only for the role he played in cementing the NCAER–*Business Standard* partnership, but also for providing conceptual clarity in the reports we wrote together. Surjit S Bhalla, economist–fund manager–psephologist–and–more, for putting us on track with a series of articles he was principal author of on the subject in the *Business Standard*. Pratap Bhanu Mehta, President of the Centre for Policy Research, for writing an insightful introduction to this book but, more importantly, for his out-of-the-box thinking and ability to situate all such data within a much larger framework.

For their guidance and support, we thank the members of the advisory committee of NCAER—S L Rao, Chairman, Institute for Social and Economic Change, Bengaluru; D V S Sastry, Director-General, Insurance Regulatory and Development Authority, Hyderabad; and Shubhashis Gangopadhyay. We gratefully acknowledge the committee's generous contribution of time, effort and expertise under the most stringent schedules. We also extend our gratitude to NCAER advisors and consultants, N S Sastry, Former Director-General, National Sample Survey Organisation and Central Statistical Organisation, and Senior Advisor, NCAER; Anil Rai, Senior Scientist, Indian Agricultural Statistics Research Institute. We would also like to thank Sunil Pew and Jayant Das who conceptualised and designed the cover of this book.

To all of you, and the others who have remained unnamed, a big thank you from all of us, and the promise/threat that this is the first of many more books on the subject from us over the years.

To you, dear reader, we promise a rich repast of data and perspectives on how to go beyond the surface on such matters of vital importance.



To researchers and policymakers who will use/misuse this data, even if you don't find our conclusions acceptable, we hope this will challenge you to come out with other data-sets/analyses.

**Rajesh Shukla**  
**Sunil Jain**  
**Preeti Kakkar**



## INTRODUCTION: CASTE, CLASS AND CONSUMPTION

*Pratap Bhanu Mehta*

*President and Chief Executive, Centre for Policy Research*

This book brings together original, rich and nuanced data on the relationship between caste and economic patterns. It looks at the relationship between caste and a whole range of variables: education, income, consumption and savings. It provides a much more sophisticated way of looking at different dimensions of inequality than is current in the literature. I will not spoil the reader's sense of surprise by reiterating the rich statistics that follow. What I propose to do instead is explain why some of these findings may be of interest to those who are concerned about some big debates in India: the relationship between caste and inequality, appropriate development strategies, the consequences of private versus public expenditure on health and education and so forth. As such, this book provides a valuable starting point for a range of important discussions in contemporary India.

One of the central insights of this book is that if you control for variables such as income, occupation and education, then caste seems to matter less for determining life chances. It is important to be precise about this claim. The study in no way claims that India is not, in many ways, marked by deep inequalities along caste lines. Indeed, if anything, the data in this volume provide pretty good evidence that scheduled castes (SCs) and scheduled tribes (STs) are still particularly disadvantaged in many extraordinary ways. What the numbers do seem to imply are: first, there is a good deal of truth in the old-fashioned story that economic and educational opportunities, more than caste identities, are determinants of access to various goods of modernity. Now, of course, this argument can itself be turned around on its head. It is often said that access to education and employment is itself a function of caste, and therefore there is no point addressing the economic dimensions of deprivation until one has addressed the issue of caste. A lot hangs on identifying precisely why access to education, social services and all those goods that make participation in a modern economy easy has been held back from

dalits in particular. While this study will not decisively answer this *causal* question of what sustains and reproduces dalit deprivation, it does seem to suggest that economic well being and opportunities are structured by a range of things from education, to healthcare, to geography. We need to think systematically about just what structures opportunity in a way that goes beyond caste.

Second, this book gives a more variegated picture of that strange caste category we call other backward classes (OBCs), a perfect case of a state classification creating its own social reality if there was one. One of the oddities of the discourse of modern India is this. There was a great deal of consensus that dalits were so oppressively marginalised in India across multiple dimensions that they deserved some kind of special consideration in public policy. It is still something of a scandal, as evidenced even in this book, that years of state policy have not made as much of an impact on the well being of dalits as one would have hoped. Indeed, if anything, this study suggests that any strategy of dalit upliftment that ignores basic economics and concentrates on caste at the expense of other things was bound to be ineffective. But the strange fact about modern India is that the discourse that could be legitimised in the context of dalits was hijacked by a whole series of OBCs. Anthropologically speaking, it is hard to argue that OBCs suffer the same degree of social restriction and discrimination that dalits do. The data presented here provides economic justification for a well-known sociological argument. It is difficult to argue that the OBCs, taken as one undifferentiated category, should be in the same category as dalits as far as public policy is concerned. On a whole range of measures, from their share of consumption, to the structure of employment, they are actually more like what you would expect 'middle castes' to be, though, in some instances, there is a degree of educational backwardness. But taken as a whole, it would be hard to argue that they are the objects of systematic discrimination, or deprived of access to resources in the way dalits are. The study also provides evidence for another interesting aspect of the relationship between caste and class: intra-caste variation amongst OBCs on everything from landholding to spending patterns is very high, certainly considerably higher than among dalits. This raises the interesting question of whether OBCs should be treated as an undifferentiated category for public policy purposes.

The data in the book is bound to generate interesting discussion on caste and deprivation. There is no doubt that in a society like India, some strong form of affirmative action is required. But whom should

affirmative action target, why should they target them, and how they should target them requires more disciplined discussion than public discourse allows. In an understated way, for instance, this book provides yet more evidence that Muslims are falling behind in modern India as measured by access to education and ability to command higher wages. Indeed, consumption and income data show that they are worse off compared to OBCs and are not far behind SCs. Again, the causes of this phenomenon are debatable, as are the remedies. The authors are rightly reluctant to engage in deep causal analysis entailed by their findings, but they are right to suggest again that even in the case of Muslims, once one controls for education, occupation and place of living, the impact of socio-religious categorisation diminishes. The authors have done great public service by putting forth new data that might prompt a new set of questions.

But the real importance of the book lies not in its consideration of the politically-charged issue of caste and deprivation, but elsewhere. To put it schematically, it provides a rich set of stories about the relationship between caste and a range of other important economic variables: consumption, employment, savings, and access to health, education and so forth. I am not in a position to comment on the technical details of data collection. The authors and the institution under whose auspices the study was conducted, National Council of Applied Economic Research, have impressive credentials on this score. But there is something of an excitement in carefully studying these numbers. For, in obvious and not-so-obvious ways, so many of the big questions that animate us are illuminated by the study. It provides incredibly rich evidence to show that India's drive to modernity is the function of fundamental links, often somewhat unexpected, between the three big 'C's'—caste, class and consumption. As such it will provide a veritable gold mine for scholars and practitioners interested in the behaviour of Indians as economic agents across castes. It gives a rather more variegated picture of different castes as economic agents, and their potential sources of strength and vulnerability.

It is interesting to note, just to take a random example, that, on average, Indians still invest more in financial assets than physical ones, even amongst the very poor. While the wristwatch seems to be the most ubiquitous item of ownership, the proportion of households with ceiling fans seems remarkably high. According to this data, close to one in every second SC household in urban India, and one in every three in rural India owns a ceiling fan. Although it is lower than the ownership

pattern for ceiling fans amongst the upper castes, it still seems a high number. This number is interesting because it is often said that one in three households in India does not have access to electricity in any form. Indeed, one of the exercises this data ought to prompt is cross-checking with other sources of data that impinge on the numbers collected here. For instance, credit seems to be available to more than 85 per cent households. What does this say about financial inclusion? In short, this data will be an important ingredient in assembling a picture of what Indians have across different castes.

What people will make of this data will depend upon their normative orientation and comparative benchmarks. For instance, it is clear that the SCs share of consumption is lower than their population share, while that of the OBCs is about the same in proportion to their population. And the share of upper castes is higher. In a way this finding is not surprising. That is what you would expect. But frankly, I was a bit surprised that the share of SC income as a proportion of total income was not lower. Given that there is a great overlap between caste and class, you would naturally expect the income of the bottom quintile of the population, which is where SC/STs are, to be incredibly low. To put it in perspective, in the United States, the share of income of the lowest quintile had fallen to as low as 3.3 per cent. Compare this to the data presented that SCs have 11 per cent of the income even though they are 16 per cent of the population. This does not, as a measure of income inequality, look nearly as appalling, viewed strictly from the point of view of income inequality. In fact, while there is a palpable degree of inequality, I was surprised that income and consumption inequality was not greater. This inequality looks much greater when one examines the data on ownership of consumer goods. But the kind of granular data presented in this book will contribute a good deal to nuance debates over the extent and dimensions of inequality in India.

But what makes these numbers really interesting is that there is also an underlying public policy story that jumps at you. The authors of this study may not agree with my interpretation, but implicit in their story is a larger story about the successes and failures of India's development policies. To me a striking feature of this study is the story it tells about education. It is commonplace that education is perhaps the central axis around which modernity is constructed. Almost all the central values of modernity, democracy, equality, mobility and the ability to define oneself depend upon access to education. Since access to opportunities is, in theory, structured through education, it is also an object of great

political contention. What exactly does equal opportunity in education mean? How much does access to education determine life chances? What explains our abysmal failures at providing education? If this book has one central message it is this. Education centrally determines life chances in modern India. It presents copious evidence in favour of the following propositions.

First, that there are immense returns to education. Although somewhat differentially for different castes, income levels rise significantly with access to education. In retrospect, it is astonishing that just a few years ago Indian educationists used to debate whether there was a demand for education amongst the poor. The argument used to be that one of the reasons the poor do not demand education is that they do not see the returns to education. Although evidence against this proposition has been building for a while, this book convincingly rubbishes that proposition, establishing that there are immense returns to education, at all levels of society. There is no shortage of demand for education. The proportion that even the poorest of the poor SCs and STs are spending on education is remarkably high: over 5 per cent of income even in rural areas. In urban areas, this expenditure is over 8 per cent. In both rural and urban India upper castes spend almost 60 per cent more than SCs on education. But while this disparity is deep and pronounced, there is little doubt that Indians are literally selling their shirt to strive for education. The shocking thing about the data presented here is not the disparity in expenditure amongst the different castes; that is what you would expect if you account for income differentials. The shocking thing is how much the poor are being forced to spend out of pocket for education, often over Rs 5,000 annually in urban areas! In fact, these expenditure levels are a great indictment of the state in its inability to provide free quality education to India's poor. The Right to Education Act may remedy these lacunae. But there is some evidence to suggest that part of the high expenditure amongst the poor is driven not by lack of access to free public schools, but because of greater concerns about quality. In some ways the test of a good public system of education should be that private expenditure on education should diminish. This study suggests that there are inequalities in private expenditure on education. But more importantly these inequalities signal a failure of public education. The real issue is supply bottlenecks in providing quality education.

The public policy implication of this story is not just that education matters. But it is also that there will be greater inequalities if education relies on private expenditure. It could be argued that more than income

inequality, educational inequality in India is staggering. Educational inequality has become to India what income inequality used to be to Brazil—the single-most sobering measure of how unequal our society is. And it is astonishing that this is despite the immense private recognition and expenditure on education. That education correlates with higher income is very powerfully demonstrated in the numbers in this book and in comparative evidence. But whether access to education mitigates inequality is another matter. One of the most depressing aspects of comparative economic policy has been that education alone does not seem to reduce inequality. Even when access to good public education is greatly expanded, those with wealth can retain educational advantages by using private wealth. Even in economies with good public systems, private expenditure on education seems to help reproduce some inequalities. Second, even when all sections of the population are seemingly better off, the prospects for mobility across classes are not thereby made higher. Indeed, even in societies which pride themselves on equality of opportunity, where there is little discrimination, few formal barriers, a great deal of public support for education, class remains very *sticky*; it seems hard to remove the effects of class inequality and produce social mobility. In short, while education is important for intrinsic reasons, while it does expand economic opportunities, global evidence suggests that we should be a little cautious in assuming a link between education and equality. Indeed, most of the gains in inequality in advanced countries seem a product of two things other than education. War is often a great leveller, in part because it forces society to expand the state and redistribute. It is perhaps no accident that the great expansion in welfare states often happens in the aftermath of war. War often directly creates the conditions for a new social contract (think of GI Bill in the United States), and often allows the state to expand its taxation base in ways that are important for redistribution. The other mechanism for producing equality is often centralised wage bargaining as happened in the Scandinavian countries. The point is not to necessarily suggest these policies. The point is rather to argue that if we are interested in equality, we will need to look at a wider canvas than simply education. If what we are interested in is equality, then we will have to bring back debates about wage inequality and income inequality. If one of the messages of this book is that income matters, then it will matter all the way. It will matter not just for determining absolute levels of well being, but will also determine the prospects for inequalities being reproduced. Particularly



in a context of greater private spending on education, the prospect that inequality will be reproduced remains high.

In a way, the lack of public expenditure has had an even more pronounced impact on inequality in the field of health. This study documents how health expenditures rise as education levels rise. But it also documents, very startlingly, that the proportion of expenditure on health actually falls with rising income. In many ways, poor and illiterate citizens spend a higher proportion of their income on health than more privileged citizens. But it is important to grasp the deep public policy implications of this finding. First, as the authors themselves suggest, the decrease in the proportion spent on health may in part be attributed to the better availability of public facilities for the more literate living in urban areas. But perhaps more importantly, this finding suggests what we have known intuitively for a long time. Since health expenditures amongst the poor are high as a proportion of their income, morbidity is as likely as anything else to push them back into poverty. To put it somewhat provocatively, the absence of a strong public health system is as much a likely cause of people not emerging out of poverty or falling back into it. Arguably, significant income gains by poor people can be neutralised by illness. For example, there is some anecdotal evidence that suggests that farmer suicides in impoverished areas are not just a function of indebtedness, as indebtedness has been part of the rural existential condition for a long time. It is often the fact that indebtedness combines with morbidity to produce a situation of hopelessness. In fact, the message is loud and clear. Unless India's public health system improves dramatically, our fight against poverty will remain very weak.

The data on expenditure in this volume also suggests another significant implication for the way we think about poverty and inflation. There is a standard joke that India obsesses more with poverty lines than with combating poverty. Very recently, the Tendulkar Committee recommended that the way we measure poverty be modified to include a wider basket of goods including health and education. In a way, the data in this book provide compelling evidence for why that would be a good move. It does so for two reasons. First, access to health and education determine life chances. Second, these two baskets of goods are central to the expenditures of the poor. In fact, it is very clear that fluctuations in the cost of health and education directly impact the well being of the poor and their ability to lift themselves out of poverty. If health and education taken together constitute over 12–15 per cent of expenditure even for illiterate SC and ST households, then access to these goods

will significantly affect poverty. Parenthetically, this data also raises important questions about what we should measure in inflation. If health and education services are now being consumed even by the poor, then changes in the cost of health and education are also significant determinants of how poor households experience inflation.

A second big take-away from the data is that location matters, and matters a great deal. The story told in the following pages is interesting on the location argument for two different reasons. First is the most conventional story that the more better-off a state, the better the condition of the more marginalised populations within it (compared to their counterparts elsewhere). So, for SCs and STs, the worst state turns out to be Orissa, while their counterparts in Karnataka, Maharashtra and Gujarat do considerably better. In short, the overall growth story of a state has huge implications for what marginalised groups like SCs and STs have access to: everything from durables, credit, to health and education. A rising state does lift all boats.

In this picture, however, there is one story that still needs to be told, and will perhaps be the object of a future study of this kind. While it is clear that in absolute terms even marginalised communities fare better in better-off states, the picture on social mobility, understood as the ability to climb out of your class, is less clear. Is it the case that while all castes and classes are faring better, there is still very little social mobility across caste and class? If we are truly going to answer the questions about how opportunities are structured in India, then we need better data on mobility. While we do not have systematic data on social mobility, available evidence suggests that the boundaries between caste and class are still less permeable than they should be. It is quite possible that even if improvement in well being is being shared by all classes and castes, the *structure* of the hierarchy is still pretty frozen. So, for example, the employment data in this book suggest that there is still a great deal of caste segregation by employment type, particularly at the lower end of the ladder. So 50 per cent of SCs are still employed as casual labour, compared to 16 per cent of the upper castes. While there is some evidence of shifting occupational patterns, everything from the rise of dalit landowners to entrepreneurs, this shift seems depressingly small.

But the most important way in which location matters is this. It could be argued that almost all lines of India's future will pass through the shape and pattern of urbanisation. Apart from education, the most dramatic impact on incomes in this study is access to urban centres. Average incomes for upper castes, for example, rise by more than a

third as we move from rural areas to even the smallest towns; and they also rise significantly, if less dramatically, if one moves to bigger towns. Most importantly, income levels rise considerably as citizens begin to access a density of modern services. The link between urbanisation and education is also palpable in several directions. Education seems to facilitate a transition to urbanisation. Indeed, if what we are concerned with is the ability to raise incomes, then it is clear that we will need some strategy to equip people to get access to, and take advantage of, urban environments. Indeed, one key question that will be raised by this study is this. Given that the state has finite resources, should it be investing them in regional equalisation both within and across states, or should it be investing them in giving people the ability to move, in a manner of speaking, from urban to rural, from poor to rich states? If urbanisation has such an impact on growth and incomes, should that now not be a self-conscious part of our development and growth strategy?

The authors have done a splendid job of opening up a series of important questions with really interesting data. It is often said that if you torture statistics enough, they will confess. Though this data-set will by no means settle policy debates in India, it will force us to raise our game and ask more sophisticated questions about inequality, in all its dimensions.



# 1 NOT CASTE IN STONE

To even the most casual observer, India's demographic structure is heavily tilted in favour of the upper castes—whether in terms of the incomes they earn, the jobs they hold, the kind of education they receive... the list goes on. Upper castes,<sup>1</sup> for instance, comprise just 34.1 per cent of the country's population, but account for 45.4 per cent of the total income in the country; scheduled castes (SC) comprise 16.8 per cent of the population but account for just 11.8 per cent of the income; scheduled tribes (ST) are not much better off, with 8 per cent of the population and just over 5 per cent of the total income. Other backward classes (OBC) are the average Indian—they account for around 41 per cent of the population, a figure that's remarkably similar to their share (37.7 per cent) in the country's total income (Table 1.1).

**TABLE 1.1: Distribution of Population, Income, Expenditure and Surplus Income by Social Group (% to total)**

Social group	Population	Income	Expenditure	Surplus income
ST	8.0	5.2 (40,753)	5.2 (30,327)	5.0 (10,425)
SC	16.8	11.8 (45,889)	13.0 (37,377)	8.3 (8,512)
OBC	41.1	37.7 (59,741)	39.1 (45,694)	33.7 (14,047)
Upper caste	34.1	45.4 (86,690)	42.7 (60,054)	53.0 (26,636)
Total	100.0	100.0 (65,041)	100.0 (47,929)	100.0 (17,111)

**Source:** NSHIE (2004–05), NCAER.

**Note:** Figures in brackets represent average annual household income in rupees.

While this tells an important story in terms of the caste agitations that have formed the bedrock of India's politics over the years—though OBCs are the average Indian, the fiercest agitations have been pro-OBC ones till Mayawati appeared on the scene—this is not the complete

<sup>1</sup> Refers to non-scheduled caste/scheduled tribe/other backward class groups.

story. This book will tell the complete story behind the broad numbers: a story that is largely dependent on the levels of education that members of various communities get, on the types of jobs they are engaged in, and even where they live. In other words, caste politics may have little to do with the way various castes have fared, or not fared, in the period since independence.

But that is precisely what we are agitating about, the *castewallahs* will tell you. We know you cannot get good jobs without a good education, their argument goes, but you cannot expect parents without good jobs to either have the money or the temperament to educate their children—hence the need for reservations in jobs and educational institutions. Some part of this is undoubtedly true, but it's important to interpret the figures with care.

While OBCs make up 41.1 per cent of the population, they comprise 35.5 per cent of the total number of graduates in the country; that is, the level of discrimination is not as serious as it has been made out to be. Their share in other related categories—35.8 per cent of the total in the category of 'professional, technical and related workers' and 33.6 per cent of 'administrative, executive and managerial' jobs—also provides little evidence of OBCs being discriminated against in the education/job market. However, this is not the case for the SC/STs: though they form 24.9 per cent of the population, they comprise just 14.2 per cent of graduates, 16.1 per cent of 'professionals' and are engaged in 11.8 per cent of the 'managerial' jobs.

Interestingly, when it comes to the share in expenditure, the caste bias is a lot less strong. With just under 25 per cent population share, SC/STs spend 18.2 per cent of the total spending in the country. OBCs, with a 41.1 per cent population share, account for 39.1 per cent of expenditure. The reason for the lower caste bias, of course, has to do with saving patterns. SC/STs spend most of their income and hence account for a mere 13.3 per cent of the country's savings.

Not surprisingly, given their low income levels, SCs and STs form a larger share of the lower income quintiles in the country: they comprise 41.9 per cent of the lowest income quintile and 32.1 per cent of the one just above that; they form only 12.2 per cent of the total in the top quintile.

Showing that OBCs are nothing but the average Indian, their share in each income quintile is roughly the same as their population share

(41.1 per cent). So, they comprise 39.6 per cent of the lowest income quintile, 43.2 per cent of the next one, 44 per cent of the third and 35.7 per cent of the highest income quintile. Upper castes, with 34.1 per cent of the population share, comprise just 18 per cent of the lowest quintile, 25 per cent of the second-lowest quintile and 52 per cent of the topmost quintile (Table 1.2).

**TABLE 1.2: Distribution of Households by Per Capita Income Quintiles (% to total)**

Social group	Q1 Bottom quintile (0–20%)	Q2 Second quintile (21–40%)	Q3 Middle quintile (41–60%)	Q4 Fourth quintile (61–80%)	Q5 Top quintile (81–100%)	All-India
ST	16.5 (17,100)	10.3 (25,753)	7.2 (35,570)	4.6 (59,567)	4.0 (138,554)	8.2 (40,752)
SC	25.4 (18,846)	21.8 (28,589)	17.4 (39,767)	12.7 (63,040)	8.2 (139,416)	16.6 (45,888)
OBC	39.6 (19,528)	43.2 (29,991)	44.0 (41,044)	42.8 (63,956)	35.7 (142,560)	41.0 (59,741)
Upper caste	18.3 (20,001)	24.5 (30,424)	31.2 (43,584)	39.7 (67,973)	51.9 (165,145)	34.0 (86,690)
Total	100.0 (19,040)	100.0 (29,353)	100.0 (41,220)	100.0 (65,234)	100.0 (153,871)	100.0 (65,041)

**Source:** NSHIE (2004–05), NCAER.

**Note:** Figures in brackets represent average annual household income in rupees.

Put another way, more than 33 per cent of STs are in the lowest income quintile; the figure is 27 per cent for SCs, 17 per cent for OBCs and under 10 per cent for the upper castes. At the top end, 11 per cent each of SCs and STs are in the highest income quintile, along with 19 per cent of OBCs and 34 per cent of the upper castes.

Given the wide differences in income levels across caste groups (Rs 40,752 per annum for STs versus Rs 86,690 for upper castes), it would be logical to expect inequality levels to be very high as well. This, however, is not true. Income inequality levels are broadly similar across all caste groups; if anything, they are slightly higher for the upper castes—the Gini for SCs is the lowest at 0.418 and that for the upper castes is the highest at 0.463. This means that, while absolute levels of income may differ across various caste groups, the relative difference within each caste grouping is broadly similar (Table 1.3).

**TABLE 1.3: Measure of Income Inequality (Gini coefficient)**

Social group	Rural	Urban	All-India
ST	0.444	0.417	0.456
SC	0.381	0.414	0.418
OBC	0.417	0.431	0.439
Upper caste	0.426	0.441	0.463
Total	0.429	0.448	0.466

Source: NSHIE (2004–05), NCAER.

### Ownership of Durables

The same story, of the marginalisation of SC/STs, and OBCs being the average Indian, gets repeated when it comes to the ownership of consumer durables (Table 1.4). OBC households, for instance, own nearly 39 per cent of all television sets in the country (35 per cent of OBC households have at least one television set), 29 per cent of refrigerators (13 per cent of OBC households own a refrigerator) and 41 per cent of all motorised two-wheelers (every third OBC household owns a two-wheeler).

**TABLE 1.4: Share of Households in Total Stock and Penetration of Select Products (% to total)**

Social group	Colour TV	Radio	Refrigerator	Two-wheeler	Car
ST	3.8 (17.1)	8.3 (46.6)	2.1 (8.5)	3.7 (20.0)	2.4 (1.8)
SC	8.9 (19.8)	15.7 (50.4)	7.6 (4.5)	9.4 (16.3)	6.1 (2.2)
OBC	38.6 (34.8)	41.9 (50.6)	29.1 (13.1)	40.5 (35.1)	31.4 (4.7)
Upper caste	48.6 (52.8)	33.9 (49.4)	61.2 (33.2)	46.2 (48.2)	60.0 (10.8)
Total	100.0 (37.0)	100.0 (49.5)	100.0 (18.5)	100.0 (35.5)	100.0 (6.1)

Source: NSHIE (2004–05), NCAER.

Note: Figures in brackets represent ownership per 100 households.

SCs bat well below their population share, not surprising given that their income share is also quite low. Though 17 per cent of the population, SC households account for just 9 per cent of all television ownership (every fifth SC household has a television) and a little over that when it comes to two-wheelers (16 per cent of all SC households have a motorised two-wheeler).



## Middle Classes and More

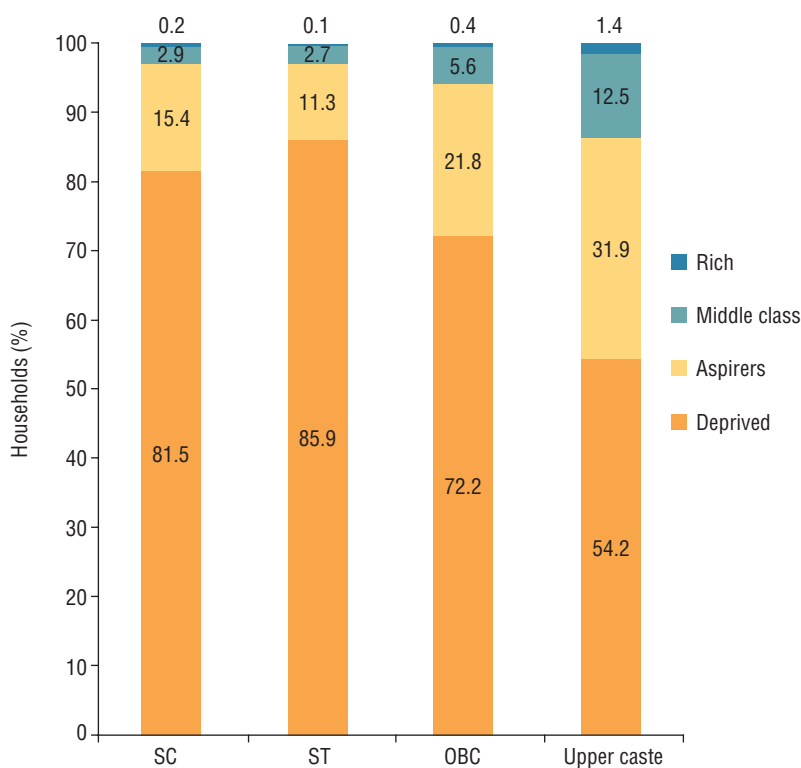
Given their higher average income levels, it is not surprising that the upper castes form a higher proportion of the middle class and rich households in comparison with any other caste grouping (Table 1.5 and Figure 1.1). While 85.9 per cent of SCs fall in the category of ‘deprived’ households, the figure falls to 72.2 per cent in the case of OBCs and to a much smaller 54.2 per cent in the case of the upper castes. In terms

**TABLE 1.5: Distribution of Households by Selected Welfare Indicators**

Characteristics	ST	SC	OBC	Upper caste	Total
<i>Demographic indicators</i>					
Estimated number of households (million)	17.0	34.3	84.3	70.0	205.6
Estimated population (million)	81.7	172.8	422.3	350.4	1027.2
Household size	4.81	5.04	5.01	5.01	5.0
Households with at least one member having completed secondary school (%)	11.7	12.4	18.6	20.4	17.6
Households with at least one member who has completed graduation and beyond (%)	12.1	14.0	20.2	34.4	23.3
Households having regular salary as major source of income (%)	8.9	13.8	16.0	25.9	18.4
Households with self-employed members in non-agricultural sectors (%)	5.7	11.2	17.2	22.5	17.1
<i>Economic indicators (Rs/annum)</i>					
Estimated per capita income	8,456	9,109	11,931	17,318	13,018
Estimated per capita expenditure	6,293	7,429	9,128	12,024	9,604
Estimated per capita expenditure on education	369	470	681	950	712
Estimated per capita expenditure on health	481	639	798	1,008	817
<i>Income distribution (% to total)</i>					
Deprived	81.5	85.9	72.2	54.2	68.8
Aspirers	15.4	11.3	21.8	31.9	23.3
Middle class	2.9	2.7	5.6	12.5	7.3
Rich	0.2	0.1	0.4	1.4	0.7
All-India	100.0	100.0	100.0	100.0	100.0
<i>Ownership of select consumer goods and financial services (% of households owning them)</i>					
Car	1.8	2.2	4.7	10.8	6.1
Two-wheeler	16.4	20.1	35.2	48.3	35.6
Colour TV	17.1	19.8	34.8	52.8	37.0
Life insurance	12.4	15.4	24	32.1	24.4
Loan	22.1	25.7	27	19.9	23.9

**Source:** NSHIE (2004–05), NCAER.

**Note:** Income classes are defined considering annual household income at 2001–02 prices as follows: *deprived*: below Rs 90,000 (below \$2,000); *aspirers*: Rs 90,000–Rs 200,000 (\$2,000–4,000); *middle class*: Rs 200,000–Rs 1,000,000 (\$4,000–21,000); and *rich*: over Rs 1,000,000 (over \$21,000).

**FIGURE 1.1: Distribution of Households within Social Groups (% to total)**

Source: NSHIE (2004–05), NCAER.

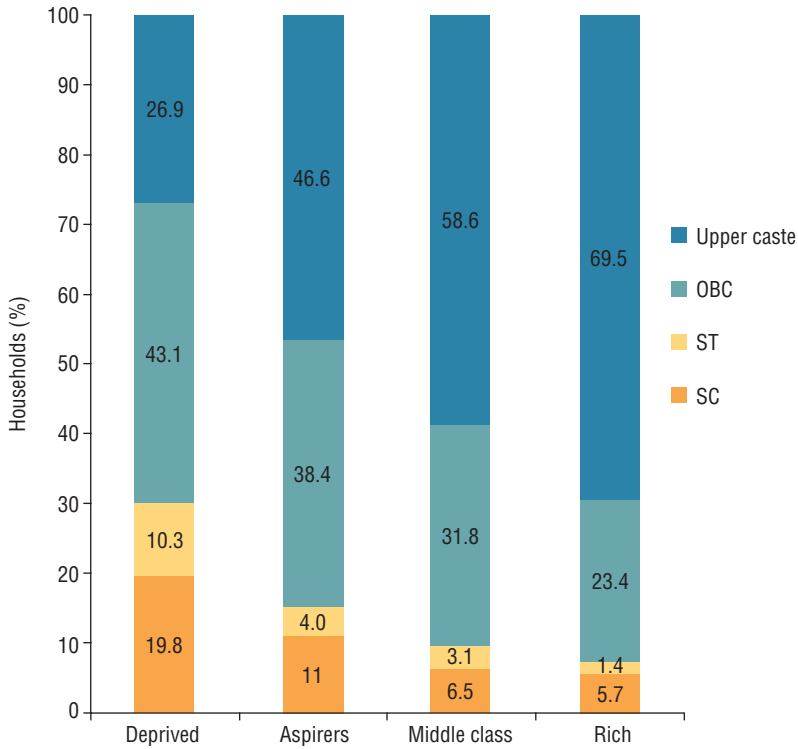
of the middle class, upper castes have almost 4 times as many households here: under 3 per cent of both SC and ST households fall in this category as compared to 12.5 per cent in the case of the upper castes. The proportion for OBCs is under half that for the upper castes.

Hence, nearly 70 per cent of those considered ‘rich’ are upper castes, 23.4 per cent, or about one-fourth, are OBCs while just 1.4 per cent of them are STs and under 6 are SCs (Figure 1.2). In the case of the deprived, on the other hand, around 30 per cent are SC/ST, with 43.1 per cent being OBCs and 26.9 per cent, or just a little over a fourth, upper castes.

### Education Matters

There is greater inequality across education levels. For instance, the difference between what an upper caste illiterate and an ST illiterate earns

**FIGURE 1.2: Distribution of Households among Social Groups (% to total)**



**Source:** NSHIE (2004–05), NCAER.

is 1.4 (Rs 31,511 per year versus Rs 22,456) as compared to a difference of 3.7 between an illiterate ST and a graduate ST (Rs 22,456 versus Rs 85,023) and 4.2 between an illiterate upper caste and a graduate upper caste (Rs 31,511 versus Rs 135,086; see Figure 2.3 in Chapter 2).

Since over half of all graduate households are upper caste (compared to their population share of 34.1 per cent), it is hardly surprising that upper castes have the highest income levels.

Interestingly, there are significant differences in the spending levels of each caste even within various types of groupings (Table 1.6). So, STs in the lowest income quintile (Q1) spend just 4.6 per cent of their income on education as compared to 8.6 for STs in the top quintile; upper castes in the lowest quintile spend 6.5 per cent of their income on education. Given the difference in their average annual household incomes (Rs 40,753 per year for STs versus Rs 86,690 for upper castes), this means the average ST family in the lowest income quintile spent

TABLE 1.6: Disparity in Expenditure on Education

Characteristics	Annual household expenditure on education as % of total expenditure					Annual household expenditure on education (Rs)				
	ST	SC	OBC	Upper caste	Total	ST	SC	OBC	Upper caste	Total
<i>Location</i>										
Rural	5.3	5.3	6.5	6.5	6.2	1,501	1,725	2,557	3,134	2,458
Large town (1 million plus population)	8.4	8.4	9.7	9.2	9.3	4,854	5,240	6,704	7,685	7,062
<i>Per capita income quintiles</i>										
Q1 bottom quintile (0–20%)	4.6	4.7	5.5	6.5	5.4	905	1,022	1,379	2,018	1,327
Q5 top quintile (81–100%)	8.6	9.6	9.8	9.4	9.5	5,378	7,413	7,872	8,491	8,054
<i>Highest level of education</i>										
Illiterate	2.6	1.4	1.4	1.5	1.6	454	239	296	360	327
Graduate	10.0	9.7	10.6	9.5	9.9	5,337	6,491	7,880	8,169	7,778
<i>Major source of income</i>										
Labour	4.1	5.0	5.2	5.6	5.1	915	1,334	1,517	1,708	1,437
Salaried	9.5	9.4	10.4	9.8	9.9	6,030	6,224	6,845	7,556	7,076
<i>Size of landholding</i>										
Landless	4.3	4.9	5.9	6.4	5.7	978	1,397	1,841	2,405	1,762
Large farmer	4.9	6.5	8.8	7.7	8.0	1,936	2,983	6,225	5,356	5,313
<i>State of residence</i>										
Low income states	4.6	5.0	6.4	7.4	6.5	1,253	1,698	2,669	4,370	2,808
High income states	5.7	7.4	6.9	8.2	7.7	1,850	3,391	3,540	5,168	4,261

Source: NSHIE (2004–05), NCAER.

Rs 905 on education versus Rs 2,018 in the case of the upper castes. Similarly, in the category of labour households, the ST family spent 4.1 per cent versus 5.6 per cent by the upper caste family—in absolute terms, this means an expenditure of Rs 915 by STs and Rs 1,708 by the upper castes.

### Impact of State<sup>2</sup> of Residence

Location also makes a big difference. So, an ST in a hill state earns almost as much as an upper caste in a low income state (Rs 72,052 versus Rs 72,222, respectively; Table 1.7). More than this, however, is the impact of the size of the town and the basic move from rural to urban areas. Average incomes for upper castes, for instance, rise by almost one-third as they move from rural areas to even the smallest of towns with less than 5 lakh persons (from Rs 66,020 to Rs 97,694 per year). This goes up (to Rs 132,582), but by a smaller proportion as they move to cities with more than 1 million people (Table 1.8).

### Explaining Income Differences

An interesting way to see how income levels change as a result of various impacting factors is to take a base salary and examine the difference with the move up the ladder, so to speak (Table 1.9). So, consider the case of an SC household employed in agriculture, with an average household income of Rs 32,908 per annum. Let this household now move to traditional services, and there's a jump in family income by Rs 14,314. If, instead, the family is engaged in the modern services sector, the income goes up by Rs 62,909 (compared to the base agricultural income). In the case of OBCs, the shift from agriculture to modern services causes family incomes to rise by Rs 51,170. The sharpest hike, in terms of proportion, is that for STs—income levels nearly double as families move from agriculture to modern services.

A rise in literacy levels impacts the SCs the most—compared to Rs 20,149 for an illiterate, the average SC graduate household earns Rs 89,898, or an increase of nearly 4.5 times (see Figure 2.3 in Chapter 2). If you take 'production and related workers' (basically shop floor staff)

<sup>2</sup> *Low income states:* Bihar, Uttar Pradesh, Orissa, Madhya Pradesh, Rajasthan, Chhattisgarh and Jharkhand; *Middle income states:* Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and West Bengal; *High income states:* Goa, Gujarat, Haryana, Maharashtra, Punjab, Puducherry, Chandigarh and Delhi; and *Hill states:* Assam, Meghalaya, Uttaranchal and Himachal Pradesh.

**TABLE 1.7: Distribution of Households by State of Residence (% to total)**

Social group	Low income states	Middle income states	High income states	Hill states	All-India
ST	10.8 (30,939)	4.7 (44,533)	8.0 (53,176)	12.6 (72,052)	8.2 (40,753)
SC	18.5 (37,396)	17.4 (46,286)	13.9 (65,373)	7.3 (60,040)	16.7 (45,889)
OBC	44.2 (49,173)	47.8 (64,776)	24.2 (79,866)	42.5 (63,834)	41.0 (59,741)
Upper caste	26.5 (72,222)	30.2 (82,874)	53.9 (105,065)	37.6 (75,452)	34.1 (86,690)
Total	100.0 (51,118)	100.0 (66,077)	100.0 (89,288)	100.0 (68,961)	100.0 (65,041)

**Source:** NSHIE (2004–05), NCAER.

**Note:** Figures in brackets represent average annual household income in rupees.

**TABLE 1.8: Distribution of Households by Location (% to total)**

Social group	Rural	Town III (less than 0.5 million population)	Town II (0.5–1.0 million population)	Town I (more than 1.0 million population)	All-India
ST	10.6 (37,615)	3.4 (60,929)	2.5 (60,084)	2.2 (85,023)	8.2 (40,753)
SC	18.3 (38,622)	14.2 (62,334)	12.6 (66,402)	11.3 (82,650)	16.7 (45,889)
OBC	42.5 (51,740)	44.0 (72,288)	40.5 (81,745)	29.1 (95,999)	41.0 (59,741)
Upper caste	28.6 (66,020)	38.3 (97,694)	44.4 (104,788)	57.4 (132,582)	34.1 (86,690)
Total	100.0 (51,922)	100.0 (80,217)	100.0 (89,503)	100.0 (115,253)	100.0 (65,041)

**Source:** NSHIE (2004–05), NCAER.

**Note:** Figures in brackets represent average annual household income in rupees.

**TABLE 1.9: Rise in Income Levels across Sectors of Engagement (Rs/annum)**

Sectors of engagement	ST	SC	OBC	Upper caste	Total
Modern services	64,657	62,909	51,170	65,946	64,126
Industry	3,568	13,280	15,006	36,652	23,276
Traditional services	3,716	14,314	6,896	26,240	16,357
Agriculture	34,807	32,908	49,357	60,879	48,097

**Source:** NSHIE (2004–05), NCAER.

**Note:** Figures for agriculture are actual incomes for each group; other figures represent hikes in annual income as compared to income in the agriculture sector.

as the base, the greatest increase or benefit is in the case of ST households: family incomes rise from Rs 29,808 per annum to Rs 129,409 when they move on to 'administrative, executive and managerial' jobs (see Figure 2.5 in Chapter 2).

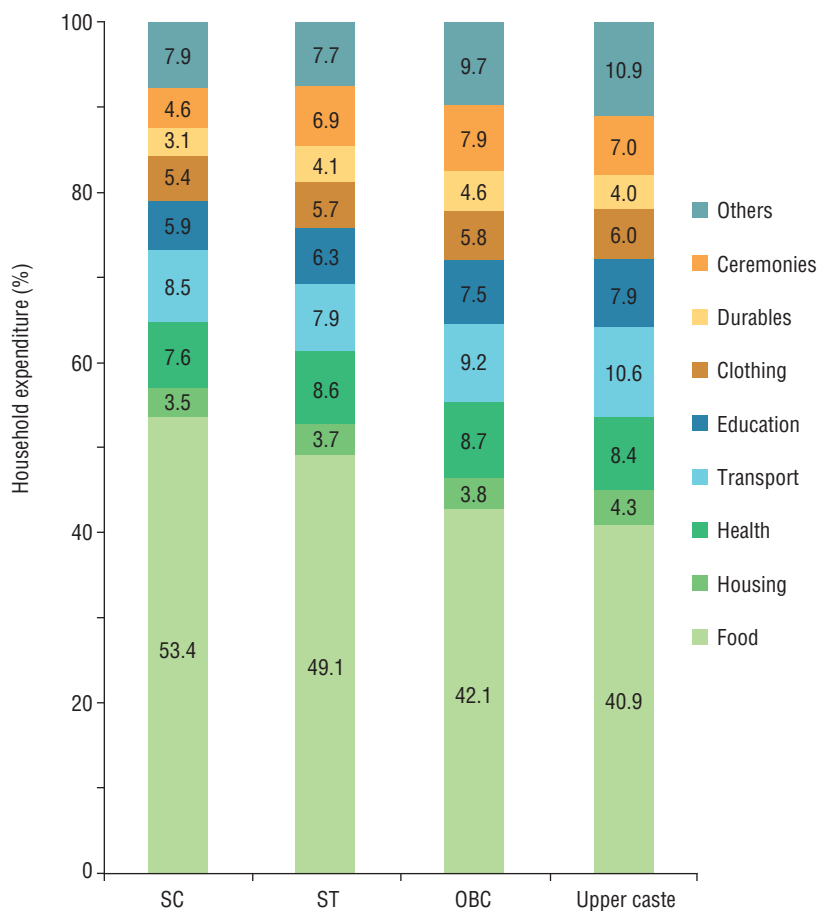
Movement across states also makes a significant difference, given that wage/salary levels tend to be higher in states with a higher state GDP. So SC households in the poorest states earn Rs 37,396 per annum on average compared to Rs 65,373 in high income states (see Figure 2.9 in Chapter 2). As in some other transitions, it is the STs who benefit the most—income levels rise 1.3 times between low income and high income states. For upper castes, the difference is much lower, and rises by just around 0.4 times (or 45 per cent) from low to high income states.

### **Expenditure Patterns**

Not surprisingly, upper castes spend the most: compared to STs, they earn more than double and spend a little less than double. As a result, upper caste families tend to save around 31 per cent of their annual income as compared to 26 per cent for STs, 19 per cent for SCs and 24 per cent for OBCs.

While there are significant differences in expenditure patterns across caste groups, it is likely that much of this can also be explained by the level of income and the level of education (which, in turn, also determines income levels; Figure 1.3). So, 53.4 per cent of all expenditure by STs is on food as compared to 40.9 per cent in the case of the upper castes; 7.6 per cent versus 8.4 per cent on health respectively; 5.9 per cent versus 7.9 per cent on education.

Thus, expenses rise 1.4 times between illiterate STs (Rs 17,354) and illiterate upper castes (Rs 24,661), but by 3 times within the same caste (ST) based on education levels (an illiterate ST spends Rs 17,354 per year and this rises to Rs 53,110 for a graduate ST; see Figure 3.4 in Chapter 3). Expenditure patterns vary more across education/income groups than they do across caste groups. So, 60 per cent of all expenses by illiterate SC/STs is on food compared to 58 per cent by upper caste illiterates (see Figure 3.5 in Chapter 3). When it comes to graduates, however, this ratio is 43 per cent for STs and 37 per cent for upper castes. The ratio also changes depending upon the job profile. So, the amount spent on food varies between 36 and 43 per cent irrespective of caste in the case of the salaried class, compared to between 50 and 59 per cent in the case of those engaged in manual labour (see Figure 3.18 in

**FIGURE 1.3: Expenditure Patterns (% to total)**

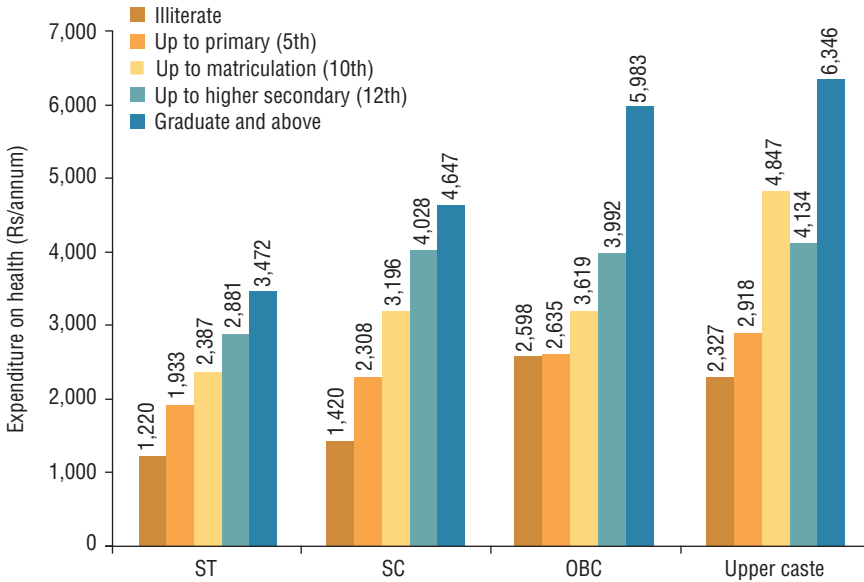
**Source:** NSHIE (2004–05), NCAER.

Chapter 3). Though this varies between castes, the variation is a lot more in the poorer states. Hence, in low income states, 57 per cent of the income of an ST household is used to buy food compared to 40 per cent for upper caste families; in the case of the high income states, ST families spend 49 per cent on food compared to 39 per cent spent by upper caste families (see Figure 3.39 in Chapter 3). Similar patterns get repeated as you move from rural areas to small towns and big cities (see Figure 3.33 in Chapter 3).

As education levels rise within each caste group, so does expenditure on health (Figure 1.4) though the proportion of expenditure on health



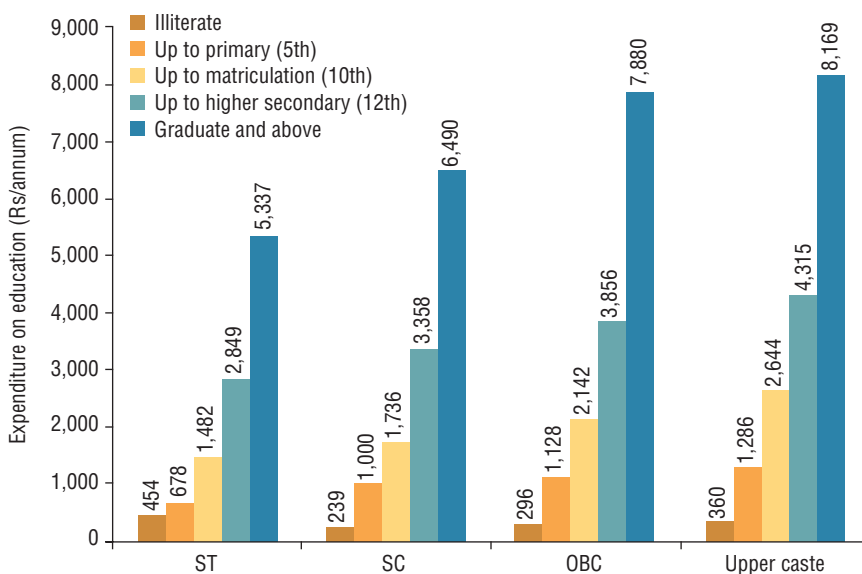
**FIGURE 1.4: Household Expenditure on Health by Highest Level of Education (Rs/annum)**



Source: NSHIE (2004–05), NCAER.

falls. Though this appears curious, it can be explained by two factors. First, the more literate tend to live in cities (and have better jobs) where public health facilities are better. Second, though the proportion of expenditure falls, the absolute values rise—thanks to a rise in income levels—fast enough to take care of most health needs. So, illiterate ST households spend 7 per cent of their income on health-related expenses as compared to 6.5 per cent for graduate ST households (see Figure 3.5 in Chapter 3); in terms of absolute spending, however, the expenditure rises from Rs 1,220 per year to Rs 3,472. It is a similar story in upper caste households: illiterate households spend 9.4 per cent of their income on healthcare compared to 7.4 per cent for graduate households; in absolute terms, however, expenditure on healthcare rises nearly 3 times—from Rs 2,327 for the illiterate upper castes to Rs 6,346 for graduate upper castes.

When it comes to education, however, even the proportion of expenditure rises with rising literacy levels, a sign that each caste group regards education as the single-most important factor in improving their prospects (Figure 1.5). So, illiterate ST households tend to spend just 2.5 per cent of their total expenditure on education as compared to

**FIGURE 1.5: Household Expenditure on Education by Highest Level of Education (Rs/annum)**

Source: NSHIE (2004–05), NCAER.

10 per cent for graduate ST households (see Figure 3.5 in Chapter 3)—combine this with the impact of higher income levels for the more literate, and the expense on education shoots up from Rs 454 for the illiterate category of STs to Rs 5,337 for the graduates. For upper castes, a similar change takes place, as a result of which education expenses shoot up from Rs 360 for illiterate households to Rs 8,169 for graduate households.

Expenditure levels on education are largely similar across the illiterate, but vary sharply for the more educated—upper caste families with at least one graduate member tend to spend around 50 per cent more than SC families. In short, expenses on education do not vary as much across caste groups as they do across education groups.

### Ownership of Select Consumer Goods

In general, SC/STs have the lowest ownership of durables while the upper castes show the highest ownership patterns. So, while 6 per cent of Indian households have a car, this varies from 2 per cent for SC/ST

households, rising to 10 per cent for the upper castes; for colour televisions, the average for the country is 37—17 per cent in the case of STs to 53 per cent for upper castes. However, in this case too, the levels of education/income/location also make a huge difference (Figure 1.6).

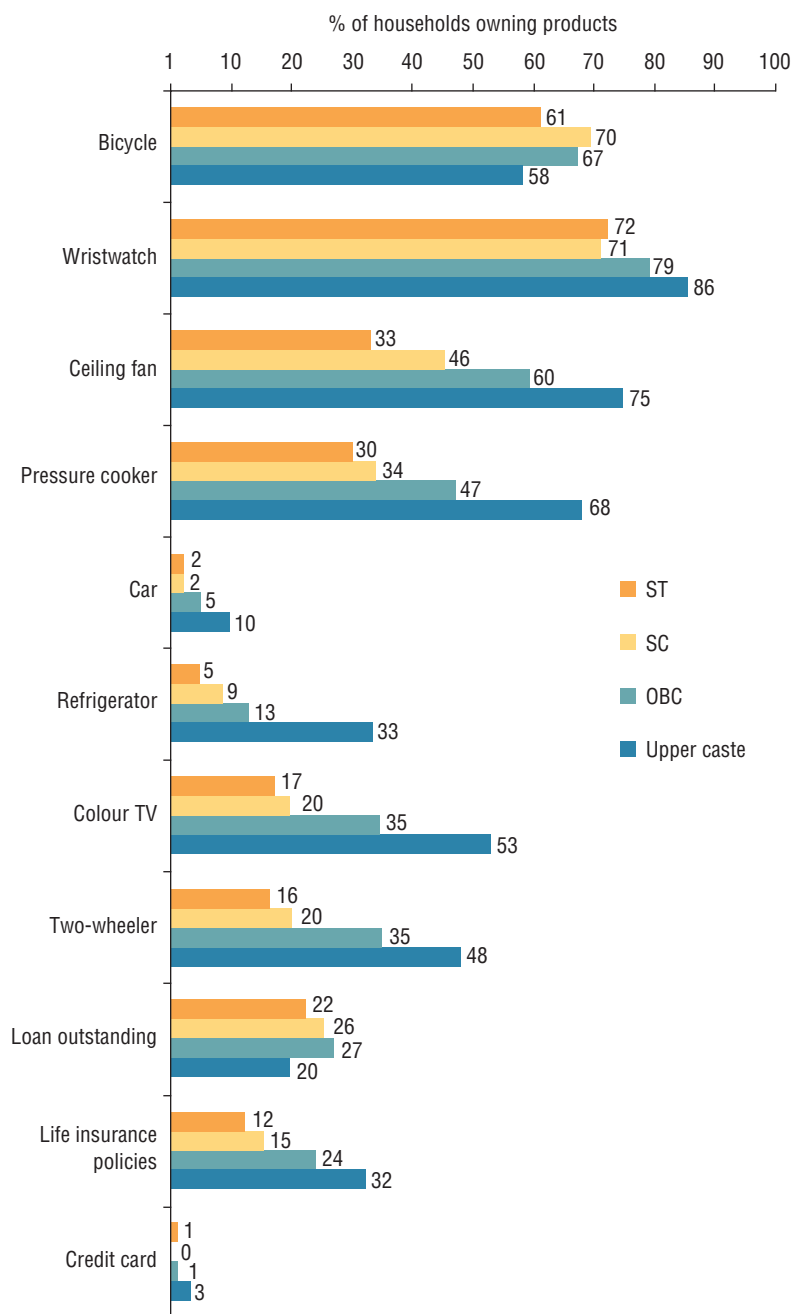
The impact of the other variables shows up when we look at colour television ownership in various categories of ST households. Of all ST households in low income states, 5.6 per cent owned colour televisions versus 34.5 per cent in the high income states; under 12 per cent for households in the agriculture sector versus 57.6 per cent for those in the modern services sector; 13.1 per cent in rural areas to 65.3 per cent for those living in big towns (with more than 1 million people; Table 1.10).

**TABLE 1.10: Distribution of Households Owning Colour TV and Two-Wheelers (%)**

Characteristics	Colour TV					Two-wheeler				
	ST	SC	OBC	Upper caste	Total	ST	SC	OBC	Upper caste	Total
<i>Location</i>										
Rural	13.1	11.7	25.5	34.7	24.3	13.5	13.9	29.3	38.1	27.3
Large town (1 million plus population)	65.3	57.3	69.3	86.7	77.8	54.7	44.8	56.3	67.1	61.2
<i>Per capita income quintiles</i>										
Q1	2.1	3.1	7.5	14.1	6.7	3.4	3.2	8.8	14.9	7.6
Q5	63.5	67.4	73.6	82.4	77.3	58.3	61.7	70.5	72.9	70.5
<i>Highest level of education</i>										
Illiterate	3.4	1.5	3.6	8.5	3.7	3.9	5.1	7.4	9.7	6.3
Graduate	47.0	52.8	67.0	78.3	70.4	40.8	50.5	64.8	69.4	64.6
<i>Major source of income</i>										
Labour	4.6	8.2	15.8	21.1	13.6	3.1	7.5	11.4	14.1	9.9
Salaried	63.2	59.7	69.1	79.8	72.8	60.3	53.9	64.2	67.5	64.4
<i>Size of landholding</i>										
Landless	6.6	9.4	21.9	29.8	18.9	5.3	9.5	19.3	26.2	16.9
Large farmer	23.3	36.0	42.7	53.5	45.8	13.5	13.9	29.3	38.1	27.3
<i>State of residence</i>										
Low income states	5.6	9.9	15.4	29.9	17.2	11.5	12.7	24.5	38.3	24.6
High income states	34.5	41.7	47.0	73.6	59.6	29.0	39.9	50.4	66.0	55.6
<i>Sectors of engagement</i>										
Agriculture	11.7	7.0	23.6	31.3	21.6	12.8	11.7	28.3	37.6	26.2
Modern services	57.6	54.8	63.1	75.1	67.5	54.8	51.2	63.2	66.1	62.7

Source: NSHIE (2004–05), NCAER.

**FIGURE 1.6: Households Owning Select Consumer Goods and Financial Services**



Source: NSHIE (2004–05), NCAER.

## Income and Inequality by Socio-Religious Groups

Is there any discrimination along religious lines? Stories of such discrimination are legion—starting with Hindu landlords unwilling to rent out houses to Muslims and, in several cases, Hindu businessmen not employing Muslims. But for each such story, there are others that relate the exact opposite. So what does the data tell us?

Certainly the National Sample Survey (NSS) round of 2004–05 suggests widespread discrimination in terms of poverty levels and expenditure patterns (read the Social, Economic and Educational Status of the Muslim Community in India, popularly known as the Sachar Committee Report, for details). So, 30.2 per cent of Muslims are poor as compared to the national average of 22 per cent; 29.9 per cent of upper caste Muslims are poor as compared to just 8.4 per cent for upper caste Hindus (Table 1.11); the annual household expenditure of upper caste Muslim households is just Rs 39,750 as compared to Rs 56,283 for upper caste Hindus (Table 1.12). The list goes on.

But the data show a similar discrimination for caste groups as well. According to NSS 2004–05, SCs account for 20 per cent of the population but just 15.2 per cent of total expenditure; STs account for 8.6 per cent of the population but just 5.9 per cent of the total expenditure; Hindu upper castes account for 83 per cent of the population but are responsible for 81.9 per cent of the country's total expenditure. Data from the NCAER's NSHIE in 2004–05 also confirm the same trends, though NCAER data also contains information on income levels.

**TABLE 1.11: Distribution of Households and Population across Socio-Religious Groups (% to total)**

Socio-religious groups	NSS			NCAER's NSHIE		
	Rural	Urban	All-India	Rural	Urban	All-India
Hindu SC/ST	29.0	16.6	25.9	26.2	14.6	22.9
Hindu OBC	37.7	28.4	35.4	37.7	30.6	35.6
Hindu (upper caste)	17.5	33.1	21.5	23.8	37.1	27.7
<i>All Hindus</i>	<i>84.3</i>	<i>78.1</i>	<i>82.7</i>	<i>87.7</i>	<i>82.3</i>	<i>86.1</i>
Muslims SC/ST/OBC	4.6	6.5	5.1	5.1	5.6	5.2
Muslims (upper caste)	6.5	9.6	7.3	3.7	6.5	4.5
<i>All Muslims</i>	<i>11.1</i>	<i>16.1</i>	<i>12.4</i>	<i>8.8</i>	<i>12.1</i>	<i>9.8</i>
Other Minorities	4.6	5.8	4.9	3.5	5.6	4.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: NSS (2004–05) and NSHIE (2004–05), NCAER.

**TABLE 1.12: Average Household Expenditure and Income by Socio-Religious Groups (Rs/annum)**

Socio-religious groups	Household expenditure (NSS)			Household income (NSHIE)		
	Rural	Urban	All	Rural	Urban	All
Hindu SC/ST	26,970	42,584	29,667	37,662	67,975	43,314
Hindu OBC	33,823	49,036	37,317	51,332	81,594	59,249
Hindu (upper caste)	43,111	73,947	56,283	67,159	119,871	88,472
<i>All Hindus</i>	<i>33,367</i>	<i>58,510</i>	<i>40,028</i>	<i>51,444</i>	<i>96,548</i>	<i>64,413</i>
Muslims SC/ST/OBC	39,286	47,546	42,001	47,617	76,904	56,415
Muslims (upper caste)	32,934	52,910	39,750	52,069	83,461	65,474
<i>All Muslims</i>	<i>35,440</i>	<i>50,860</i>	<i>40,625</i>	<i>49,477</i>	<i>80,541</i>	<i>60,645</i>
Other minorities	47,052	76,892	56,574	69,179	113,729	87,159
Total	34,236	58,573	40,943	51,922	95,827	65,041

Sources: NSS (2004–05) and NSHIE (2004–05), NCAER.

**TABLE 1.13: Average Per Capita Expenditure and Income by Socio-Religious Groups (Rs/annum)**

Socio-religious groups	Per capita expenditure (NSS)			Per capita income (NSHIE)		
	Rural	Urban	All-India	Rural	Urban	All-India
Hindu SC/ST	5,674	9,635	6,318	7,575	13,952	8,744
Hindu OBC	6,887	11,628	7,854	10,159	17,460	11,961
Hindu (upper caste)	8,974	17,889	12,458	13,169	25,400	17,888
<i>All Hindus</i>	<i>6,903</i>	<i>13,858</i>	<i>8,568</i>	<i>10,205</i>	<i>20,420</i>	<i>13,010</i>
Muslims SC/ST/OBC	6,960	8,606	7,493	8,656	13,506	10,148
Muslims (upper caste)	6,363	10,460	7,740	9,289	15,830	11,984
<i>All Muslims</i>	<i>6,611</i>	<i>9,712</i>	<i>7,637</i>	<i>8,923</i>	<i>14,751</i>	<i>10,998</i>
Other minorities	10,040	18,147	12,453	14,080	23,976	17,991
Total	7,016	13,436	8,645	10,227	19,935	13,018

Sources: NSS (2004–05) and NSHIE (2004–05), NCAER.

**TABLE 1.14: Population below Poverty Line by Socio-Religious Groups (% to total)**

Socio-religious groups	NSS 61st round			NSHIE		
	Rural	Urban	All-India	Rural	Urban	All-India
Hindu SC/ST	33.6	35.0	33.8	32.7	27.6	31.8
Hindu OBC	18.6	24.4	19.8	19.3	21.4	19.8
Hindu (upper caste)	8.6	7.9	8.4	13.0	10.4	12.0
<i>All Hindus</i>	<i>21.7</i>	<i>19.6</i>	<i>21.2</i>	<i>21.6</i>	<i>17.5</i>	<i>20.5</i>
Muslims SC/ST/OBC	26.5	39.1	30.5	29.0	32.2	30.0
Muslims (upper caste)	26.8	36.1	29.9	23.7	29.1	25.9
<i>All Muslims</i>	<i>26.7</i>	<i>37.3</i>	<i>30.2</i>	<i>26.7</i>	<i>30.5</i>	<i>28.1</i>
Other minorities	14.9	13.0	14.3	12.2	10.0	11.3
Total	21.9	22.1	22.0	21.7	18.7	20.8

Sources: NSS (2004–05) and NSHIE (2004–05), NCAER.

Previous sections have pointed out that what determines income and expenditure patterns is not so much caste groupings as it is education, occupation and even the place of living—a higher level of education, working in the modern services sector or migrating to towns, each one is accompanied by a significant increase in income and expenditure levels. We find that a similar scenario holds true for socio-religious groups. This is not to deny or affirm any social biases that can be recorded from everyday life; rather, it is to explain what accounts for different income and expenditure patterns across various caste as well as religious groups.

We find that, as in the case of caste groups, the group which has the highest annual income is the salaried class—on average, they earn Rs 110,344 per year as compared to Rs 95,020 per year for business households (Table 1.15). Similarly, households where the head is employed in the modern services sector earn Rs 112,222 per year on average as compared to Rs 71,372 for households where the head works in the industries sector (Table 1.16). In the case of households headed by graduates, the average annual family income is Rs 117,844 as compared to Rs 71,647 in the case of households headed by those who have just completed higher secondary (Table 1.17).

As Tables 1.15 to 1.17 show, there is not as much variation in income levels within categories as one refines the data classification. So, ‘all Muslims’ earn Rs 96,085 in the modern services sector as compared to Rs 112,609 for ‘all Hindus’, which is a difference of 17 per cent.

**TABLE 1.15: Average Household Income by Major Source of Household Income (Rs/annum)**

Socio-religious groups	Regular salary/wages	Self-employed in non-agriculture	Self-employed in			All-India
			Labour	agriculture	Others	
Hindu (SC/ST)	97,258	64,424	27,712	40,079	59,691	43,314
Hindu (OBC)	101,363	78,345	31,098	55,418	71,952	59,249
Hindu (upper caste)	120,640	123,792	35,006	64,861	80,063	88,472
<i>All Hindus</i>	<i>109,746</i>	<i>95,554</i>	<i>30,362</i>	<i>54,729</i>	<i>74,071</i>	<i>64,413</i>
Muslim (SC/ST/OBC)	103,861	79,883	31,545	50,177	97,317	56,415
Muslim (upper caste)	96,606	84,873	34,071	60,983	65,151	65,474
<i>All Muslims</i>	<i>99,738</i>	<i>82,596</i>	<i>32,552</i>	<i>55,007</i>	<i>86,386</i>	<i>60,645</i>
Other minorities	132,810	123,154	39,408	81,627	80,239	87,159
Total	110,344	95,020	30,957	55,653	75,468	65,041

Source: NSHIE (2004–05), NCAER.

**TABLE 1.16: Average Household Income by Sectors of Engagement (Rs/annum)**

Socio-religious groups	Agriculture	Industry	Modern services	Traditional services	All-India
Hindu (SC/ST)	33,456	41,941	96,676	43,968	43,314
Hindu (OBC)	48,805	62,711	100,542	56,508	59,249
Hindu (upper caste)	59,956	102,005	128,155	91,384	88,472
<i>All Hindus</i>	<i>47,201</i>	<i>70,279</i>	<i>112,609</i>	<i>64,681</i>	<i>64,413</i>
Muslim (SC/ST/OBC)	44,159	68,833	95,439	53,604	56,415
Muslim (upper caste)	54,569	68,973	96,615	61,456	65,474
<i>All Muslims</i>	<i>48,589</i>	<i>68,902</i>	<i>96,085</i>	<i>57,262</i>	<i>60,645</i>
Other minorities	71,705	94,614	128,588	78,192	87,159
Total	48,097	71,372	112,222	64,453	65,041

Source: NSHIE (2004–05), NCAER.

**TABLE 1.17: Average Household Income by Highest Level of Education (Rs/annum)**

Socio-religious groups	Illiterate	Up to primary (5th)	Up to matriculation (10th)	Up to higher secondary (12th)	Graduate and above	All-India
Hindu (SC/ST)	20,995	27,674	38,379	59,170	85,383	43,314
Hindu (OBC)	24,125	31,956	46,646	65,773	103,899	59,249
Hindu (upper caste)	27,650	33,318	55,812	80,581	135,535	88,472
<i>All Hindus</i>	<i>22,865</i>	<i>30,255</i>	<i>46,757</i>	<i>70,285</i>	<i>116,806</i>	<i>64,413</i>
Muslim (SC/ST/OBC)	25,249	31,892	47,440	82,745	108,174	56,415
Muslim (upper caste)	42,756	42,282	55,219	79,603	109,647	65,474
<i>All Muslims</i>	<i>31,338</i>	<i>36,298</i>	<i>51,172</i>	<i>81,298</i>	<i>108,944</i>	<i>60,645</i>
Other minorities	26,988	35,711	59,884	83,120	143,047	87,159
Total	23,886	31,174	47,662	71,647	117,844	65,041

Source: NSHIE (2004–05), NCAER.

In the case of the salaried, the difference goes down to around 10 per cent, Rs 99,738 for Muslims as compared to Rs 109,746 for all Hindus. In the case of graduates, however, the difference is a lower 7 per cent—Rs 108,944 in the case of Muslims and Rs 116,806 in the case of Hindus.

Drill down further and it is likely that, as in the case of the Hindus, this difference is also related to whether these households are living in rural areas or cities, big towns or small towns. In which case, the relevant question is how the Hindus, Muslims and various minority groups are distributed across various occupation groups, across different sectors of the economy, across educational qualifications, and so on.



Muslims have the smallest proportion of households that are salaried—13.1 per cent for Muslims, 23.2 per cent for other minorities and 18.8 per cent for all Hindus (Table 1.18). The same story is repeated in the case of modern services—12.2 per cent of Muslim households are to be found in this sector as compared to 18.2 per cent for other minorities and 14.3 per cent for all Hindus (Table 1.19). And the biggest difference lies in the case of those households that are headed by graduates—just 15.8 per cent of all Muslim households across the country are headed by graduates as compared to 31.7 per cent for other minorities and 23.7 per cent for all Hindus (Table 1.20).

**TABLE 1.18: Distribution of Households by Major Source of Household Income (% to total)**

Socio-religious groups	Regular salary/wages	Self-employed in non-agriculture	Self-employed in			All-India
			Labour	agriculture	Others	
Hindu (SC/ST)	11.9	9.3	50.0	27.0	1.9	100.0
Hindu (OBC)	16.4	16.5	32.4	32.2	2.4	100.0
Hindu (upper caste)	27.5	21.4	16.9	29.4	4.8	100.0
<i>All Hindus</i>	<i>18.8</i>	<i>16.2</i>	<i>32.1</i>	<i>29.9</i>	<i>3.0</i>	<i>100.0</i>
Muslim (SC/ST/OBC)	10.6	22.0	41.3	22.4	3.6	100.0
Muslim (upper caste)	16.0	29.9	31.3	20.7	2.1	100.0
<i>All Muslims</i>	<i>13.1</i>	<i>25.7</i>	<i>36.7</i>	<i>21.6</i>	<i>2.9</i>	<i>100.0</i>
Other minorities	23.2	17.4	32.0	23.0	4.3	100.0
Total	18.4	17.1	32.5	28.9	3.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 1.19: Distribution of Households by Sectors of Engagement (% to total)**

Socio-religious groups	Agriculture	Industry	Modern services		All-India
			Modern services	Traditional services	
Hindu (SC/ST)	49.3	9.1	8.9	32.7	100.0
Hindu (OBC)	45.7	9.2	12.9	32.1	100.0
Hindu (upper caste)	36.4	9.5	20.5	33.6	100.0
<i>All Hindus</i>	<i>43.7</i>	<i>9.3</i>	<i>14.3</i>	<i>32.7</i>	<i>100.0</i>
Muslim (SC/ST/OBC)	63.2	5.7	7.7	23.3	100.0
Muslim (upper caste)	28.7	12.6	14.4	44.3	100.0
<i>All Muslims</i>	<i>31.5</i>	<i>11.9</i>	<i>12.2</i>	<i>44.4</i>	<i>100.0</i>
Other minorities	32.7	11.6	18.2	37.5	100.0
Total	42.1	9.6	14.3	34.0	100.0

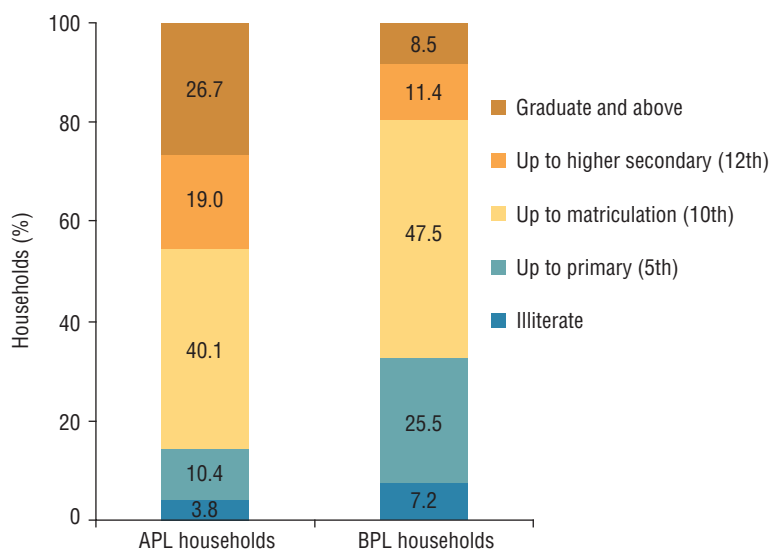
Source: NSHIE (2004–05), NCAER.

**TABLE 1.20: Distribution of Households by Highest Level of Education (% to total)**

Socio-religious groups	Illiterate	Up to primary (5th)	Up to matriculation (10th)	Up to higher secondary (12th)	Graduate and above	All
Hindu (SC/ST)	8.6	21.4	44.7	12.0	13.2	100.0
Hindu (OBC)	3.9	12.7	44.0	18.9	20.5	100.0
Hindu (upper caste)	1.5	5.8	34.8	21.4	36.5	100.0
<i>All Hindus</i>	<i>4.4</i>	<i>12.8</i>	<i>41.2</i>	<i>17.9</i>	<i>23.7</i>	<i>100.0</i>
Muslim (SC/ST/OBC)	3.3	16.0	66.1	8.2	6.4	100.0
Muslim (upper caste)	3.8	16.6	48.5	13.4	17.7	100.0
<i>All Muslims</i>	<i>5.1</i>	<i>18.3</i>	<i>47.2</i>	<i>13.5</i>	<i>15.8</i>	<i>100.0</i>
Other minorities	3.9	10.1	34.4	19.8	31.7	100.0
Total	4.4	13.2	41.5	17.6	23.3	100.0

Source: NSHIE (2004–05), NCAER.

Needless to say, this applies to all income groups (Figure 1.7). While nearly 26.7 per cent of non-poor households have at least one graduate, just 8.5 per cent of poor households qualify this attribute. A higher percentage of poor are primary educated (25.5 per cent) and illiterates

**FIGURE 1.7: Distribution of Households by Highest Level of Education (% to total)**

Source: NSHIE (2004–05), NCAER.

(7.2 per cent) compared to just 10.4 per cent and 3.8 per cent respectively in the case of non-poor households. The major source of household income varies significantly across poor and non-poor households. Labourers constitute the largest segment of poor households—over 62 per cent of such households. In contrast, this group accounts for 26 per cent of the non-poor households. Those earning salaries account for 21.7 per cent of non-poor households whereas just about 4.4 per cent of poor households earn their living through salary/wages (Figure 1.8).

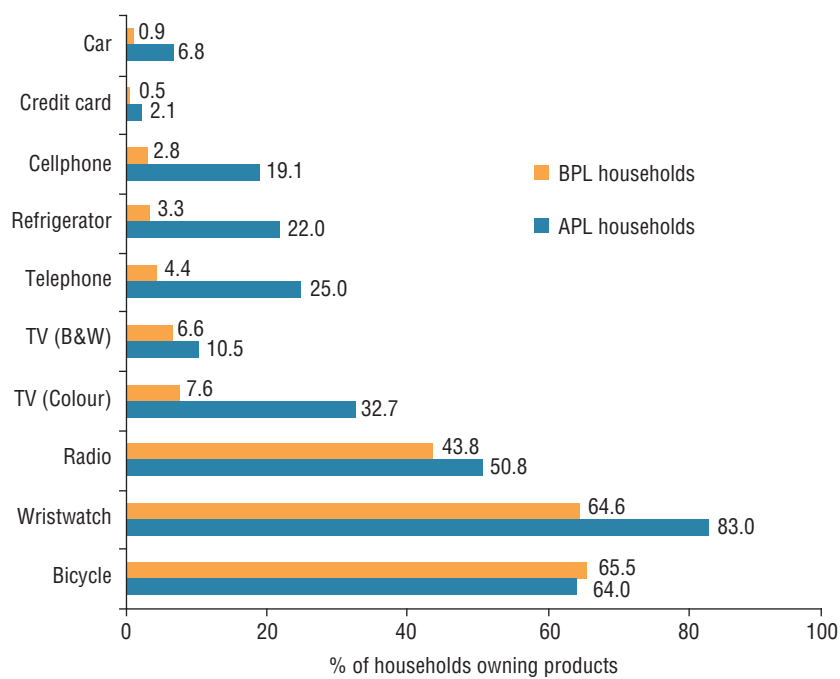
Ownership of (select) consumer durable goods among the non-poor households is significantly higher than those of poor households (Figure 1.9). At the all-India level, 33 per cent of non-poor households own colour television sets, 25 per cent have a telephone, 22 per cent have refrigerators, 19 per cent own cellular phones, nearly 7 per cent have cars and 2 per cent own credit cards. In contrast, 8 per cent of poor households own colour television sets, 4 per cent have telephones, 3 per cent have refrigerators, 3 per cent own cellular phones, and hardly 1 per cent have cars and credit cards each.

**FIGURE 1.8: Distribution of Households by Major Source of Household Income (% to total)**



Source: NSHIE (2004–05), NCAER.

**FIGURE 1.9: Ownership of Select Consumer Goods**



**Source:** NSHIE (2004–05), NCAER.

## 2 INCOME

Given how dynamic the economy is, caste groups that do well are, not surprisingly, those that are well represented in the faster-growing sectors. In India's case, this has been the services sector and, within this, modern business services. For instance, 'transport, storage and communications' saw its GDP share rise from less than 4 per cent in 1960–61 to over 6 per cent in 1990–91, and then sharply to nearly 11.5 per cent in 2006–07.

Not surprisingly, the better educated have higher incomes and so, in proportionate terms, they command a higher share of the country's GDP. In other words, any community or group that is better represented in either the fastest-growing sector (modern services) or in the better-educated (graduates and above) will fare better in terms of overall incomes.

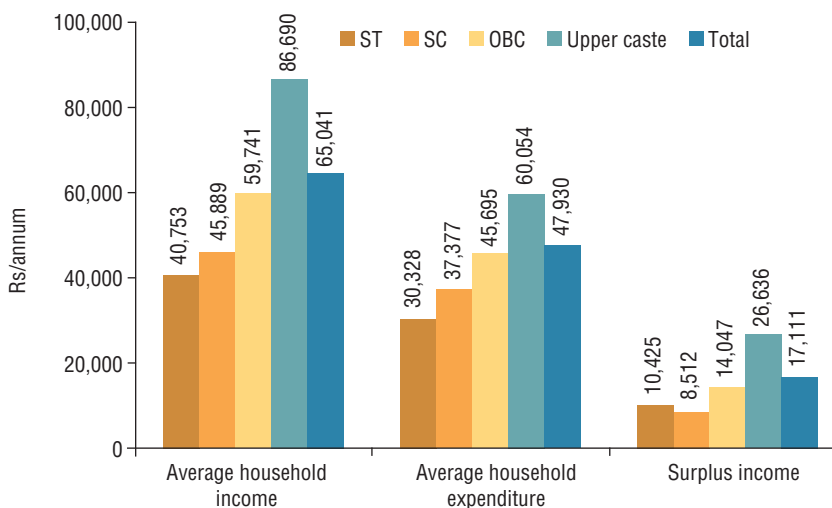
### **The Caste Factor**

In overall terms, the average upper caste household earns more than double (Rs 86,690 per annum) that of the average ST (Rs 40,753 per annum) and about 46 per cent more than the average OBC household (Rs 59,741 per annum; Figure 2.1). As a result of this, ST households account for just 5.2 per cent of the country's personal disposable income even though they account for over 8 per cent of the population. Similarly, SC households account for hardly 12 per cent of the country's personal disposable income though comprising 16.7 per cent of its population. OBC households account for 41 per cent of the population and 37.7 per cent of personal disposable income.

Upper caste households, on the other hand, account for 34 per cent of households but 45 per cent of personal disposable income. It is the only group with a greater share in personal disposable income than its share in the overall population. In other words, upper caste households have an 'earning weight or efficiency factor'<sup>1</sup> of 1.33 (Figure 2.2), OBCs have an efficiency of around 0.92 (they are around the average), STs have an efficiency of just 0.63 and SCs around 0.71 (a little higher).

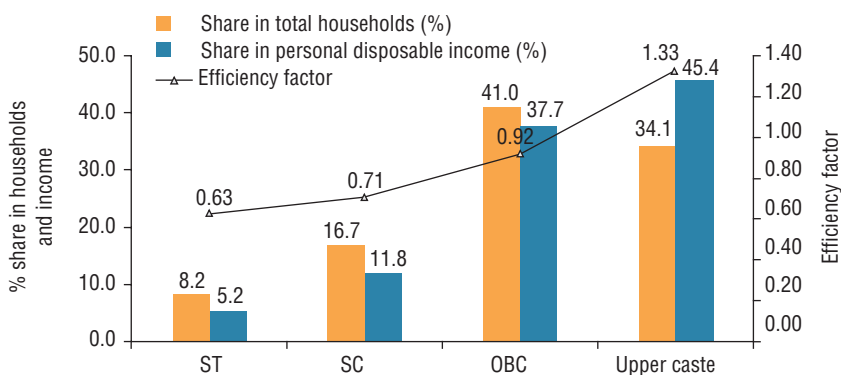
<sup>1</sup> Efficiency factor is the ratio of share of income of a category of households to its household share, that is, the extent to which the category controls income beyond/below its 'natural share' in the population.

**FIGURE 2.1: Estimates of Household Income, Expenditure and Savings (Rs/annum)**



Source: NSHIE (2004–05), NCAER.

**FIGURE 2.2: Distribution of Households and Income by Social Group (% to total)**



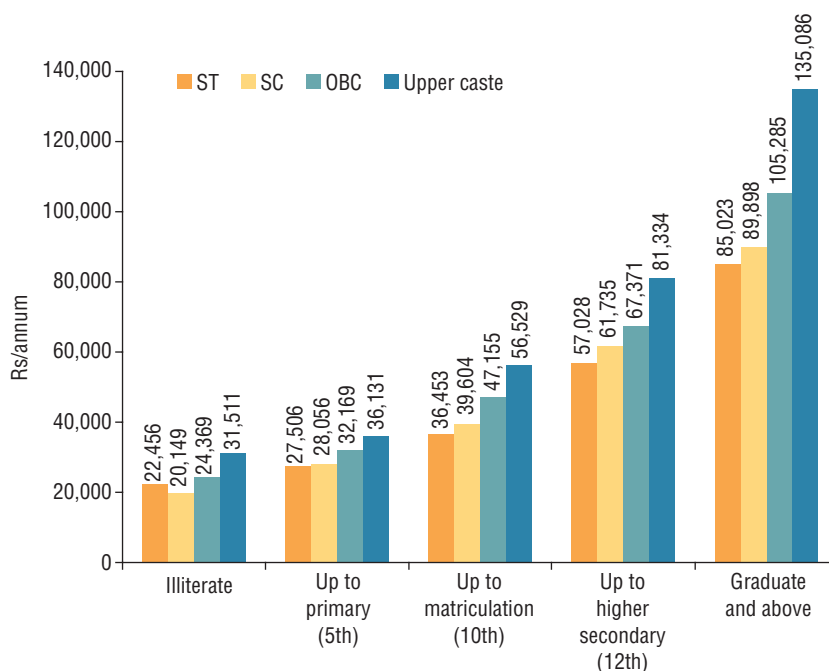
Source: NSHIE (2004–05), NCAER.

### Highest Level of Education and Earnings

Much of the reason for the difference in efficiency is related to each social group’s occupation and levels of education. And since even at the lowest levels of income caste groups spend quite differently on education, a large part of the difference in their income levels can also perhaps be explained as a deferred return on investment in education.

It should be kept in mind that as incomes of the STs rise by the greatest proportion as they become more literate (from Rs 22,456 per annum when illiterate to Rs 85,023 when they are graduates; Figure 2.3), the rise in inequality levels with higher levels of education (Table 2.1) is the most amongst this caste. Even within the category of graduates, the Gini for STs is 0.467 versus 0.423 for the upper castes.

**FIGURE 2.3: Estimates of Household Income by Highest Level of Education (Rs/annum)**



Source: NSHIE (2004–05), NCAER.

**TABLE 2.1: Measure of Income Inequality by Highest Level of Education (Gini coefficient)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	0.421	0.346	0.357	0.410	0.389
Up to primary (5th)	0.377	0.314	0.377	0.371	0.354
Up to matriculation (10th)	0.385	0.357	0.403	0.399	0.389
Up to higher secondary (12th)	0.429	0.384	0.396	0.403	0.407
Graduate and above	0.467	0.426	0.419	0.423	0.433
All-India	0.456	0.418	0.439	0.463	0.466

Source: NSHIE (2004–05), NCAER.

A little under 25 per cent of all households in the country are headed by graduates (given a family of five, and just one graduate per family, that means around 4.7 per cent of Indians are graduates), but these families account for as much as 42.3 per cent of the country's personal disposable income. Those who have just completed school punch at around their weight: comprising 17.6 per cent of the households and accounting for 19.4 per cent of total income. At lower levels of education, efficiency levels decline quite dramatically. For those who have just passed the 10th standard (matriculation), this falls to around 75 per cent (such households form 41.5 per cent of the population but account for just 30 per cent of the income in the country; Table 2.2). In the case of illiterates, this is even lower: they comprise 4.4 per cent of households but account for just 1.6 per cent of the income.

**TABLE 2.2: Distribution of Households by Highest Level of Education (% to total)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	1.0	1.1	1.7	0.6	4.4
Up to primary (5th)	2.1	3.2	5.5	2.4	13.2
Up to matriculation (10th)	3.2	8.0	18.0	12.3	41.5
Up to higher secondary (12th)	1.0	2.1	7.6	6.9	17.6
Graduate and above	1.0	2.3	8.3	11.7	23.3
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

While about 34.4 per cent of all upper caste households have at least one graduate, the figure is a much lower 20 per cent for OBCs and between 12 and 14 per cent for SC/ST households (Table 2.2). The high proportion of graduates, of course, is what determines why income levels in the upper caste category are the highest in the country.

As a group, graduates comprise around 23.3 (Table 2.2) per cent of all households and they account for 42.3 per cent (Table 2.3) of the country's income—that is, they have an efficiency factor of 1.81 (Table 2.4). Illiterates comprise just 4.4 per cent of the total and account for an even lower 1.6 per cent of overall incomes—an efficiency factor of 0.37. Over 12 per cent of ST households, for instance, are illiterate and these households account for under 7 per cent of the income of all STs in the country.

So, of the total number of households in the country, 1 per cent are ST and illiterate—these households account for 0.3 per cent of the



**TABLE 2.3: Distribution of Income by Highest Level of Education (% to total)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	0.3	0.3	0.6	0.3	1.6
Up to primary (5th)	0.9	1.4	2.7	1.4	6.3
Up to matriculation (10th)	1.8	4.9	13.0	10.7	30.4
Up to higher secondary (12th)	0.8	2.0	7.9	8.7	19.4
Graduate and above	1.3	3.2	13.4	24.3	42.3
All-India	5.2	11.8	37.7	45.4	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.4: Impact of Education Level on Earnings (efficiency factor)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	0.35	0.31	0.37	0.48	0.37
Up to primary (5th)	0.42	0.43	0.49	0.56	0.48
Up to matriculation (10th)	0.56	0.61	0.73	0.87	0.73
Up to higher secondary (12th)	0.88	0.95	1.04	1.25	1.10
Graduate and above	1.31	1.38	1.62	2.08	1.81
All-India	0.63	0.71	0.92	1.33	1.00

Source: NSHIE (2004–05), NCAER.

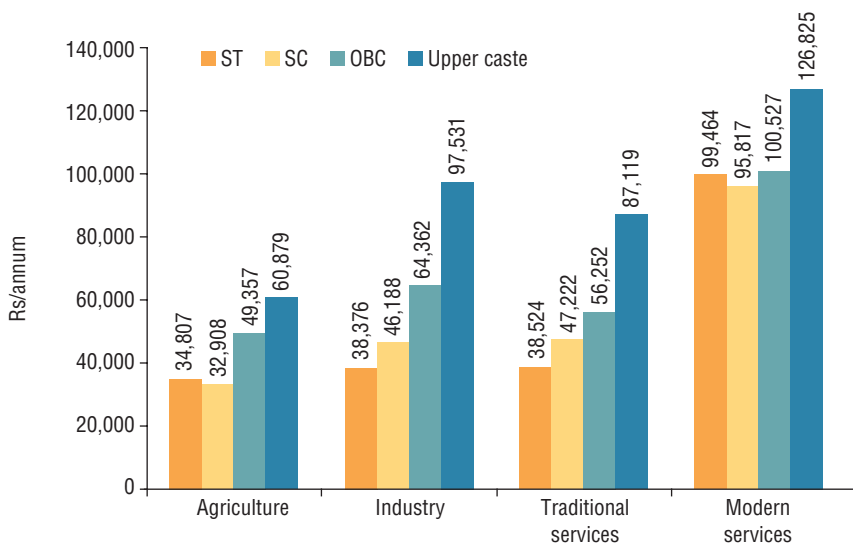
total disposable income of all households or have an efficiency factor of 0.35. Of the total number of households, 11.7 per cent are upper caste households and have at least one graduate—these households account for 24.3 per cent of India’s disposable income, resulting in an efficiency factor of 2.08.

## Sectors<sup>2</sup> of Engagement and Earnings

Differences in income levels are the highest in industry and the least in modern services. An upper caste household engaged in industry earns Rs 97,531 per annum compared to Rs 38,376 by an ST household—a difference of 2.5 times (Figure 2.4). For modern services, upper caste households earn Rs 126,825 per annum versus Rs 99,464 for STs—a difference of 1.3 times.

Using the same efficiency factors, not surprisingly, you find that the worst performer is agriculture—42.1 per cent of all households in

<sup>2</sup> *Agriculture*: Agriculture, livestock, fishing, hunting and forestry; *Industry*: mining, quarrying and manufacturing; *Traditional services*: electricity, gas and water supply, hotels and restaurants, public administration and defence, financial intermediation, education, health and social work; *Modern services*: construction, transport, storage and communication, real estate, renting and business activities, wholesale/retail trade, repair household goods, others.

**FIGURE 2.4: Estimates of Household Income by Sectors of Engagement (Rs/annum)**

**Source:** NSHIE (2004–05), NCAER.

the country are engaged in agriculture (Table 2.5) and contribute just 31.2 per cent of the total income (Table 2.6), or an efficiency factor of 74 per cent. Industry's efficiency is slightly higher than that for traditional services, while the efficiency level for modern services is the highest at 1.7 (Table 2.7).

STs have the highest proportion of households engaged in agriculture (61.2 per cent). It varies between 35–45 per cent for the others. STs also have the smallest proportion, 7.4, in the modern services sector (Table 2.5).

A little over 42 per cent of all households in the country are employed in agriculture (as their main source of income), but this gives them just a little over 31.2 per cent of income—that's an efficiency factor of 0.74. Similarly, 14.3 per cent of the country's households are employed in the modern services sector, but account for 24.6 per cent of the total income—that's an efficiency factor of 1.73.

Hence, of the total number of households in the country, 5 per cent are ST and engaged in agriculture, have a total disposable income of 2.7 per cent of all households and an efficiency factor of 0.54. Upper caste households engaged in modern services comprise 6.7 per cent of total households, account for 13 per cent of India's disposable income, and an efficiency factor of 1.95.

**TABLE 2.5: Distribution of Households by Sectors of Engagement (% to total)**

Sectors of engagement	ST	SC	OBC	Upper caste	Total
Agriculture	5.0	7.2	17.9	12.0	42.1
Industry	0.6	1.6	4.0	3.4	9.6
Traditional services	2.0	6.2	13.8	12.0	34.0
Modern services	0.6	1.7	5.3	6.7	14.3
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.6: Distribution of Income by Sectors of Engagement (% to total)**

Sectors of engagement	ST	SC	OBC	Upper caste	Total
Agriculture	2.7	3.6	13.6	11.2	31.2
Industry	0.4	1.2	3.9	5.1	10.5
Traditional services	1.2	4.5	12.0	16.0	33.7
Modern services	0.9	2.5	8.2	13.0	24.6
All-India	5.2	11.8	37.7	45.4	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.7: Impact of Sector on Earnings (efficiency factor)**

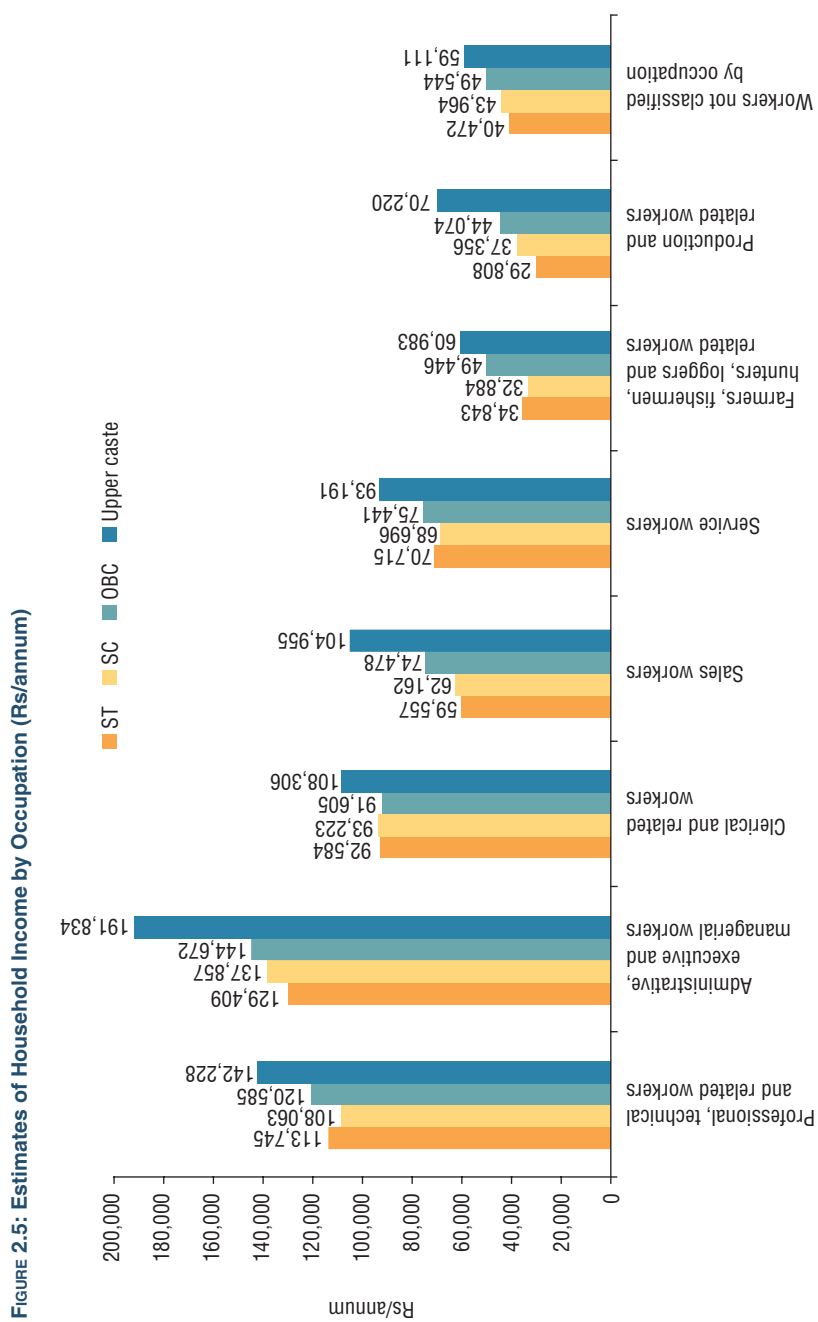
Sectors of engagement	ST	SC	OBC	Upper caste	Total
Agriculture	0.54	0.51	0.76	0.94	0.74
Industry	0.59	0.71	0.99	1.50	1.10
Traditional services	0.59	0.73	0.86	1.34	0.99
Modern services	1.53	1.47	1.55	1.95	1.73
All-India	0.63	0.71	0.92	1.33	1.00

Source: NSHIE (2004–05), NCAER.

### Occupation<sup>3</sup> and Earnings

Income levels also depend upon the kind of job being done: the variation in incomes is quite significant, with an annual average of Rs 48,295 per annum in the case of ‘farmers/fishermen/hunters/loggers and related workers’ to Rs 169,316 in the case of ‘administrative/executive/managerial workers’ (Figure 2.5). Naturally then, any caste’s share in

<sup>3</sup> The National Classification of Occupation (1968) is used for classifying any specific occupation category which is based on the fundamental criteria of ‘type of work performed’. All the workers engaged in the same type of work are grouped together irrespective of the industrial classification of the establishments where they are engaged. For example, all clerical workers have been classified in one occupational group whether they are engaged in a factory, mine, government office or a shop.



Source: NSHIE (2004-05), NCAER.

personal disposable income is also a function of their numbers in higher paying jobs.

Executive and managerial jobs are the most lucrative: 2.8 per cent of the country's workforce is employed in these jobs, accounts for over 7.4 per cent of the country's income, and has an efficiency factor of 2.6. The worst off are the two categories of farmers/fishermen and production workers: the income share they generate is lower than even their share in the total number of jobs.

Of the total number of households in the country, 0.2 per cent are ST and engaged in the category of 'professional/technical/related workers' (Table 2.8). They account for 0.4 per cent of the total disposable income of all households (Table 2.9) and have an efficiency factor of 1.75 (Table 2.10). Of the total number of households, 11.6 per cent of upper caste households work as farmers/fishermen and production workers and account for 10.9 per cent of India's disposable income, resulting in an efficiency factor of 0.94.

**TABLE 2.8: Distribution of Households by Occupation (% to total)**

Occupation	ST	SC	OBC	Upper caste	Total
Professional, technical and related workers	0.2	0.5	1.7	2.2	4.7
Administrative, executive and managerial workers	0.1	0.2	1.0	1.6	2.8
Clerical and related workers	0.2	0.7	1.9	2.4	5.3
Sales workers	0.4	1.5	5.1	5.7	12.6
Service workers	0.3	0.9	2.1	2.4	5.6
Farmers, fishermen, hunters, loggers and related workers	4.8	6.6	17.0	11.6	40.0
Production and related workers	1.9	5.2	9.5	5.6	22.2
Workers not classified by occupation	0.4	1.1	2.7	2.6	6.8
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.9: Distribution of Income by Occupation (% to total)**

Occupation	ST	SC	OBC	Upper caste	Total
Professional, technical and related workers	0.4	0.9	3.1	4.9	9.3
Administrative, executive and managerial workers	0.2	0.5	2.1	4.6	7.4
Clerical and related workers	0.3	1.0	2.7	4.1	8.1
Sales workers	0.3	1.4	5.8	9.2	16.7
Service workers	0.3	0.9	2.5	3.4	7.1
Farmers, fishermen, hunters, loggers and related workers	2.6	3.3	12.9	10.9	29.7
Production and related workers	0.9	3.0	6.5	6.0	16.3
Workers not classified by occupation	0.2	0.8	2.1	2.3	5.4
All-India	5.2	11.8	37.7	45.4	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.10: Impact of Occupation on Earnings (efficiency factor)**

Occupation	ST	SC	OBC	Upper caste	Total
Professional, technical and related workers	1.75	1.66	1.85	2.19	1.99
Administrative, executive and managerial workers	1.99	2.12	2.22	2.95	2.60
Clerical and related workers	1.42	1.43	1.41	1.67	1.53
Sales workers	0.92	0.96	1.15	1.61	1.33
Service workers	1.09	1.06	1.16	1.43	1.26
Farmers, fishermen, hunters, loggers and related workers	0.54	0.51	0.76	0.94	0.74
Production and related workers	0.46	0.57	0.68	1.08	0.74
Workers not classified by occupation	0.62	0.68	0.76	0.91	0.80
All-India	0.63	0.71	0.92	1.33	1.00

Source: NSHIE (2004–05), NCAER.

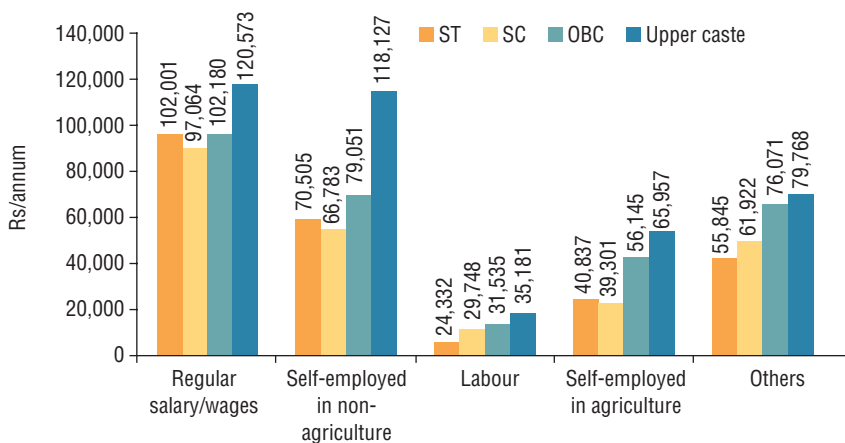
### Major Source of Household Income

Though there are obvious differences between various caste groups employed in the same broad sectors of the economy, far bigger differences occur across professions (Figure 2.6). Thus, an ST labourer family earns just Rs 24,322 a year compared to an upper caste family which earns Rs 35,181. An ST household engaged in salaried work earns more than 4 times as much (an annual income of Rs 102,001) while the upper caste household in the same category gets Rs 120,573.

In other words, salaried households have the greatest efficiency (1.7; Table 2.11) with 18.4 per cent of the population while accounting for 31.3 per cent of the country's income. In fact, the salaried have a greater efficiency than even businessmen (1.46). Labourer families, not surprisingly, have the least efficiency (0.48). Since STs have the largest proportion in both 'labour' and 'agriculture' (84 per cent; Table 2.12) which have the lowest efficiency, they have the lowest average incomes.

Given their low income levels, labour households contribute the least to the national income: though nearly a third (32.5 per cent; Table 2.12) of all Indian households list labour as their primary source of income, they account for only one-seventh (15.5 per cent) of the country's total income. Salaried employees earn more than the self-employed; such households account for over 18.4 per cent of the country's work force and over 31.3 per cent of its income.

So of the total number of households in the country, 3.2 per cent are ST and have agriculture as their primary source of income. These

**FIGURE 2.6: Estimates of Household Income by Major Source of Household Income (Rs/annum)**

Source: NSHIE (2004–05), NCAER.

**TABLE 2.11: Impact of Major Source of Household Income on Earnings (efficiency factor)**

Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	1.57	1.49	1.57	1.85	1.70
Self-employed in non-agriculture	1.08	1.03	1.22	1.82	1.46
Labour	0.37	0.46	0.48	0.54	0.48
Self-employed in agriculture	0.63	0.60	0.86	1.01	0.86
Others	0.86	0.95	1.17	1.23	1.16
All-India	0.63	0.71	0.92	1.33	1.00

Source: NSHIE (2004–05), NCAER.

**TABLE 2.12: Distribution of Households by Major Source of Household Income (% to total)**

Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	0.7	2.3	6.6	8.8	18.4
Self-employed in non-agriculture	0.5	1.9	7.1	7.7	17.1
Labour	3.7	8.6	13.8	6.4	32.5
Self-employed in agriculture	3.2	3.5	12.6	9.6	28.9
Others	0.1	0.4	1.1	1.5	3.1
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

households account for 2 per cent of the total disposable income of all households (Table 2.13) or have an efficiency factor of 0.63. Of the total number of households, 8.8 per cent are upper caste and salaried

households—these households account for 16.4 per cent of India's disposable income, resulting in an efficiency factor of 1.85.

**TABLE 2.13: Distribution of Income by Major Source of Household Income (% to total)**

Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	1.2	3.4	10.3	16.4	31.3
Self-employed in non-agriculture	0.5	1.9	8.6	13.9	24.9
Labour	1.4	3.9	6.7	3.5	15.5
Self-employed in agriculture	2.0	2.1	10.8	9.8	24.7
Others	0.1	0.4	1.2	1.9	3.6
All-India	5.2	11.8	37.7	45.4	100.0

Source: NSHIE (2004–05), NCAER.

### Landholdings<sup>4</sup>

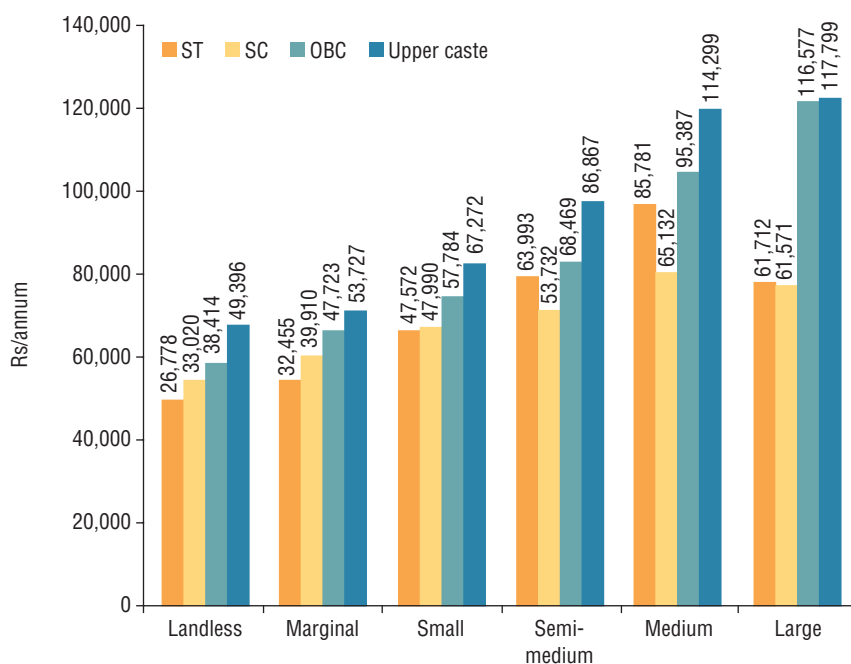
In rural areas, not surprisingly, the size of the landholding makes all the difference, and income levels double with the movement from landless to large landholding status (Figure 2.7). So, while a landless ST family earns Rs 26,778 per annum, this rises to Rs 61,712 as the family owns a large tract of land, while in the case of the upper castes, the hike is from Rs 49,396 to Rs 117,799. Between 70–80 per cent of SC/ST households are either landless or have marginal holdings and so, not surprisingly, their income levels are the lowest.

As in several other cases, the levels of inequality rise as you move from one land group to another more so than they do as you move along caste lines. So, in the case of landless labour, the Gini for STs is 0.375 and this rises to 0.439 in the case of upper castes; in the case of STs, however, the Gini rises from 0.375 (for landless labour) to 0.505 for STs with large tracts of land (Table 2.14).

As you move from the landless category to larger landholdings in rural India, efficiency levels go up quite significantly. The landless account for 38.4 per cent of rural Indian households (Table 2.15) but just 28.3 per cent of rural incomes (Table 2.16); that is, each landless household earns around a fourth less than the all-rural average with an efficiency factor of 0.74 (Table 2.17). Households which have large landholdings comprise 2.2 per cent of the total in rural India, account for 4.6 per cent of rural incomes and an efficiency factor of 2.1.

<sup>4</sup> Size of landholding: *Landless*—no land; *Marginal*—less than 1 hectare; *Small*—1–2 hectares; *Semi-medium*—2–4 hectares; *Medium*—4–10 hectares; *Large*—over 10 hectares.



**FIGURE 2.7: Estimates of Household Income by Size of Landholding, Rural (Rs/annum)**

Source: NSHIE (2004–05), NCAER.

**Table 2.14: Measures of Income Inequality by Size of Landholding (Gini coefficient)**

Size of landholding	ST	SC	OBC	Upper caste	Total (Rural)
Landless	0.375	0.373	0.395	0.439	0.411
Marginal	0.398	0.366	0.398	0.389	0.399
Small	0.433	0.352	0.404	0.378	0.399
Semi-medium	0.484	0.381	0.376	0.394	0.401
Medium	0.497	0.400	0.409	0.423	0.426
Large	0.505	0.320	0.477	0.475	0.475
Rural	0.444	0.381	0.417	0.426	0.429

Source: NSHIE (2004–05), NCAER.

Therefore, of the total number of households in the country, 4.0 per cent are ST and belong to the landless category; they account for 2.1 per cent of the total disposable income of all households or have an efficiency factor of 0.52. Of the total number of households, 1 per cent are upper caste with large landholdings; they account for 2.2 per cent of India's disposable income, and an efficiency factor of 2.27.

**TABLE 2.15: Distribution of Households by Size of Landholding (% to total)**

Size of landholding	ST	SC	OBC	Upper caste	Total (Rural)
Landless	4.0	9.7	16.3	8.4	38.4
Marginal	3.5	5.3	13.1	8.6	30.5
Small	1.7	1.6	5.7	4.5	13.5
Semi-medium	0.9	1.0	4.1	3.8	9.9
Medium	0.4	0.5	2.5	2.3	5.6
Large	0.1	0.2	0.9	1.0	2.2
Rural	10.6	18.3	42.5	28.6	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.16: Distribution of Income by Size of Landholding (% to total)**

Size of landholding	ST	SC	OBC	Upper caste	Total (Rural)
Landless	2.1	6.2	12.0	8.0	28.3
Marginal	2.2	4.1	12.0	8.9	27.2
Small	1.5	1.5	6.3	5.8	15.2
Semi-medium	1.1	1.0	5.5	6.4	14.0
Medium	0.6	0.6	4.5	5.0	10.8
Large	0.1	0.2	2.0	2.2	4.6
Rural	7.7	13.6	42.4	36.3	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.17: Impact of Size of Landholding on Earnings (efficiency factor)**

Size of landholding	ST	SC	OBC	Upper caste	Total (Rural)
Landless	0.52	0.64	0.74	0.95	0.74
Marginal	0.63	0.77	0.92	1.03	0.89
Small	0.92	0.92	1.11	1.30	1.13
Semi-medium	1.23	1.03	1.32	1.67	1.42
Medium	1.65	1.25	1.84	2.20	1.92
Large	1.19	1.19	2.25	2.27	2.10
Rural	0.72	0.74	1.00	1.27	1.00

Source: NSHIE (2004–05), NCAER.

### Per Capita Income Quintiles

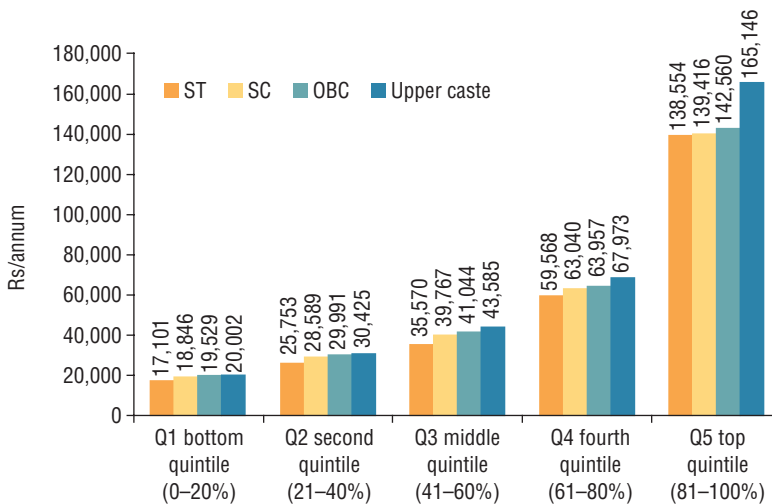
In the case of per capita income quintiles too, the bigger difference in inequality is noticed with a movement across quintiles and not across social groups. So, while the Gini decreases from 0.160 to 0.144 (for STs and upper castes, respectively) as you move across the bottom income quintile, it rises from 0.16 for STs in the bottom quintile to 0.24 for STs in the top quintile (Table 2.18).

Income levels across caste groups are very similar in the bottom quintile (Figure 2.8). The average ST household in the bottom quintile earns

**TABLE 2.18: Measures of Income Inequality by Per Capita Income Quintiles (Gini coefficient)**

Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q1 bottom quintile (0–20%)	0.160	0.146	0.142	0.144	0.147
Q2 second quintile (21–40%)	0.066	0.062	0.064	0.063	0.064
Q3 middle quintile (41–60%)	0.066	0.067	0.069	0.070	0.069
Q4 fourth quintile (61–80%)	0.095	0.097	0.099	0.098	0.098
Q5 top quintile (81–100%)	0.240	0.253	0.252	0.295	0.277
All-India	0.456	0.418	0.439	0.463	0.466

Source: NSHIE (2004–05), NCAER.

**Figure 2.8: Estimates of Household Income by Per Capita Income Quintiles**

Source: NSHIE (2004–05), NCAER.

Rs 17,101 per annum as compared to Rs 20,002 by the upper castes. In the top quintile, however, STs earn Rs 138,554 versus Rs 165,146 by the upper castes.

The bottom quintile (Q1), on average, earns around 30 per cent of the national average of Rs 65,041 which is why, though these households constitute 17.8 per cent of the total in the country, they account for just 5 per cent of the total income (efficiency factor of 0.29; Table 2.19).

Therefore, of the total number of households in the country, 2.9 per cent are ST, fall in the bottom quintile (Table 2.20) and account for only 0.8 per cent of the total disposable income of all households (Table 2.21) or an efficiency factor of 0.26 (Table 2.19). Of the total number of households, 11.6 per cent are upper caste and fall in the top quintile and

**TABLE 2.19: Impact of Per Capita Income Quintiles on Earnings (efficiency factor)**

Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q1 bottom quintile (0–20%)	0.26	0.29	0.30	0.31	0.29
Q2 second quintile (21–40%)	0.40	0.44	0.46	0.47	0.45
Q3 middle quintile (41–60%)	0.55	0.61	0.63	0.67	0.63
Q4 fourth quintile (61–80%)	0.92	0.97	0.98	1.05	1.00
Q5 top quintile (81–100%)	2.13	2.14	2.19	2.54	2.37
All-India	0.63	0.71	0.92	1.33	1.00

Source: NSHIE (2004–05), NCAER.

**TABLE 2.20: Distribution of Households by Per Capita Income Quintiles (% to total)**

Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q1 bottom quintile (0–20%)	2.9	4.5	7.1	3.3	17.8
Q2 second quintile (21–40%)	2.0	4.2	8.3	4.7	19.2
Q3 middle quintile (41–60%)	1.5	3.5	8.9	6.3	20.2
Q4 fourth quintile (61–80%)	1.0	2.6	8.8	8.2	20.6
Q5 top quintile (81–100%)	0.9	1.8	8.0	11.6	22.3
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.21: Distribution of Income by Per Capita Income Quintiles (% to total)**

Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q1 bottom quintile (0–20%)	0.8	1.3	2.1	1.0	5.2
Q2 second quintile (21–40%)	0.8	1.8	3.8	2.2	8.7
Q3 middle quintile (41–60%)	0.8	2.2	5.6	4.2	12.8
Q4 fourth quintile (61–80%)	0.9	2.5	8.7	8.5	20.6
Q5 top quintile (81–100%)	1.9	3.9	17.5	29.4	52.7
All-India	5.2	11.8	37.7	45.4	100.0

Source: NSHIE (2004–05), NCAER.

account for 29.4 per cent of India's disposable income (an efficiency factor of 2.54).

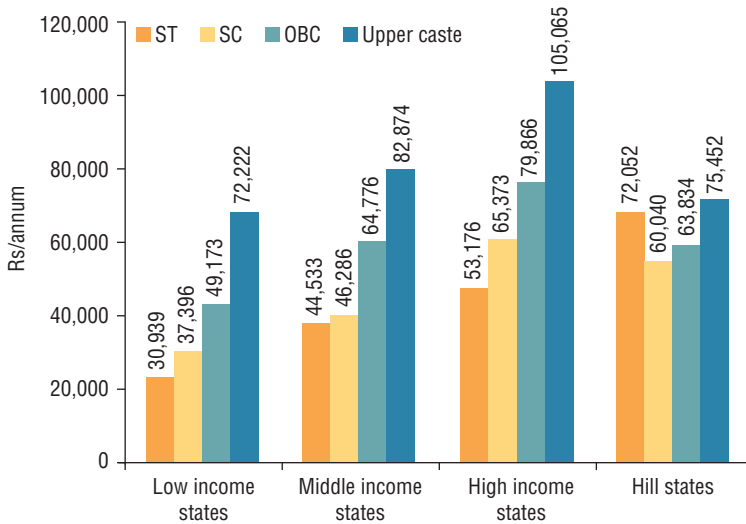
### Regional Disparity<sup>5</sup>

Surprisingly, moving from one state to another does not cause as much of an increase in income levels as does, say, moving from rural areas to towns or from smaller towns to larger towns. So, for instance, an

<sup>5</sup> *Low income states*: Bihar, Uttar Pradesh, Orissa, Madhya Pradesh, Rajasthan, Chhattisgarh and Jharkhand; *Middle income states*: Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and West Bengal; *High income states*: Goa, Gujarat, Haryana, Maharashtra, Punjab, Puducherry, Chandigarh and Delhi; *Hill states*: Assam, Meghalaya, Uttaranchal and Himachal Pradesh.

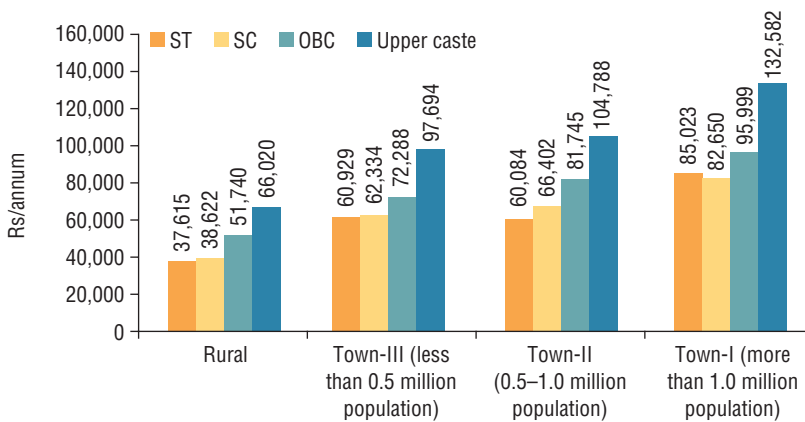
average ST household earns Rs 30,939 per annum in a low income state, rising to Rs 44,533 in middle income states and then, to Rs 53,176 in high income states (Figure 2.9). In contrast, while moving from rural areas to small towns, ST income levels rise from Rs 37,615 to Rs 60,929, and to Rs 85,023 while moving to cities with a population of more than 1 million (Figure 2.10).

**FIGURE 2.9: Estimates of Household Income by State of Residence (Rs/annum)**



**Source:** NSHIE (2004–05), NCAER.

**FIGURE 2.10: Estimates of Household Income by Location (Rs/annum)**



**Source:** NSHIE (2004–05), NCAER.

Households in low income states, on average, tend to have income levels that are around a fifth lower than the national average of Rs 65,041. These states account for 41.1 per cent (Table 2.22) of the total households in the country and around 32.3 per cent (Table 2.23) of the total income (efficiency factor of 0.79; Table 2.24). So, as STs or any other caste category move from low income states to middle income states or to high income states, their income levels rise significantly. Households in high income states are the best off: these states account for 21.5 per cent of the total number of households but 29.6 per cent of the income (an efficiency factor of 1.37).

**TABLE 2.22: Distribution of Households by State of Residence (% to total)**

State of residence	ST	SC	OBC	Upper caste	Total
Low income states	4.4	7.6	18.2	10.9	41.1
Middle income states	1.6	5.8	15.9	10.0	33.2
High income states	1.7	3.0	5.2	11.6	21.5
Hill states	0.5	0.3	1.8	1.6	4.1
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.23: Distribution of Income by State of Residence (% to total)**

State of residence	ST	SC	OBC	Upper caste	Total
Low income states	2.1	4.4	13.7	12.1	32.3
Middle income states	1.1	4.1	15.8	12.8	33.7
High income states	1.4	3.0	6.4	18.7	29.6
Hill states	0.6	0.3	1.7	1.8	4.4
All-India	5.2	11.8	37.7	45.4	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.24: Impact of State of Residence on Earnings (efficiency factor)**

State of residence	ST	SC	OBC	Upper caste	Total
Low income states	0.48	0.57	0.76	1.11	0.79
Middle income states	0.68	0.71	1.00	1.27	1.02
High income states	0.82	1.01	1.23	1.62	1.37
Hill states	1.11	0.92	0.98	1.16	1.06
All-India	0.63	0.71	0.92	1.33	1.00

Source: NSHIE (2004–05), NCAER.

Therefore, of the total number of households in the country, 4.4 per cent are ST, reside in low income states (Table 2.22), and account for 2.1 per cent of the total disposable income of all households (an efficiency

factor of 0.48). Of the total number of households, 11.6 per cent are upper caste and reside in high income states and account for 18.7 per cent of India's disposable income (Table 2.23; an efficiency factor of 1.62).

### Urbanisation

Compared to the change in income levels as one moves from one category of state to another, the change as one moves from rural to urban areas is even more dramatic (Figure 2.10). Income levels for an SC household rise from Rs 38,622 per annum in rural areas to Rs 62,334 in towns with less than 5 lakh population and to Rs 82,650 in bigger towns. So, while 70.1 per cent of Indian households live in rural India, they account for just 56 per cent of net disposable income (Tables 2.25 and 2.26); that is, there is an efficiency of 0.8 (Table 2.27). This efficiency rises to 1.77 in large cities where 12.5 per cent of households are to be found and whose income equals 22.1 per cent that of the country.

Therefore, of the total number of households in the country, 7.4 per cent are ST and reside in rural areas (Table 2.25); they account for 4.3 per cent of the total disposable income of all households (an efficiency factor of 0.58). Of the total number of households, 7.2 per cent are upper caste and live in the larger towns; they account for 14.6 per cent of India's disposable income (an efficiency factor of 2.04).

**TABLE 2.25: Distribution of Households by Location (% to total)**

Location	ST	SC	OBC	Upper caste	Total
Rural	7.4	12.8	29.8	20.0	70.1
Town III (less than 0.5 million population)	0.5	2.0	6.3	5.4	14.2
Town II (0.5–1 million population)	0.1	0.4	1.3	1.4	3.2
Town I (more than 1 million population)	0.3	1.4	3.6	7.2	12.5
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.26: Distribution of Income by Location (% to total)**

Location	ST	SC	OBC	Upper caste	Total
Rural	4.3	7.6	23.7	20.3	56.0
Town III (less than 0.5 million population)	0.5	1.9	7.0	8.2	17.5
Town II (0.5–1 million population)	0.1	0.4	1.6	2.3	4.4
Town I (more than 1 million population)	0.4	1.8	5.4	14.6	22.1
All-India	5.2	11.8	37.7	45.4	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.27: Impact of Location on Earnings (efficiency factor)**

Location	ST	SC	OBC	Upper caste	Total
Rural	0.58	0.59	0.80	1.02	0.80
Town III (Less than 0.5 million population)	0.94	0.96	1.11	1.50	1.23
Town II (0.5–1 million population)	0.92	1.02	1.26	1.61	1.38
Town I (more than 1 million population)	1.31	1.27	1.48	2.04	1.77
All-India	0.63	0.71	0.92	1.33	1.00

Source: NSHIE (2004–05), NCAER.

### Explaining Income Differences

If you list the proportion of each group in these high ‘efficiency’ segments, it is obvious which groups will have the highest income levels. Upper castes, for instance, have a 50.2 per cent share of graduates, and a 46.8 per cent share in the number of households employed in the modern services sector (Table 2.28). It follows that, despite constituting just 34.1 per cent of households in the country, upper castes account for 45.4 per cent of the country’s personal disposable income. OBCs, who account for 41 per cent of the households in the country account for a smaller share of both graduates (35.5 per cent) and employment in modern services (37.1 per cent)—leading to their lower share in personal disposable income (37.7 per cent). SC/STs account for just 14.3 per cent of graduates and 16.1 per cent of modern services. As a result, they account for just 16.9 per cent of the country’s personal disposable income in spite of holding a population share of 24.9 per cent.

**TABLE 2.28: Determinants of Income (% to total)**

Characteristics	ST	SC	OBC	Upper caste	Total
Share in total households	8.2	16.7	41.0	34.1	100.0
Share in total graduates	4.3	10.0	35.5	50.2	100.0
Share in modern services	4.3	11.8	37.1	46.8	100.0
Share in total income	5.2	11.8	37.7	45.4	100.0

Source: NSHIE (2004–05), NCAER.

To measure the impact of various factors, we take a base salary and study the impact on income levels. So, if we’re looking at the impact of each sector on income, consider this. In the case of OBCs, the average household income in agriculture is Rs 49,357 per annum (Table 2.29). A move to traditional services sees family income increase by Rs 6,896, while a move to the modern services sector grows family income by Rs 51,170 (compared to the base of agricultural income). In the case



of the upper castes, the shift from agriculture to modern services causes family incomes to rise by Rs 65,946. The STs see the sharpest proportional hike, with income levels nearly doubling as households move from agriculture to modern services.

**TABLE 2.29: Explaining Rise in Household Income Levels Taking Agriculture as a Base (Rs/annum)**

Sectors of engagement	ST	SC	OBC	Upper caste	Total
Modern services	64,657	62,909	51,170	65,946	64,126
Industry	3,568	13,280	15,006	36,652	23,276
Traditional services	3,716	14,314	6,896	26,240	16,357
Agriculture	34,807	32,908	49,357	60,879	48,097

**Source:** NSHIE (2004–05), NCAER.

**Note:** If an SC household in the agricultural sector earns Rs 32,908 per annum, an SC household in modern services earns Rs 95,817 or an additional Rs 62,909.

In terms of the jump in literacy levels, the impact is the least in the case of STs: on average, an illiterate ST household earns Rs 22,456 while the graduate household earns Rs 85,022, that is, an increase of Rs 62,567—which is nearly 2.8 times (Table 2.30). For an upper caste household, the jump is around 3.3 times. Thus, we may assume that some level of discrimination remains—you could also attribute this to the grooming or even English language skills that upper caste families are more likely to have. The difference increases as the education level rises.

**TABLE 2.30: Explaining Rise in Household Income Levels Taking Illiteracy as a Base (Rs/annum)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Graduate and above	62,567	69,749	80,916	103,575	93,958
Up to higher secondary (12th)	34,572	41,586	43,002	49,823	47,761
Up to matriculation (10th)	13,997	19,455	22,786	25,018	23,776
Up to primary (5th)	5,050	7,906	7,800	4,620	7,288
Illiterate	22,456	20,149	24,369	31,511	23,886

**Source:** NSHIE (2004–05), NCAER.

If we take ‘production and related workers’ (basically shop floor staff) as the base, we see family incomes of OBC households rise from Rs 44,074 per annum to Rs 144,671, an increase of Rs 100,598 when they get ‘administrative, executive and managerial’ jobs (Table 2.31).

Movement across states also makes a significant difference, given that wage/salary levels tend to be higher in states with a higher state personal disposable income. In the case of OBCs, for instance, those

**TABLE 2.31: Explaining Rise in Household Income Levels Taking Production and Related Workers as a Base (Rs/annum)**

Occupation	ST	SC	OBC	Upper caste	Total
Administrative, executive and managerial workers	99,602	100,501	100,598	121,613	121,476
Professional, technical and related workers	83,938	70,707	76,511	72,007	81,372
Clerical and related workers	62,776	55,867	47,532	38,086	51,743
Sales workers	29,750	24,806	30,404	34,734	38,568
Service workers	40,907	31,340	31,367	22,970	33,899
Workers not classified by occupation	10,664	6,608	5,471	(11,109)	3,928
Farmers, fishermen, hunters, loggers and related workers	5,036	(4,472)	5,372	(9,237)	454
Production and related workers	29,808	37,356	44,074	70,220	47,841

Source: NSHIE (2004–05), NCAER.

in the poorest category of states (lowest income) earn just Rs 49,173 per annum (Table 2.32). As these OBCs move to high income states, however, their average household income grows by Rs 30,693. In this case too, as in some others, the STs benefit the most: income levels rise 1.3 times between low income and hill states. For upper castes, the difference is much lower, and rises by just around 0.5 times from low income to high income states.

The greatest rise in income levels takes place for OBCs as they move from the landless category to the large landholding category. Incomes rise from Rs 38,414 to Rs 116,577 or 200 per cent. The lowest rise is in the case of SCs where income grows from Rs 33,020 to Rs 61,571 or an increase of 86 per cent (Table 2.33).

The greatest impact of income takes place with the move from the bottom quintile to the highest, between 600 to 700 per cent. For SCs, income levels in the bottom quintile are Rs 18,846 and these rise to Rs 139,416 in the top quintile, which is a rise of 640 per cent (Table 2.34).

**TABLE 2.32: Explaining Rise in Household Income Levels Taking Low Income States as a Base (Rs/annum)**

State of residence	ST	SC	OBC	Upper caste	Total
High income states	22,236	27,977	30,693	32,843	38,170
Hill states	41,113	22,644	14,661	3,230	17,843
Middle income states	13,594	8,890	15,602	10,651	14,959
Low income states	30,939	37,396	49,173	72,222	51,118

Source: NSHIE (2004–05), NCAER.

**TABLE 2.33: Explaining Rise in Household Income Levels Taking the Landless as a Base (Rs/annum)**

Size of landholding	ST	SC	OBC	Upper caste	Total (Rural)
Large	34,934	28,551	78,163	68,403	70,845
Medium	59,003	32,111	56,973	64,903	61,622
Semi-medium	37,214	20,712	30,055	37,471	35,465
Small	20,793	14,970	19,370	17,876	20,247
Marginal	5,677	6,890	9,308	4,330	8,075
Landless	26,778	33,020	38,414	49,396	38,237

Source: NSHIE (2004–05), NCAER.

**TABLE 2.34: Explaining Rise in Household Income Levels Taking Bottom Quintile (0–20%) as a Base (Rs/annum)**

Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q5 top quintile (81–100%)	121,454	120,570	123,031	145,144	134,831
Q4 fourth quintile (61–80%)	42,467	44,194	44,428	47,972	46,194
Q3 middle quintile (41–60%)	18,470	20,921	21,515	23,583	22,179
Q2 second quintile (21–40%)	8,652	9,743	10,462	10,423	10,313
Q1 bottom quintile (0–20%)	17,101	18,846	19,529	20,002	19,041

Source: NSHIE (2004–05), NCAER.

The next highest impact takes place due to occupation categories; the greatest change takes place in the ST category where labour households earn Rs 24,332 as compared to Rs 102,000 for the salaried (Table 2.35). For other caste categories, the difference is in the range of 225–250 per cent.

**TABLE 2.35: Explaining Rise in Household Income Levels Taking Labour as a Base (Rs/annum)**

Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	77,669	67,316	70,644	85,391	79,387
Self-employed in non-agriculture	46,173	37,035	47,516	82,946	64,064
Others	31,513	32,174	44,535	44,587	44,511
Self-employed in agriculture	16,505	9,553	24,609	30,776	24,696
Labour	24,332	29,748	31,535	35,181	30,957

Source: NSHIE (2004–05), NCAER.

### Is There Any Discrimination?

If education is all-important, as this chapter suggests it is, is there any discrimination against SC/STs or OBCs in getting admission to schools and colleges? That is, is an active policy of affirmative action called for? The data, certainly, doesn't suggest this though it must be kept in mind this is macro data and there could be state-level variations.

We begin our analysis by restating that though the SC/STs are 25 per cent of the population, they account for just 4.3 per cent of all graduates—that is, there is a substantial fall in their representation (Table 2.36). It follows logically that their share in better-paying managerial and professional jobs would also be low: it varies between 4 to 10 per cent (Table 2.37).

**TABLE 2.36: Distribution of Households by Highest Level of Education and Social Group (% to total)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	22.9	25.0	37.9	14.2	100.0
Up to primary (5th)	15.9	24.1	41.5	18.6	100.0
Up to matriculation (10th)	7.7	19.3	43.3	29.7	100.0
Up to higher secondary (12th)	5.5	11.7	43.4	39.4	100.0
Graduate and above	4.3	10.0	35.5	50.2	100.0
All-India	8.2	16.7	41.0	34.1	100.0

**Source:** NSHIE (2004–05), NCAER.

**TABLE 2.37: Distribution of Households by Occupation and Social Group (% to total)**

Occupation	ST	SC	OBC	Upper caste	Total
Professional, technical and related workers	4.5	11.7	35.8	48.0	100.0
Administrative, executive and managerial workers	3.6	8.2	33.6	54.6	100.0
Clerical and related workers	4.1	13.1	36.5	46.3	100.0
Sales workers	2.8	11.7	40.3	45.2	100.0
Service workers	4.5	15.5	37.5	42.6	100.0
Farmers, fishermen, hunters, loggers and related workers	12.1	16.5	42.5	28.9	100.0
Production and related workers	8.7	23.3	43.0	25.1	100.0
Workers not classified by occupation	5.3	16.6	40.1	38.0	100.0
All-India	8.2	16.7	41.0	34.1	100.0

**Source:** NSHIE (2004–05), NCAER.

Move back a bit, and look at what is critical for more SC/STs to get into college. Clearly, completion of schooling. The share of SC/STs among those who have completed 13 years of school stands at 17.2 per cent (higher than the graduate percentage but still lower than their population share); their share in those completing matriculation is 27 per cent. That is, at each level of education, the share of SC/STs is falling. Fix this, and a large part of the ‘discrimination’ is likely to disappear automatically.

In the case of the OBCs, even this ‘discrimination’ is not so visible. With 41 per cent of the population, they are 35.5 per cent of the graduates in the country and their share in top jobs is around 34–36 per cent

or roughly in keeping with their population share. Unlike the SC/STs, OBCs do not see any sharp decline in their numbers as they climb the education ladder: they are 41.5 per cent of those who have finished primary school, 43.3 per cent of those who have finished matriculation and 43.4 per cent of those who have completed higher secondary.

The upper castes do exceptionally well and against their 34.1 per cent share in the population, they account for 50.2 per cent of all graduates. Their share in top jobs is even higher, ranging from 48 to 55 per cent.

Looked at another way: over 13 per cent of all SC/STs are graduates (Table 2.38), but under 5 per cent have top jobs (Table 2.39); the figures are 20 and 7 per cent for OBCs, respectively. But this is equally true of the upper castes: 34 per cent of them are graduates, but just 11 per cent of them hold top jobs.

**TABLE 2.38: Distribution of Households by Social Group and Highest Level of Education (% to total)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	12.2	6.6	4.1	1.8	4.4
Up to primary (5th)	25.4	19.0	13.3	7.2	13.2
Up to matriculation (10th)	38.6	48.0	43.8	36.2	41.5
Up to higher secondary (12th)	11.7	12.4	18.6	20.4	17.6
Graduate and above	12.1	14.0	20.2	34.4	23.3
All-India	100.0	100.0	100.0	100.0	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 2.39: Distribution of Households by Social Group and Occupation (% to total)**

Occupation	ST	SC	OBC	Upper caste	Total
Professional, technical and related workers	2.5	3.3	4.1	6.6	4.7
Administrative, executive and managerial workers	1.2	1.4	2.3	4.6	2.8
Clerical and related workers	2.6	4.2	4.7	7.2	5.3
Sales workers	4.3	8.8	12.4	16.7	12.6
Service workers	3.0	5.2	5.1	7.1	5.6
Farmers, fishermen, hunters, loggers and related workers	58.6	39.5	41.5	34.0	40.0
Production and related workers	23.3	30.9	23.2	16.4	22.2
Workers not classified by occupation	4.4	6.7	6.6	7.5	6.8
All-India	100.0	100.0	100.0	100.0	100.0

Source: NSHIE (2004–05), NCAER.

### 3 EXPENDITURE

The average Indian household spends about three-fourths of its income on food and non-food items—it varies from 69.3 per cent in the case of upper caste households to 81.5 per cent for SC households (Table 3.1). In keeping with their overall income levels, it is hardly surprising that the SC/ST families tend to spend the least among all castes. What is noteworthy, however, is that though ST households earn less than SC ones (Rs 40,753 per annum versus Rs 45,889, respectively), ST households tend to save more.

**TABLE 3.1: Estimates of Income and Expenditure**

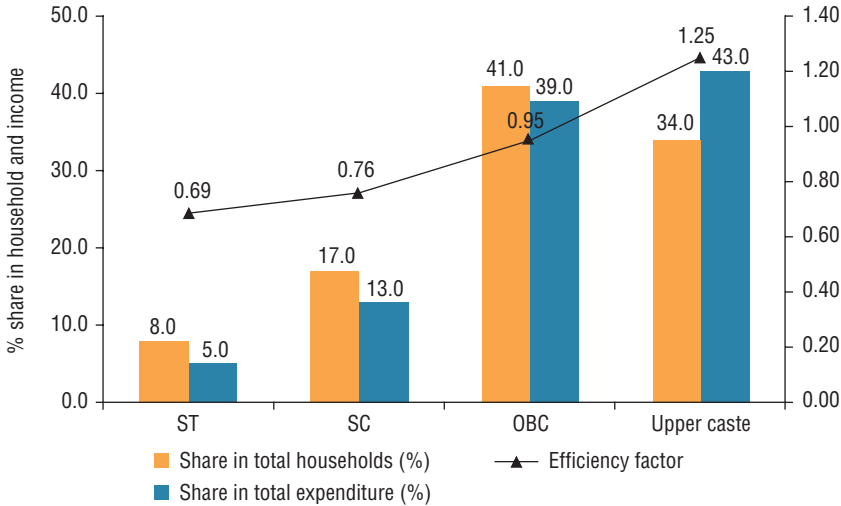
Social group	Average annual household income (Rs)	Average annual household expenditure (Rs)			Share of expenditure to income (%)
		Food	Non-food	Total	
ST	40,753	16,195	14,132	30,328	74.4
SC	45,889	18,369	19,009	37,377	81.5
OBC	59,741	19,579	26,116	45,695	76.5
Upper caste	86,690	24,580	35,474	60,054	69.3
Total	65,041	20,801	27,129	47,930	73.7

**Source:** NSHIE (2004–05), NCAER.

While ST households spend (on an average) Rs 16,195 on food items in a year, upper caste households' spend level on food items is Rs 24,580; their expenditure on non-food items is also lower than that of upper caste households—Rs 14,132 and Rs 35,474 per year, respectively. Non-food expenditure accounts for around 35 per cent of incomes for ST households, 41 per cent for upper caste households and 42 per cent for the country as a whole.

As has been stated earlier, ST families account for 8 per cent of households in the country but just around 5 per cent of the total expenditure, that is, they have a spending efficiency of 0.69. OBCs, the average Indians, have a 41.1 per cent share of population and a 39.1 per cent share in expenditure levels. Upper caste households account for 34.1 per cent of the households and 43 per cent of expenditure, yielding a spending efficiency of 1.25 (Figure 3.1).

**FIGURE 3.1: Distribution of Households and Expenditure by Social Group (% to total)**

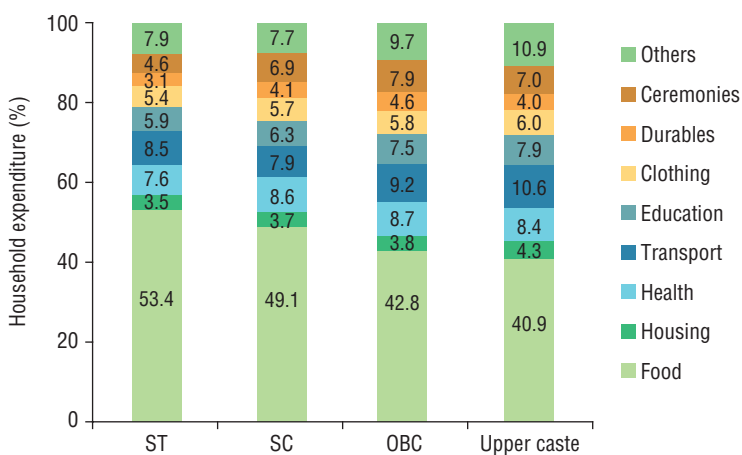


**Source:** NSHIE (2004–05), NCAER.

While there are obvious differences in expenditure patterns across various caste groups, as in the case of income levels, most of these are easily explained in terms of education levels, the kind of jobs held and even by the size of towns of residence. While SC/STs spend around 53.4 per cent of their expenditure on food, the figure varies between 40–43 per cent for OBCs and the upper castes. OBCs, as a group, appear to spend more on ceremonies (7.9 per cent of their annual expenses as compared to 7 per cent for upper castes); SC/STs also spend the least on education (5.9 per cent versus 7.9 per cent for upper castes). STs also spend marginally on clothing, perhaps a reflection that they tend to work nearest their homes. Upper castes and OBCs, in keeping with their higher income levels, tend to spend more on durables (Figure 3.2).

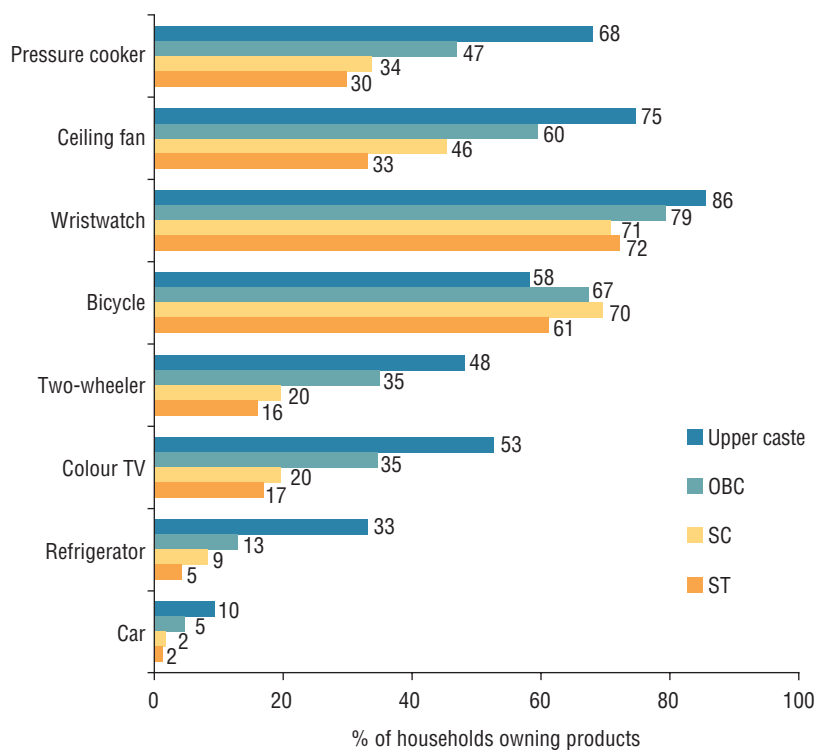
The upper castes have the highest ownership of most durables. Around 10 per cent of all upper caste households, for instance, own a car; the figure is as high as 33 per cent for refrigerators, 53 per cent for colour televisions, and 48 per cent for motorised two-wheelers. When it comes to low-value consumer goods like bicycles and wristwatches, there is not much difference between the various caste groups. In the case of ceiling fans, however, there is a big difference, probably due to the fact that more upper caste households are electrified (Figure 3.3).

**FIGURE 3.2: Distribution of Expenditure (% to total)**



Source: NSHIE (2004–05), NCAER.

**FIGURE 3.3: Ownership Pattern of Select Consumer Goods**



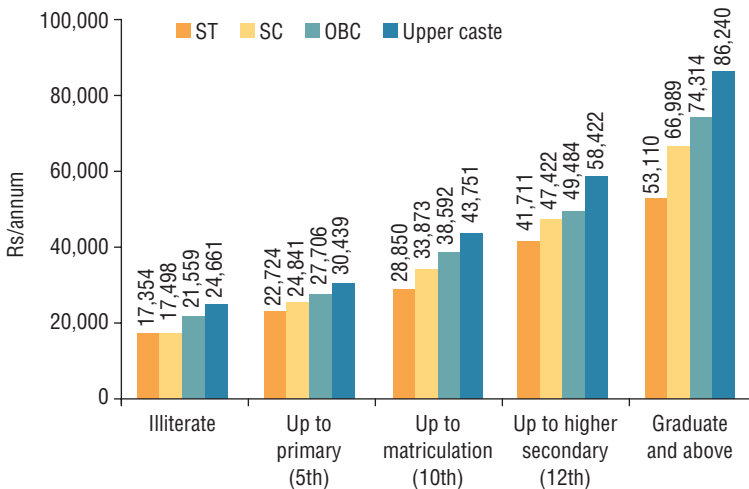
Source: NSHIE (2004–05), NCAER.



## Highest Level of Education

It has been found that least literate groups also spend the least on education, thus possibly perpetuating the cycle. So, while ST households spend the least of all the caste groups, it is because they have the highest proportion of the least literate households (Figure 3.4). Thus, while illiterate households comprise 4.4 per cent of the total in the country (Table 3.2), they account for just 1.8 per cent of total expenses (Table 3.3), yielding an efficiency ratio of just 0.42 (Table 3.4). Those households headed by graduates, in contrast, comprise 23.3 per cent of all households but account for 38.3 per cent of the total expenditure, or an efficiency ratio of 1.64.

**FIGURE 3.4: Estimates of Household Expenditure by Highest Level of Education (Rs/annum)**



Source: NSHIE (2004–05), NCAER.

**TABLE 3.2: Distribution of Households by Highest Level of Education (% to total)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	1.0	1.1	1.7	0.6	4.4
Up to primary (5th)	2.1	3.2	5.5	2.4	13.2
Up to matriculation (10th)	3.2	8.0	18.0	12.3	41.5
Up to higher secondary (12th)	1.0	2.1	7.6	6.9	17.6
Graduate and above	1.0	2.3	8.3	11.7	23.3
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 3.3: Distribution of Expenditure by Highest Level of Education (% to total)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	0.4	0.4	0.7	0.3	1.8
Up to primary (5th)	1.0	1.6	3.2	1.6	7.3
Up to matriculation (10th)	1.9	5.7	14.5	11.3	33.3
Up to higher secondary (12th)	0.8	2.0	7.9	8.5	19.2
Graduate and above	1.1	3.3	12.9	21.1	38.3
All-India	5.2	13.0	39.1	42.7	100.0

**Source:** NSHIE (2004–05), NCAER.

**TABLE 3.4: Impact of Highest Level of Education on spending (efficiency factor)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	0.36	0.37	0.45	0.51	0.42
Up to primary (5th)	0.47	0.52	0.58	0.64	0.56
Up to matriculation (10th)	0.60	0.71	0.81	0.91	0.80
Up to higher secondary (12th)	0.87	0.99	1.03	1.22	1.09
Graduate and above	1.11	1.40	1.55	1.80	1.64
All-India	0.63	0.78	0.95	1.25	1.00

**Source:** NSHIE (2004–05), NCAER.

Given this expenditure pattern based on literacy levels, look at the composition of each caste group in terms of the levels of education. Over a fourth of STs have studied only up to primary school, the figure is around 19 per cent for SCs, and a little over 7 per cent for the upper caste households (Table 3.3). A little over 12 per cent of STs are graduates and they account for over 21 per cent of all ST expenditures (Table 3.4).

So, of the total number of households in the country, 1 per cent is ST and illiterate; these households account for 0.4 per cent of the total expenditure of all households or have an efficiency factor of 0.36 (Table 3.4). Of the total number of households, 11.7 per cent are upper caste households and have at least one graduate; these households account for 21.1 per cent of India's total expenditure, resulting in an efficiency factor of 1.80.

If you take illiterate households as the base, it is interesting to see just how education levels help raise the levels of expenditure (Table 3.5). In almost all caste groups, the rise in expenditure levels between the graduates and the illiterates is around 3.5 times, varying from 3.1 in the case of STs to 3.5 in the case of the upper castes. Similarly, in the case of those who have finished school, the rise is around 2.6 times, ranging from 2.4 in the case of the STs to 2.6 in the case of the upper castes.

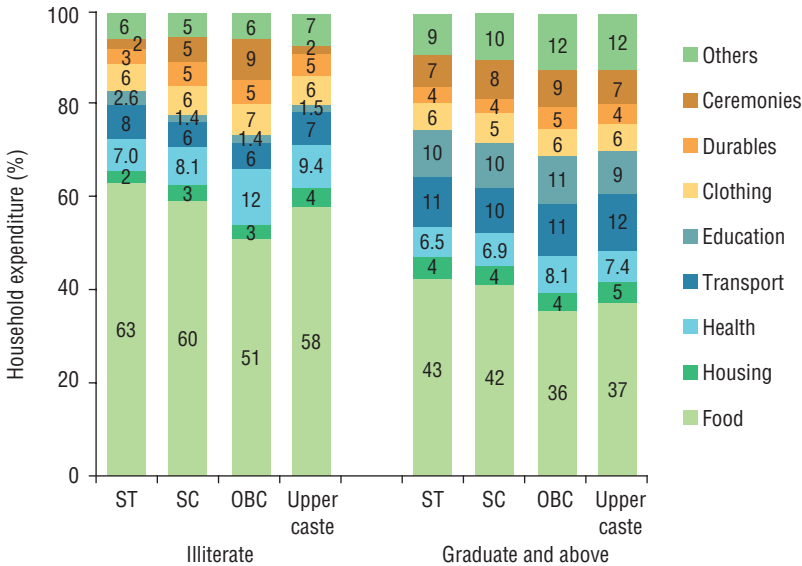
**TABLE 3.5: Explaining Rise in Household Expenditure Levels Taking Illiteracy as a Base (Rs/annum)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Graduate and above	35,756	49,491	52,755	61,579	58,669
Up to higher secondary (12th)	24,357	29,924	27,925	33,761	32,350
Up to matriculation (10th)	11,496	16,375	17,033	19,090	18,472
Up to primary (5th)	5,370	7,343	6,147	5,778	6,717
Illiterate	17,354	17,498	21,559	24,661	19,997

Source: NSHIE (2004–05), NCAER.

On average, primary schooling adds to expenditure levels by around 33 per cent and middle school by around 92 per cent (compared to the illiterate level).

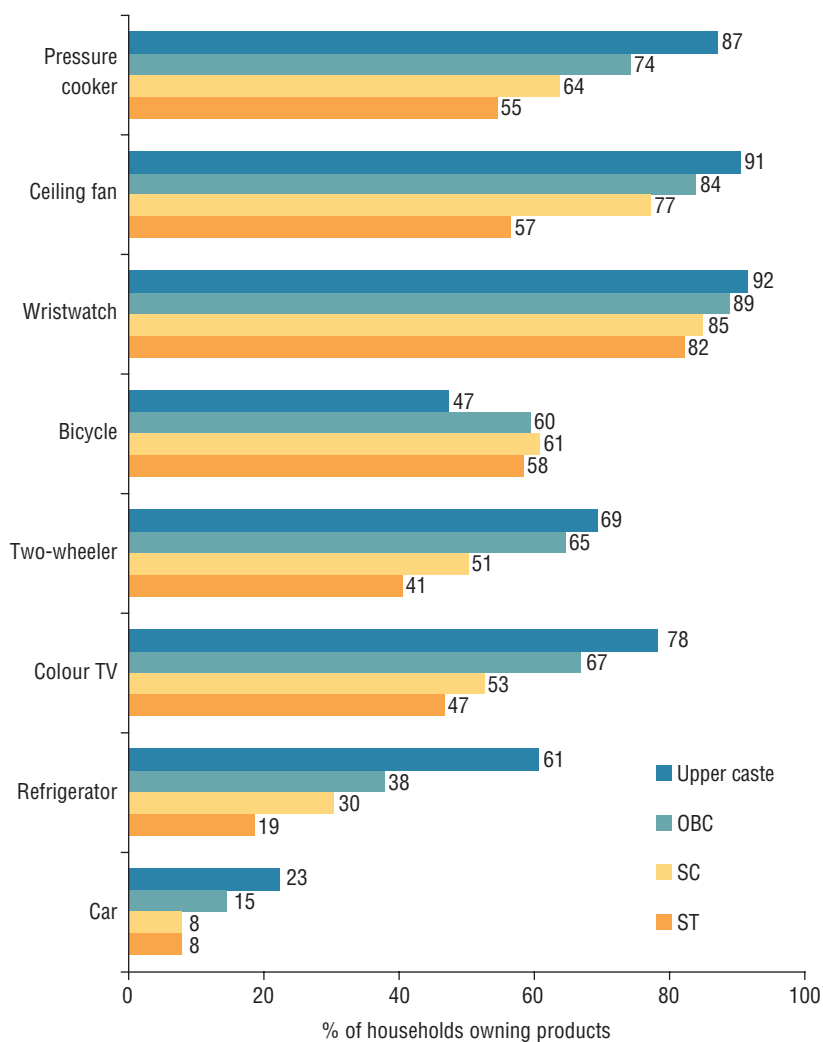
While there are differences between various caste groups in terms of expenditure patterns, the differences are far greater across various education groups (Figure 3.5). Thus, while an illiterate ST household spends 63 per cent of annual expenditure on food, the figure is 58 per cent for the upper castes; for graduate ST households, the figure is only 43 per cent (it is 36 per cent for graduate OBC families). All illiterates, on average, spend around 2 per cent of their annual expenditure on education; this goes up to around 10 per cent in the case of graduates.

**FIGURE 3.5: Distribution of Expenditure by Highest Level of Education (% to total)**

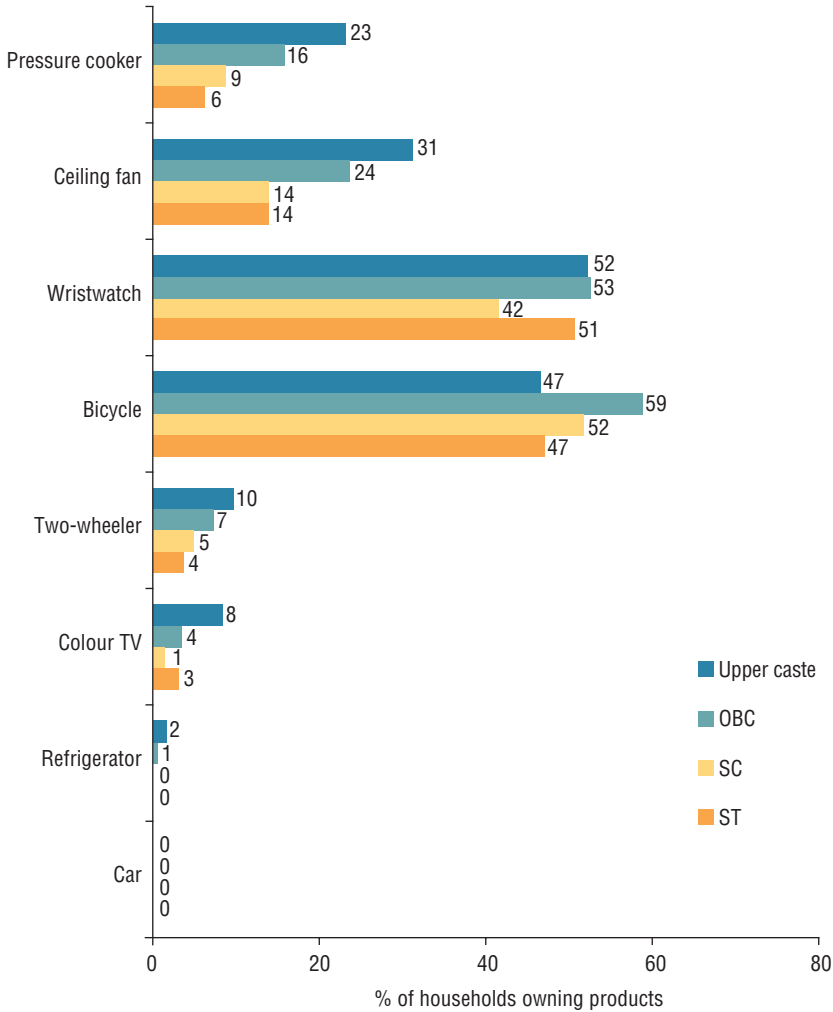
Source: NSHIE (2004–05), NCAER.

Given how income levels are positively correlated with literacy levels, it is not surprising that the more literate households are the ones that have a larger number of cars/two-wheelers or durables like colour televisions (Figure 3.6). As in the case of income levels, the bigger differences are to be seen across literacy levels. So, there is hardly any difference in the ownership patterns of illiterates when it comes to cars (Figure 3.7).

**FIGURE 3.6: Ownership Pattern of Select Consumer Goods by Graduate Households**



**Source:** NSHIE (2004–05), NCAER.

**FIGURE 3.7: Ownership Pattern of Select Consumer Goods by Illiterate Households**

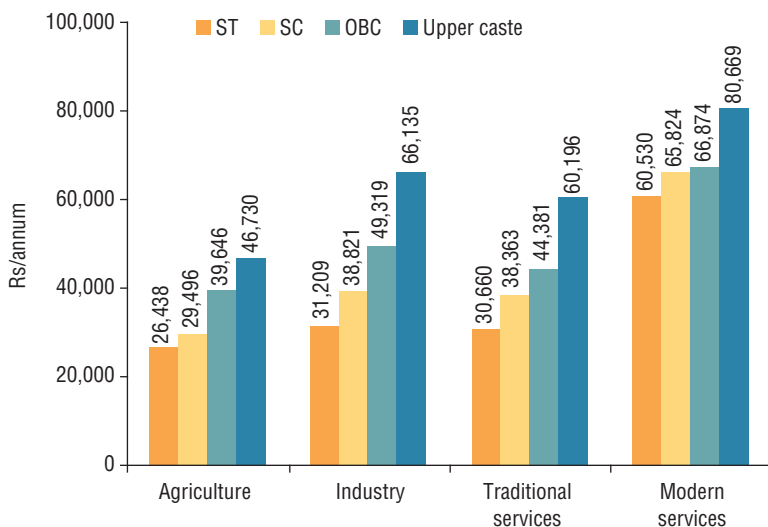
**Source:** NSHIE (2004–05), NCAER.

In the case of two-wheelers, ownership levels are 2.5 times higher for upper caste illiterates. In sharp contrast, graduates of each caste group have many times higher ownership levels. For instance, 8 per cent of ST graduates have a car as compared to nothing for illiterate STs; nearly a fourth of graduate upper caste households have a car as compared to none among upper caste illiterates. Upper caste graduates, similarly, have nearly 10 times as high an ownership of two-wheelers in comparison with illiterate upper castes.

## Sectors of Engagement

Unlike in most other cases where the difference across castes is usually much smaller than the difference across categories like education and occupation, there is a very big caste divide in sectoral spending (Figure 3.8). The divide is the greatest in agriculture; while the average ST family spends just Rs 26,438 per annum, the upper caste household spends a little less than twice this amount. By contrast, an ST family in the traditional services sector spends just 1.2 times as much. Much of this, as will be seen in later sections, has to do with the fact that STs have the greatest number of landless/marginal farmers.

**FIGURE 3.8: Estimates of Household Expenditure by Sectors of Engagement (Rs/annum)**



**Source:** NSHIE (2004–05), NCAER.

Efficiency levels, or the proportion of total expenses to the number of households, are the lowest in agriculture (Table 3.6), and this is where 60 per cent of ST households are to be found (Table 3.7). Efficiency levels are the most in the case of modern services (the share of expenses in the country's total is 50 per cent more than the share of households engaged in such services), and almost a fifth of all upper caste households are to be found in this category. This explains why, on average, upper caste expenditure levels are almost double those of the ST households.

**TABLE 3.6: Impact of Sectors of Engagement on Spending (efficiency factor)**

Sectors of engagement	ST	SC	OBC	Upper caste	Total
Agriculture	0.55	0.62	0.83	0.97	0.80
Industry	0.65	0.81	1.03	1.38	1.09
Traditional services	0.64	0.80	0.93	1.26	1.00
Modern services	1.26	1.37	1.40	1.68	1.52
All-India	0.63	0.78	0.95	1.25	1.00

Source: NSHIE (2004–05), NCAER.

**TABLE 3.7: Distribution of Households by Sectors of Engagement (% to total)**

Sectors of engagement	ST	SC	OBC	Upper caste	Total
Agriculture	5.0	7.2	17.9	12.0	42.1
Industry	0.6	1.6	4.0	3.4	9.6
Traditional services	2.0	6.2	13.8	12.0	34.0
Modern services	0.6	1.7	5.3	6.7	14.3
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

Thus, of the total number of households in the country, 5 per cent are ST and engaged in agriculture; these households account for 2.8 per cent of the total expenditure of all households (Table 3.8) or have an efficiency factor of 0.55. Of the total number of households, 6.7 per cent are upper caste households and engaged in modern services; these households account for 11.2 per cent of India's expenditure, resulting in an efficiency factor of 1.68.

Agricultural income levels are, on average, lower than the all-India average and, so, any caste group which has more families in the agriculture sector tends to have lower expenditure levels. A little over 60 per cent of all ST households are engaged in agriculture but these families account for only a little over 53 per cent of all ST family expenditures. In contrast,

**TABLE 3.8: Distribution of Expenditure by Sectors of Engagement (% of total)**

Sectors of engagement	ST	SC	OBC	Upper caste	Total
Agriculture	2.8	4.4	14.8	11.7	33.7
Industry	0.4	1.3	4.1	4.7	10.5
Traditional services	1.3	5.0	12.8	15.0	34.1
Modern services	0.8	2.3	7.4	11.2	21.7
All-India	5.2	13.0	39.1	42.7	100.0

Source: NSHIE (2004–05), NCAER.

a little under 7.5 per cent of STs are employed in the modern services sector; these families account for almost 15 per cent of the expenditure of ST families.

If you take agricultural households as the base, it is interesting to see the sectoral impact on the levels of expenditure (Table 3.9). The rise in expenditure levels between agriculture and modern services across caste groups varies from 2.3 in the case of STs to 1.7 in the case of the upper castes.

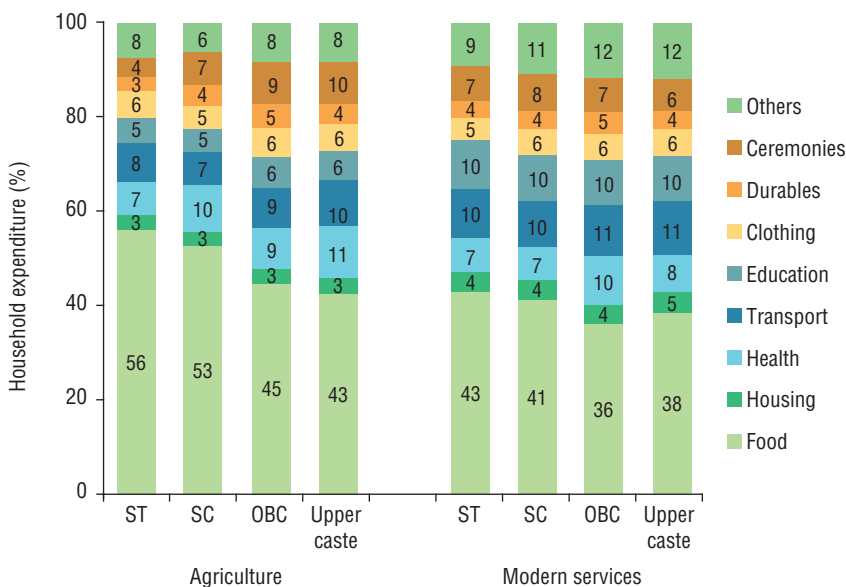
While there are important differences in expenditure patterns across castes, there are equally large differences across sectors (Figure 3.9). So, while ST families in agriculture spend up to 56 per cent of their

**TABLE 3.9: Explaining Rise in Household Expenditure Levels Taking Agriculture as a Base (Rs/annum)**

Sectors of engagement	ST	SC	OBC	Upper caste	Total
Modern services	34,092	36,328	27,228	33,939	34,590
Industry	4,771	9,325	9,673	19,405	13,992
Traditional services	4,222	8,867	4,735	13,466	9,705
Agriculture	26,438	29,496	39,646	46,730	38,352

Source: NSHIE (2004–05), NCAER.

**FIGURE 3.9: Distribution of Expenditure by Sectors of Engagement (% to total)**



Source: NSHIE (2004–05), NCAER.



expenditure on food, this falls to 43 per cent in the case of upper caste families. The difference becomes a lot less stark in the case of modern services where the ST household spends just 43 per cent of expenditure on food, with the upper caste household spending nearly the same, at 38 per cent.

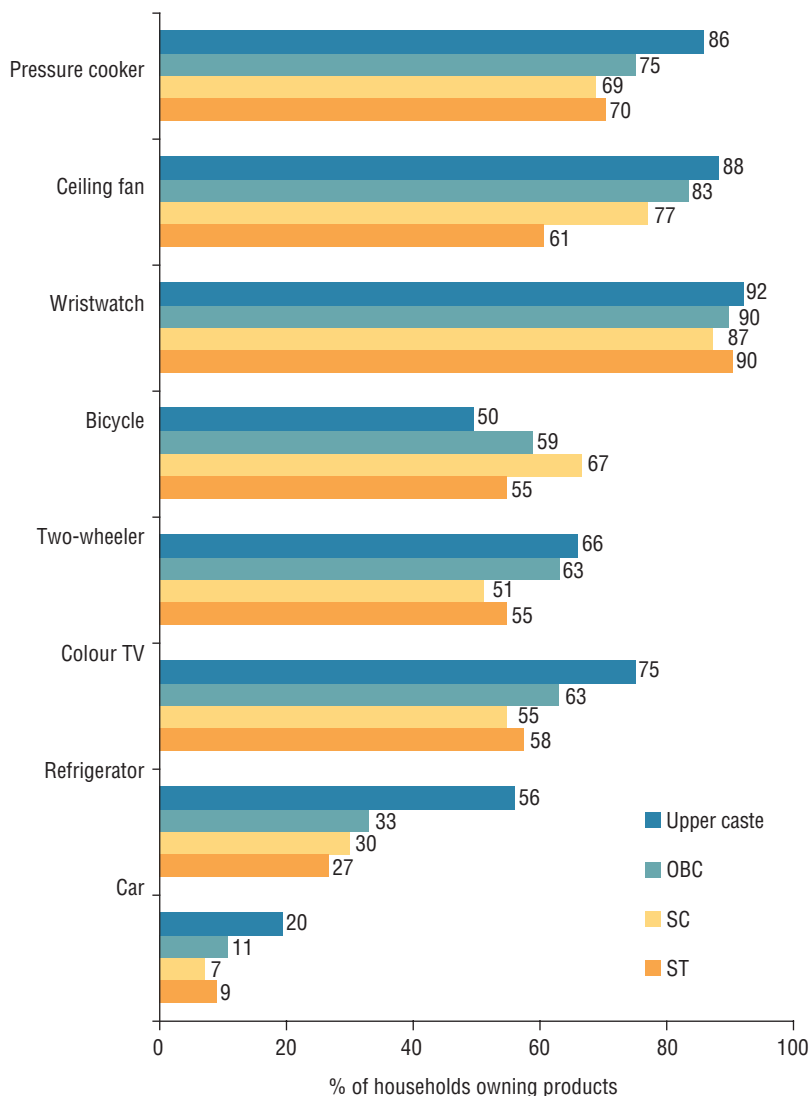
Expenditure on housing is more or less the same across castes and sectoral groups, between 3–5 per cent; for health it varies between 7–11 per cent. In terms of education, upper castes tend to spend more—5 per cent for STs in agriculture versus 6 per cent for upper castes—but this difference narrows to 10 per cent when it comes to modern services. Upper castes in the agriculture sector tend to spend more on ceremonies (10 per cent versus 4 per cent for STs), but this changes when we consider the modern services sector (STs spend 7 per cent of their expenditure on ceremonies versus 6 per cent for upper castes).

Not surprisingly, households in the modern services sector have the highest ownership of automobiles and of durables like colour televisions. So while 9 per cent of even ST households in the modern services sector own a car, the figure is negligible for ST households in agriculture. Similarly, while 55 per cent of ST households in the modern services sector have a two-wheeler, the figure is 13 per cent for ST households in the agriculture sector (Figures 3.10 and 3.11).

What is more interesting, though, is that the differences in ownership are a lot lower in the modern services sector. In the case of cars, upper castes in agriculture, for instance, have 5 times as high an ownership in comparison with the STs—the figure is a little over 2 in the case of STs and upper caste families who are employed in the modern services sector (Figures 3.10 and 3.11). In the case of two-wheelers, similarly, upper caste families in the agriculture sector have around 3 times the ownership that ST families have—in the modern services sector, the difference comes down to just 20 per cent.

## Occupation

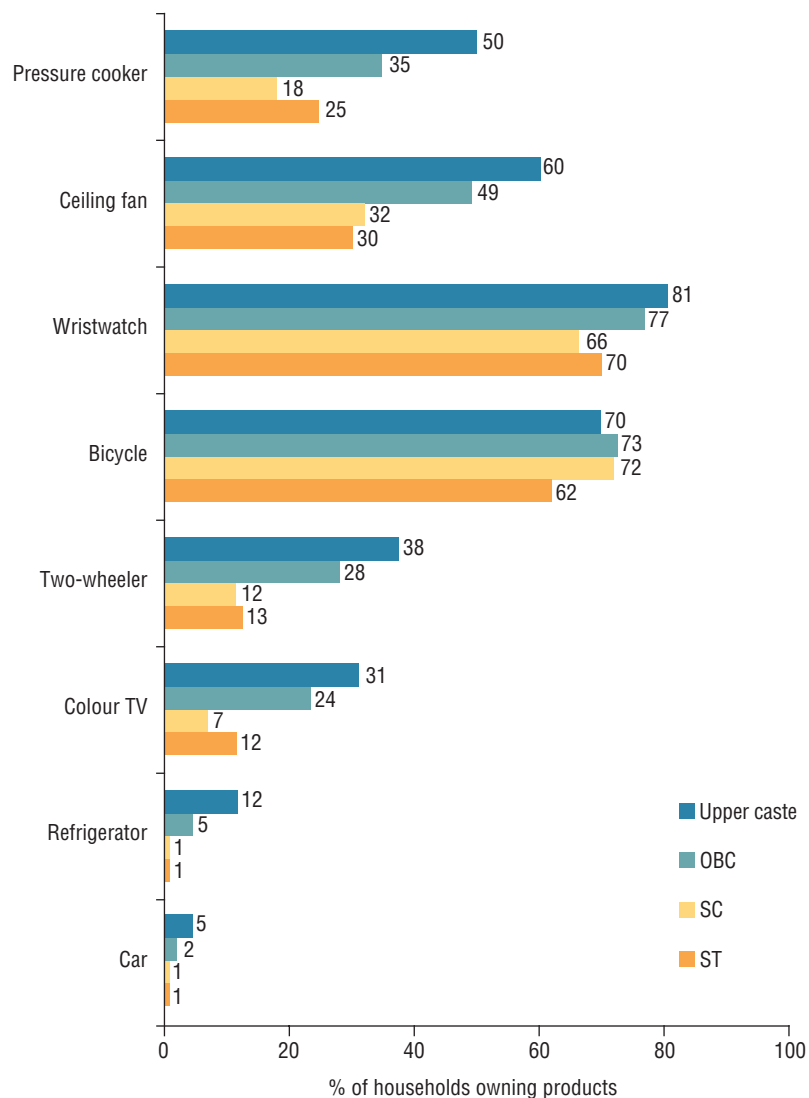
An average ST household spends around half what an upper caste one does; the proportion of expenditure, however, rises as you move to a higher category of employment. STs who work on the shop floor spend 52 per cent of what their upper caste counterparts do; when it comes to professionals, STs spend around 75 per cent of what their upper caste counterparts do.

**FIGURE 3.10: Ownership Pattern of Select Consumer Goods by Households Engaged in Modern Services**

**Source:** NSHIE (2004–05), NCAER.

SC/ST households have the highest proportion in the farming and production-related professions which have the lowest efficiency factors (Table 3.10), and this drags down their overall spending levels (Figure 3.12). Just about 2.5 per cent of ST households (Table 3.11) are what could be called ‘professional’, but they account for well over double

**FIGURE 3.11: Ownership Pattern of Select Consumer Goods by Households Engaged in Agriculture**



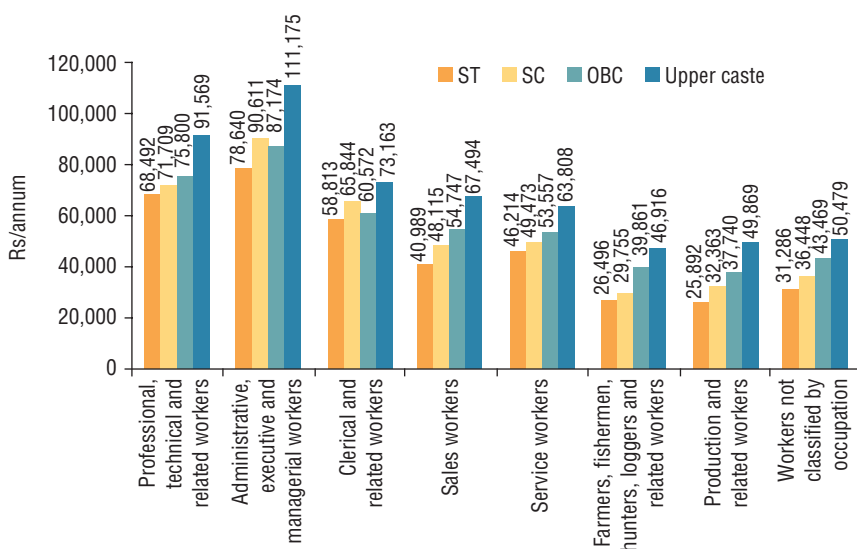
**Source:** NSHIE (2004–05), NCAER.

this when it comes to their proportion of expenditure (Table 3.12). Production or shop floor ST households, in contrast, account for under a fifth of the caste group's total expenditure even though they make up around a fourth of the households.

**TABLE 3.10: Impact of Occupation on Spending (efficiency factor)**

Occupation	ST	SC	OBC	Upper caste	Total
Professional, technical and related workers	1.43	1.50	1.58	1.91	1.72
Administrative, executive and managerial workers	1.64	1.89	1.82	2.32	2.09
Clerical and related workers	1.23	1.37	1.26	1.53	1.40
Sales workers	0.86	1.00	1.14	1.41	1.24
Service workers	0.96	1.03	1.12	1.33	1.19
Farmers, fishermen, hunters, loggers and related workers	0.55	0.62	0.83	0.98	0.81
Production and related workers	0.54	0.68	0.79	1.04	0.80
Workers not classified by occupation	0.65	0.76	0.91	1.05	0.92
All-India	0.63	0.78	0.95	1.25	1.00

Source: NSHIE (2004–05), NCAER.

**FIGURE 3.12: Estimates of Household Expenditure by Occupation (Rs/annum)**

Source: NSHIE (2004–05), NCAER.

Therefore, of the total number of households in the country, 0.2 per cent are ST and ‘professional/technical/related workers’; these households account for 0.3 per cent of the total expenditure of all households or have an efficiency factor of 1.43. Of the total number of households, 11.6 per cent are upper caste households and farmers/fishermen and related workers; these households account for 11.3 per cent of India’s expenditure, resulting in an efficiency factor of 0.98.

**TABLE 3.11: Distribution of Households by Occupation (% to total)**

Occupation	ST	SC	OBC	Upper caste	Total
Professional, technical and related workers	0.2	0.5	1.7	2.2	4.7
Administrative, executive and managerial workers	0.1	0.2	1.0	1.6	2.8
Clerical and related workers	0.2	0.7	1.9	2.4	5.3
Sales workers	0.4	1.5	5.1	5.7	12.6
Service workers	0.3	0.9	2.1	2.4	5.6
Farmers, fishermen, hunters, loggers and related workers	4.8	6.6	17.0	11.6	40.0
Production and related workers	1.9	5.2	9.5	5.6	22.2
Workers not classified by occupation	0.4	1.1	2.7	2.6	6.8
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 3.12: Distribution of Expenditure by Occupation (% to total)**

Occupation	ST	SC	OBC	Upper caste	Total
Professional, technical and related workers	0.3	0.8	2.6	4.3	8.0
Administrative, executive and managerial workers	0.2	0.4	1.7	3.6	6.0
Clerical and related workers	0.3	1.0	2.4	3.7	7.4
Sales workers	0.3	1.5	5.8	8.0	15.6
Service workers	0.2	0.9	2.4	3.2	6.7
Farmers, fishermen, hunters, loggers and related workers	2.7	4.1	14.2	11.3	32.3
Production and related workers	1.0	3.5	7.5	5.8	17.8
Workers not classified by occupation	0.2	0.9	2.5	2.7	6.2
All-India	5.2	13.0	39.1	42.7	100.0

Source: NSHIE (2004–05), NCAER.

STs benefit the most as they move up the professional ladder (Table 3.13). So, while a shop floor ST household spends Rs 25,892 per annum, this rises to Rs 78,640 in the executive/managerial level; for upper castes, the rise is from Rs 49,869 to Rs 111,175.

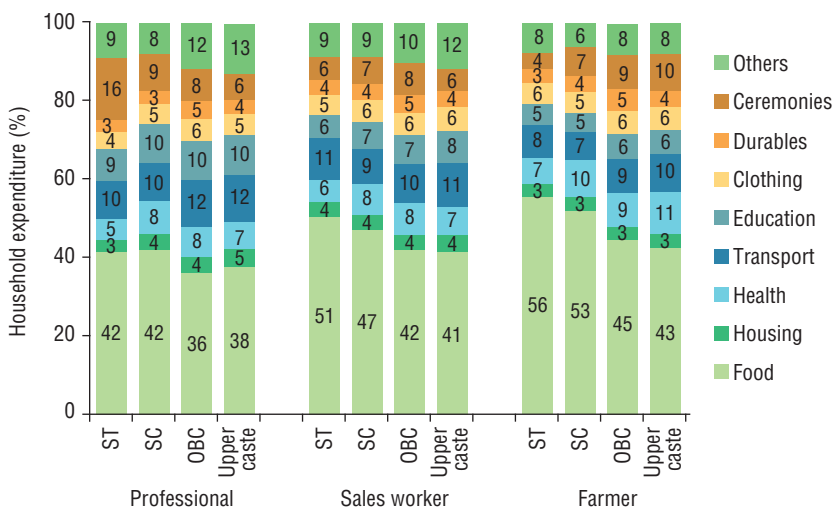
There is a significant difference in expenditure patterns across both caste and profession groups (Figure 3.13). Thus, 42 per cent of the annual expenditure of STs in professional/technical jobs is spent on food as compared to 56 per cent when the ST households are in the farming/production sector.

Interestingly, even professional STs tend to spend less on education than the upper castes—9 and 10 per cent, respectively; in the case of farming/fishing households, the figures are 5 and 6 per cent respectively.

**TABLE 3.13: Explaining Rise in Household Expenditure Levels Taking Production and Related Workers as a Base (Rs/annum)**

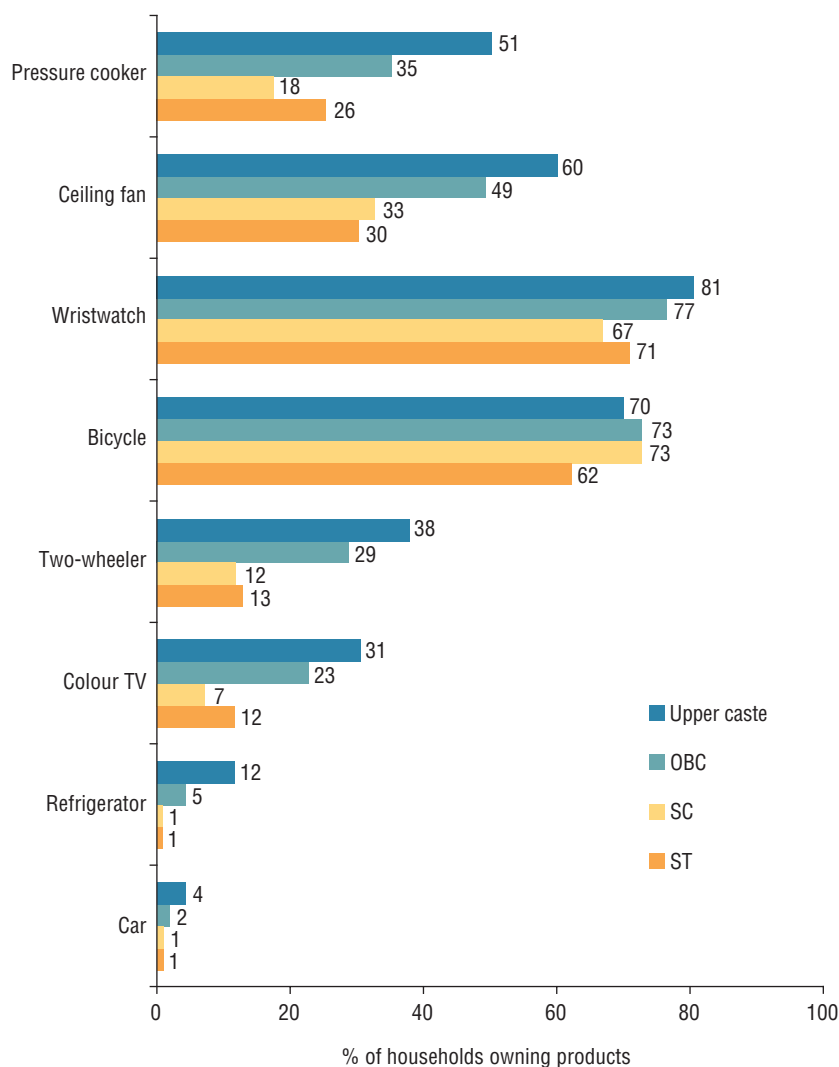
Occupation	ST	SC	OBC	Upper caste	Total
Administrative, executive and managerial workers	52,748	58,248	49,434	61,306	61,745
Professional, technical and related workers	42,600	39,346	38,060	41,700	44,055
Clerical and related workers	32,921	33,481	22,832	23,294	28,509
Sales workers	15,097	15,752	17,007	17,625	20,847
Service workers	20,322	17,110	15,817	13,939	18,461
Workers not classified by occupation	5,394	4,085	5,729	610	5,814
Farmers, fishermen, hunters, loggers and related workers	577	-2,608	2,121	-2,953	120
Production and related workers	25,892	32,363	37,740	49,869	38,505

Source: NSHIE (2004–05), NCAER.

**FIGURE 3.13: Distribution of Expenditure by Occupation (% to total)**

Source: NSHIE (2004–05), NCAER.

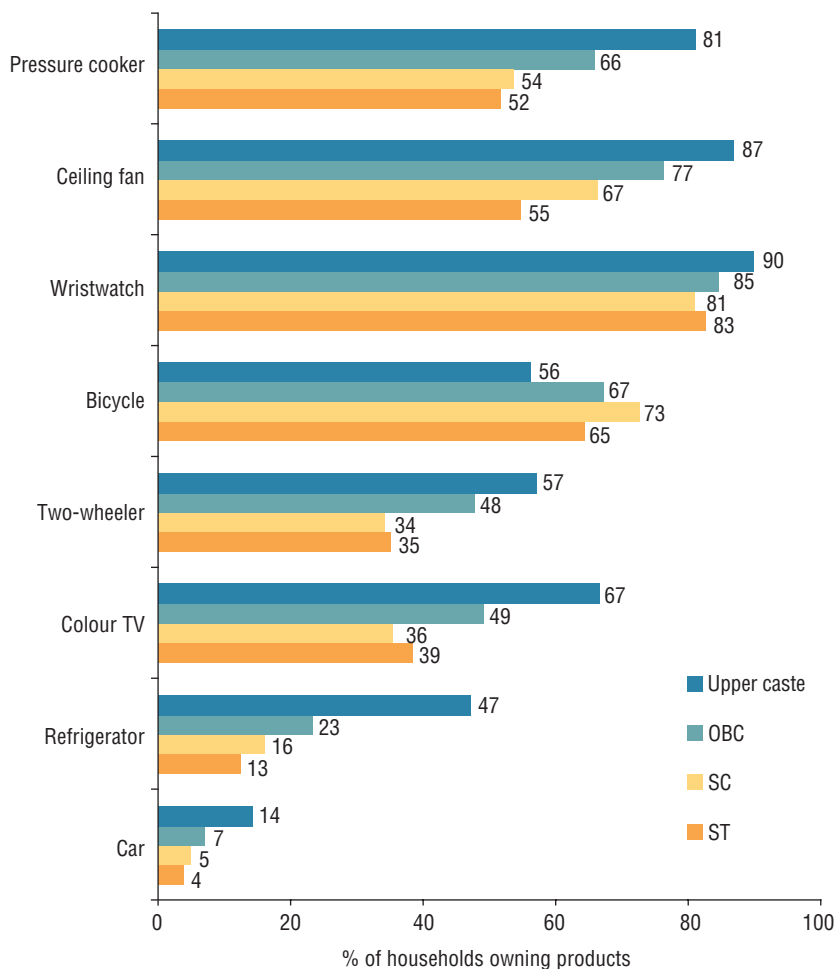
Upper castes have the highest ownership of durables and within the category, ownership patterns tend to be the highest among the professionals. In the case of two-wheelers, 13 per cent of all ST farmers own this (Figure 3.14) and this rises to 35 per cent in the sales category (Figure 3.15) and to 57 per cent for professionals (Figure 3.16). In the case of upper castes, it rises from 38 per cent to 57 per cent and 70 per cent, respectively.

**FIGURE 3.14: Ownership Pattern of Select Consumer Goods by Farmer Households**

Source: NSHIE (2004–05), NCAER.

### Major Source of Household Income

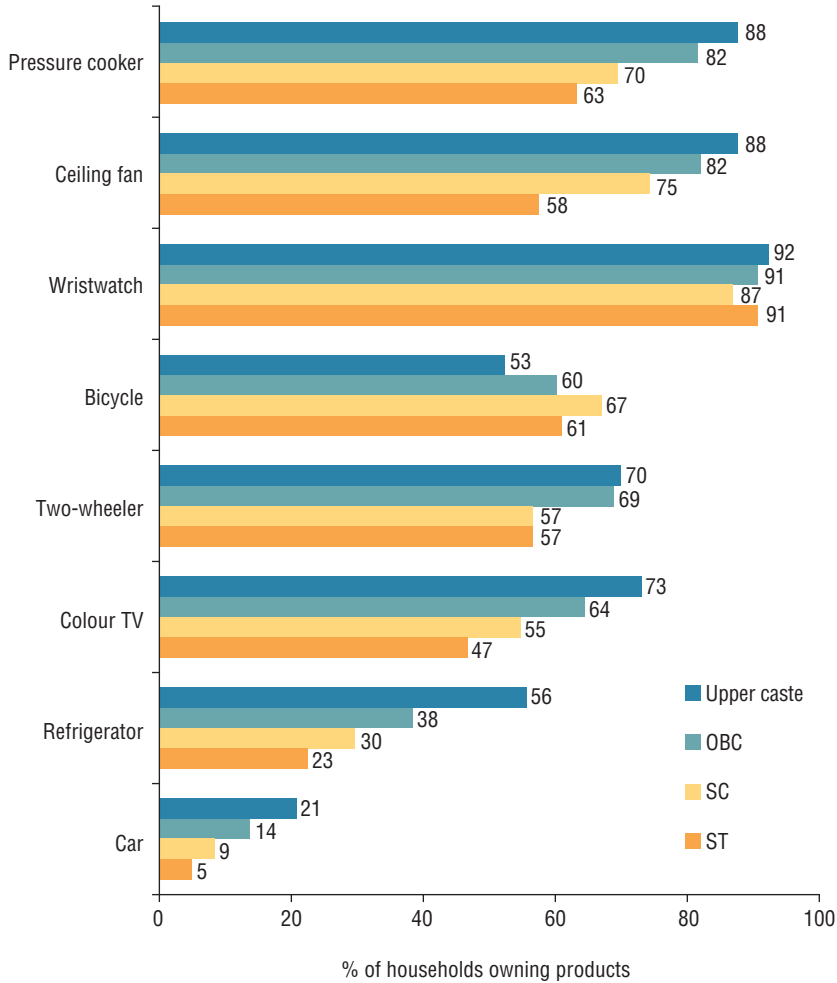
On average, salaried people tend to spend more as a proportion in terms of the number of households: they form 18.4 per cent of all households (Table 3.14) but account for 27.4 per cent of all expenditure (Table 3.15). Hence, the caste group which has the most salaried earners tends to be

**FIGURE 3.15: Ownership Pattern of Select Consumer Goods by Sales Worker Households**

Source: NSHIE (2004–05), NCAER.

the one that spends the most. A fourth of upper castes are salaried, followed by OBCs with 16 per cent. As a result, while the average upper caste family spends Rs 76,797 in a year, the figure is Rs 66,074 for OBCs (Figure 3.17). For STs, where labour is the dominant family income (labour's efficiency is only 58 per cent; Table 3.16), family spending is the lowest at Rs 22,565 per annum. SC/STs have the highest proportion of families earning their livelihood from daily labour (around 48 per cent) and the highest who are farmers (39 per cent in the case of STs and 21 per cent in the case of SCs).



**FIGURE 3.16: Ownership Pattern of Select Consumer Goods by Professional Households**

Source: NSHIE (2004–05), NCAER.

While salary earners earn a lot more than other professional categories, ST households benefit the most when they are salary earners. So, while 9 per cent of STs are salaried, this group accounts for almost 19 per cent of the total expenditure of all ST households (Table 3.15). In contrast, around 26 per cent of upper caste households are salaried; they account for just 33 per cent of the total expenditure of the group.

Of the total number of households in the country, 3.2 per cent are ST and agriculture is their primary source of income, accounting

**TABLE 3.14: Distribution of Households by Major Source of Household Income (% to total)**

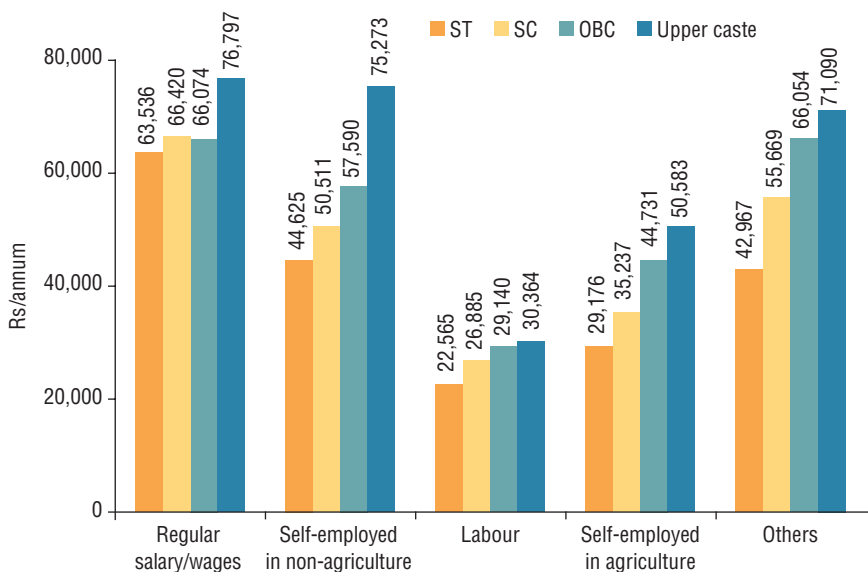
Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	0.7	2.3	6.6	8.8	18.4
Self-employed in non-agriculture	0.5	1.9	7.1	7.7	17.1
Labour	3.7	8.6	13.8	6.4	32.5
Self-employed in agriculture	3.2	3.5	12.6	9.6	28.9
Others	0.1	0.4	1.1	1.5	3.1
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 3.15: Distribution of Expenditure by Major Source of Household Income (% to total)**

Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	1.0	3.2	9.1	14.2	27.4
Self-employed in non-agriculture	0.4	2.0	8.5	12.0	22.9
Labour	1.7	4.8	8.4	4.1	19.0
Self-employed in agriculture	2.0	2.6	11.7	10.1	26.4
Others	0.1	0.4	1.5	2.3	4.3
All-India	5.2	13.0	39.1	42.7	100.0

Source: NSHIE (2004–05), NCAER.

**FIGURE 3.17: Estimates of Household Expenditure by Major Source of Household Income (Rs/annum)**

Source: NSHIE (2004–05), NCAER.

**TABLE 3.16: Impact of Major Source of Household Income on Spending (efficiency factor)**

Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	1.33	1.39	1.38	1.60	1.48
Self-employed in non-agriculture	0.93	1.05	1.20	1.57	1.34
Labour	0.47	0.56	0.61	0.63	0.58
Self-employed in agriculture	0.61	0.74	0.93	1.06	0.91
Others	0.90	1.16	1.38	1.48	1.39
All-India	0.63	0.78	0.95	1.25	1.00

Source: NSHIE (2004–05), NCAER.

for 2 per cent of the total expenditure of all households (an efficiency factor of 0.47). Of the total number of households, 8.8 per cent are upper caste and salaried; these households account for 14.2 per cent of India's expenditure, resulting in an efficiency factor of 1.60.

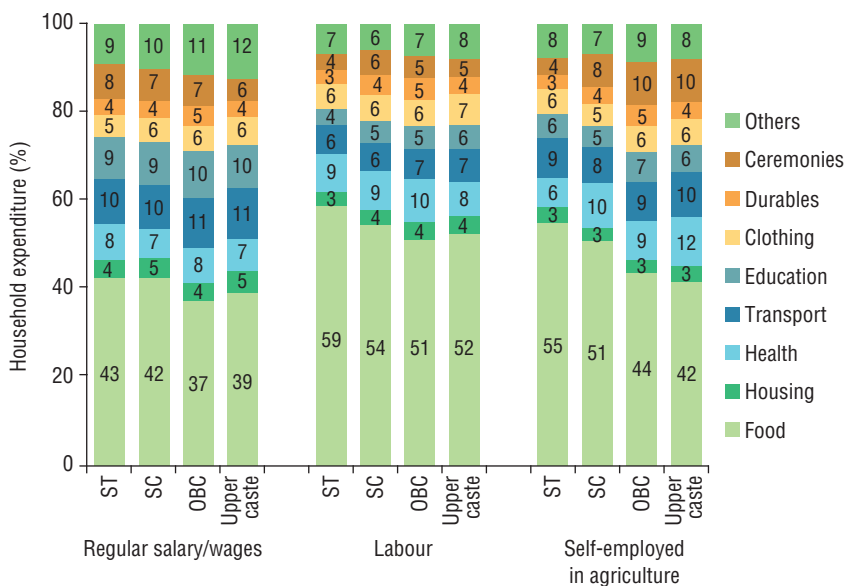
While salaried SC households spend Rs 66,420 per annum, the figure is Rs 26,885 for SC labour households—in other words, there's a difference of 2.5 times. The difference for other caste groups is roughly similar (Table 3.17). Salaried SC households spend 15 per cent less than upper caste ones, while in the case of the self-employed in agriculture, SCs spend around 60 per cent of what upper caste households do.

**TABLE 3.17: Explaining Rise in Household Expenditure Levels Taking Labour as a Base (Rs/annum)**

Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	40,970	39,535	36,934	46,432	43,118
Others	20,402	28,784	36,914	40,726	38,447
Self-employed in non-agriculture	22,060	23,626	28,450	44,909	36,365
Self-employed in agriculture	6,610	8,352	15,591	20,219	15,766
Labour	22,565	26,885	29,140	30,364	28,030

Source: NSHIE (2004–05), NCAER.

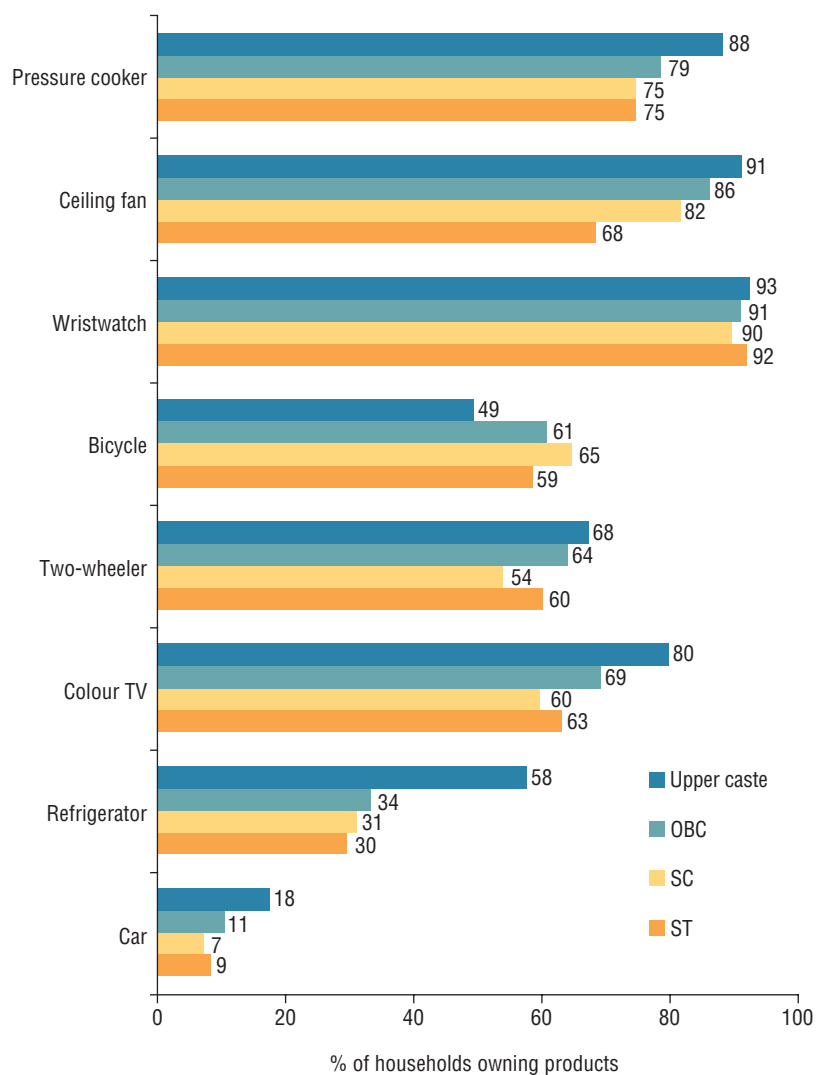
There is a significant variation in expenditure patterns across caste groups (Figure 3.18). On average, SC agricultural households spend around half their expenditure on food (compared to 42 per cent by upper caste households). For the salaried class, however, the proportion spent on food falls significantly: 42 per cent for SCs and 39 per cent for upper castes. Interestingly, even among the salaried, SCs tend to spend less on education (9 per cent) as compared to upper caste households (10 per cent).

**FIGURE 3.18: Distribution of Expenditure by Major Source of Household Income (% to total)**

**Source:** NSHIE (2004–05), NCAER.

Differences in ownership levels tend to be greater across employment categories than they are across castes within each group. Regular salary earners, no matter which caste they belong to, tend to have a higher ownership of automobiles and colour televisions (Figures 3.19, 3.20 and 3.21). About 65 per cent of this class category own a two-wheeler, as compared to around 10 per cent in the case of the labour class. About 14 per cent of the upper caste labour households own a two-wheeler as compared to 3 per cent for ST households. In the case of salaried households, however, upper castes have a 13 per cent higher ownership.

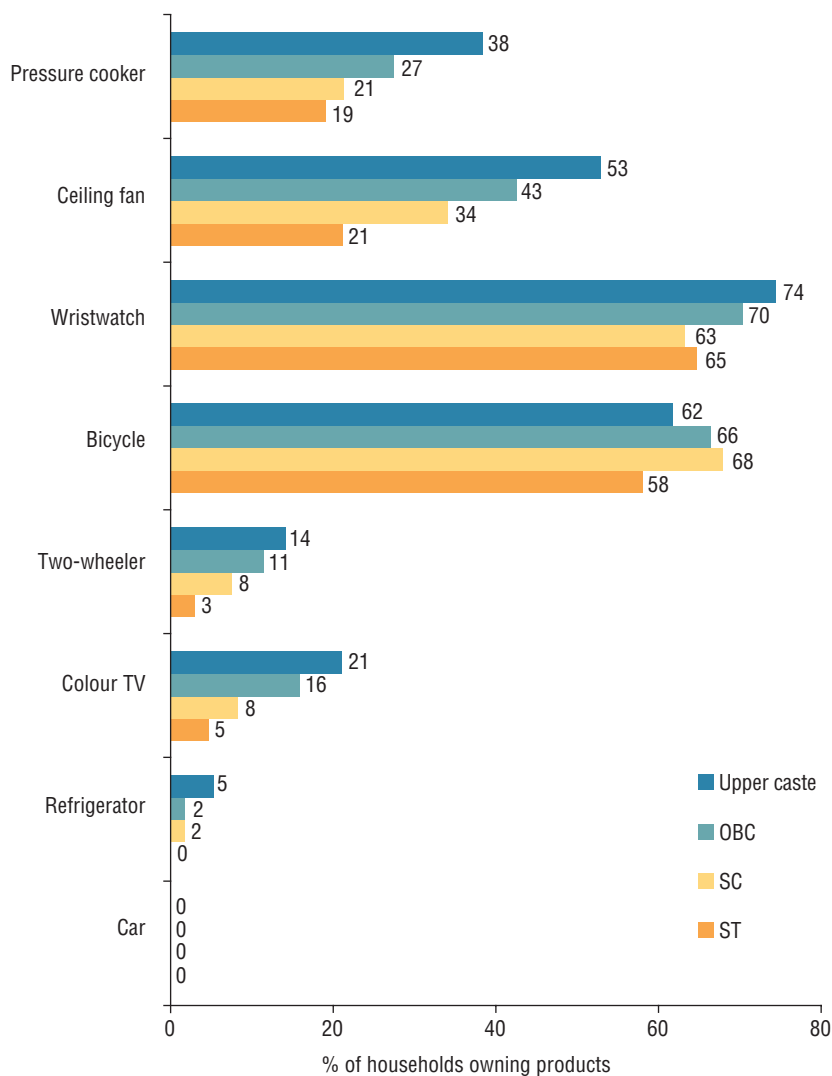
As for colour televisions, the ownership pattern for labour households is 21 per cent compared to 5 per cent for ST households—so the difference is 5 times as much. Salaried households have 5 times as high ownership, but variations within this category across caste groups are very small—63 per cent of ST households own a colour television as compared to just under 80 per cent for upper castes.

**FIGURE 3.19: Ownership Pattern of Select Consumer Goods by Salaried Households**

Source: NSHIE (2004–05), NCAER.

### Landholding Size

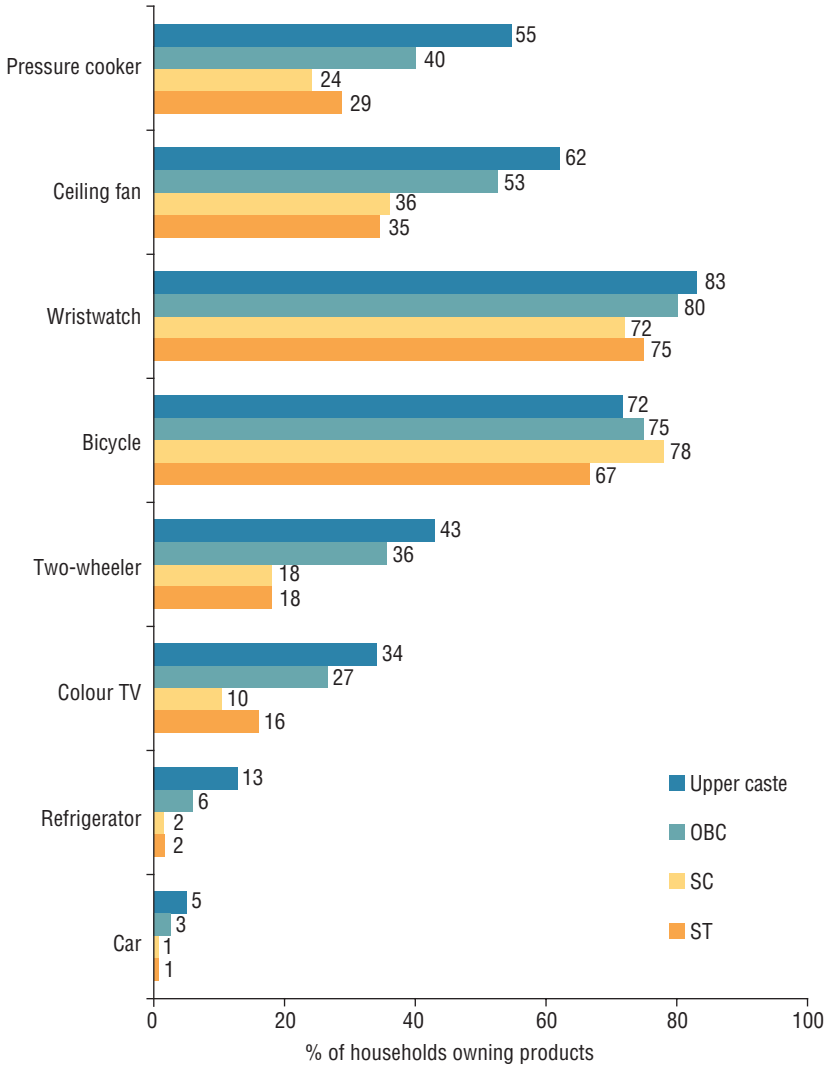
The fact that SC/ST households have the greatest proportion of the landless, or those with very small landholdings, keeps their expenditure levels at the lowest among all caste groups. As in other cases, there is

**FIGURE 3.20: Ownership Pattern of Select Consumer Goods by Labour Households**

**Source:** NSHIE (2004–05), NCAER.

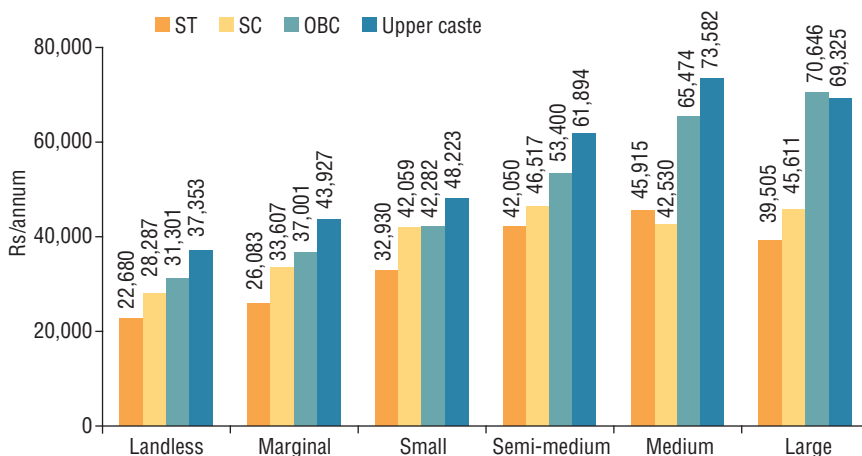
not as much difference in expenditure patterns across castes as there is across land groups (Figure 3.22). While landless SC households spend Rs 28,287 per annum, the upper caste ones spend Rs 37,353, or around a third more. In the same SC category, as the household begins to own large (10 hectares and above) tracts of land, its expenditure rises

**FIGURE 3.21: Ownership Pattern of Select Consumer Goods by Agriculture Households**



Source: NSHIE (2004–05), NCAER.

to Rs 45,611 or by 61 per cent. SC households with large tracts of land (1.1 per cent of all SC households) tend to spend a third less than upper caste households with large tracts of land (3.9 per cent of the total number of upper caste households).

**FIGURE 3.22: Estimates of Household Expenditure by Size of Landholding (Rs/annum)**

Source: NSHIE (2004–05), NCAER.

While landless and marginal farmers constitute around 60 per cent of all upper caste households, they make up anywhere between 70–80 per cent of all SC/ST households. ST households tend to benefit the most when they have larger landholdings. So, for instance, while 3.8 per cent of ST households are medium-sized landowners, these households account for 5.8 per cent (an efficiency of 61 per cent) of the expenditure of all ST households (Table 3.18). Similarly, 1.1 per cent of ST households are large farmers and they account for 1.5 per cent (36 per cent efficiency) of the expenditure of all ST households. In contrast, 8 per cent of all upper caste households are medium-sized farmers and they account for 12.2 per cent (an efficiency of 53 per cent) of the expenditure of all upper castes; for upper caste large farmers, the efficiency is 43 per cent (Table 3.19).

**TABLE 3.18: Distribution of Households by Size of Landholding (% to total)**

Size of landholding	ST	SC	OBC	Upper caste	Total (Rural)
Landless	4.0	9.7	16.3	8.4	38.4
Marginal	3.5	5.3	13.1	8.6	30.5
Small	1.7	1.6	5.7	4.5	13.5
Semi-medium	0.9	1.0	4.1	3.8	9.9
Medium	0.4	0.5	2.5	2.3	5.6
Large	0.1	0.2	0.9	1.0	2.2
Rural	10.6	18.3	42.5	28.6	100.0

Source: NSHIE (2004–05), NCAER.



**TABLE 3.19: Distribution of Expenditure by Size of Landholding (% to total)**

Size of landholding	ST	SC	OBC	Upper caste	Total (Rural)
Landless	2.3	7.0	12.9	7.9	30.1
Marginal	2.3	4.5	12.2	9.6	28.6
Small	1.4	1.7	6.1	5.5	14.7
Semi-medium	1.0	1.2	5.6	6.0	13.7
Medium	0.4	0.5	4.1	4.3	9.3
Large	0.1	0.2	1.6	1.7	3.6
Rural	7.5	15.1	42.5	34.9	100.0

**Source:** NSHIE (2004–05), NCAER.

So, of the total number of households in the country, 4.0 per cent are ST and belong to the landless category; these households account for 2.3 per cent of the total expenditure of all households or have an efficiency factor of 0.57 (Table 3.20). Of the total number of households, 1 per cent are upper caste and have large landholdings; these households account for 1.7 per cent of India's expenditure, resulting in an efficiency factor of 1.75.

**TABLE 3.20: Impact of Size of Landholding on Spending (efficiency factor)**

Size of landholding	ST	SC	OBC	Upper caste	Total (Rural)
Landless	0.57	0.72	0.79	0.94	0.78
Marginal	0.66	0.85	0.94	1.11	0.94
Small	0.83	1.06	1.07	1.22	1.09
Semi-medium	1.06	1.18	1.35	1.57	1.39
Medium	1.16	1.08	1.66	1.86	1.66
Large	1.00	1.15	1.79	1.75	1.67
Rural	0.71	0.82	1.00	1.22	1.00

**Source:** NSHIE (2004–05), NCAER.

The largest difference in expenditure levels across castes exists among the OBCs. So, while a large landholding OBC family spends Rs 70,646 per annum, the landless OBC spends just Rs 31,301—a difference of 2.3 times (Table 3.21). Among the upper castes, the difference is a much lower 1.9 times—Rs 37,353 for the landless versus Rs 69,325 for the large landholder.

While the small ST farmer spends around 32 per cent less than the upper caste small farmer (Rs 32,930 versus Rs 48,223), the difference rises to around 41 per cent in the case of the marginal farmer (the marginal ST farmer spends Rs 26,083 while the upper caste marginal farmer spends Rs 43,927). The large ST farmer spends 43 per cent less than a large upper caste farmer (Rs 39,505 versus Rs 69,325).

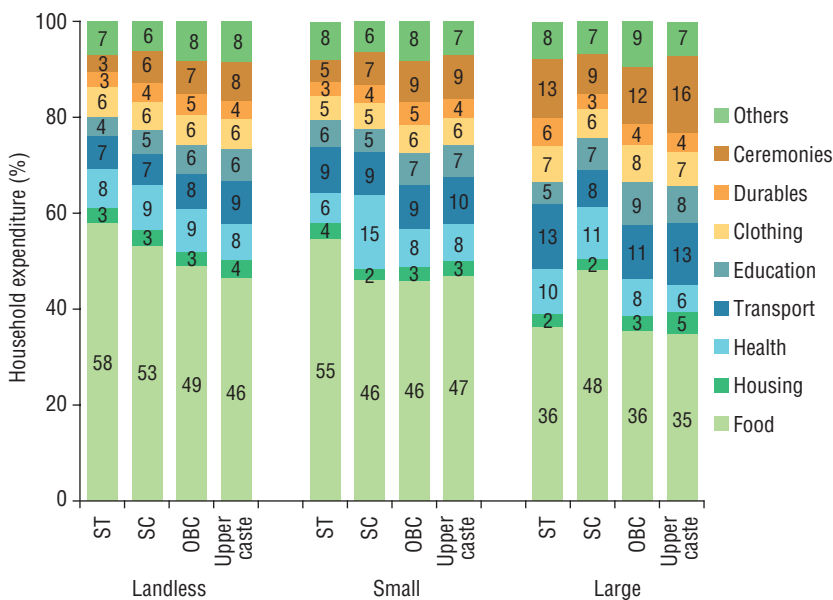
**TABLE 3.21: Explaining Rise in Household Expenditure Levels Taking Landless as a Base (Rs/annum)**

Size of landholding	ST	SC	OBC	Upper caste	Total (Rural)
Large	16,825	17,324	39,345	31,972	35,111
Medium	23,235	14,243	34,173	36,229	34,542
Semi-medium	19,370	18,229	22,099	24,541	24,014
Small	10,250	13,772	10,981	10,870	12,102
Marginal	3,403	5,320	5,700	6,574	6,155
Landless	22,680	28,287	31,301	37,353	30,964

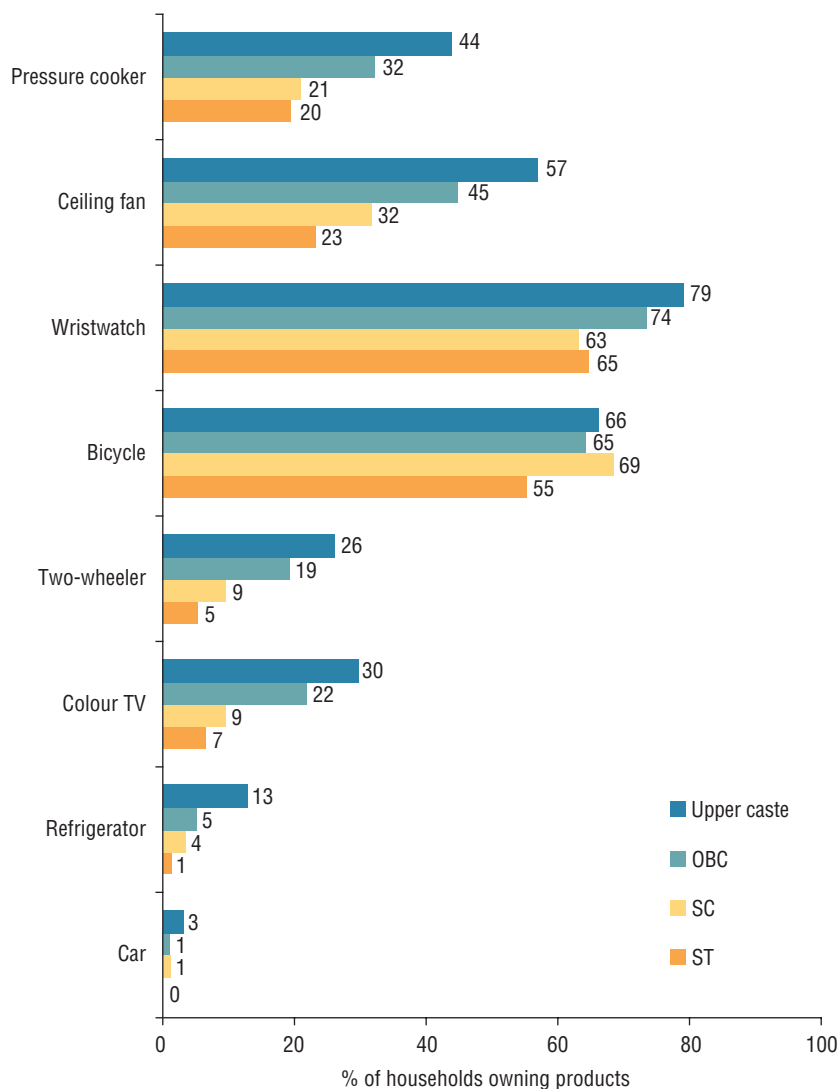
Source: NSHIE (2004–05), NCAER.

On average, the upper castes tend to spend a lot more on education than the SC/STs (Figure 3.23). In the case of the landless, STs spend 4 per cent of their expenditure on education as compared to 6 per cent by the upper caste landless; in the case of the large farmers too, there is big difference—STs spend 5 per cent of their expenditure on education as compared to 8 per cent by the upper caste large farmers.

On average, in keeping with their income levels, families with large landholdings tend to have much higher ownership patterns (Figures 3.24, 3.25 and 3.26). So, on average, 10 per cent of large landholders own a

**FIGURE 3.23: Distribution of Expenditure by Size of Landholding (% to total)**

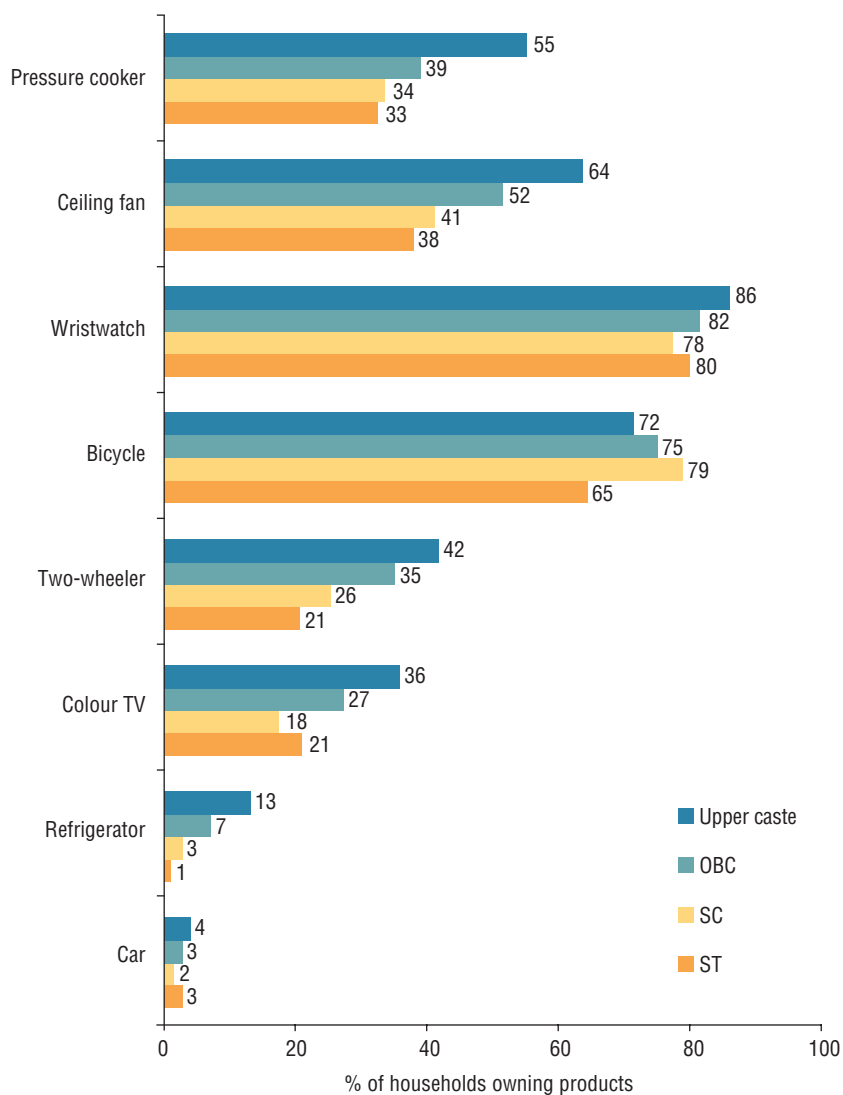
Source: NSHIE (2004–05), NCAER.

**FIGURE 3.24: Ownership Pattern of Select Consumer Goods by Landless Households**

**Source:** NSHIE (2004–05), NCAER.

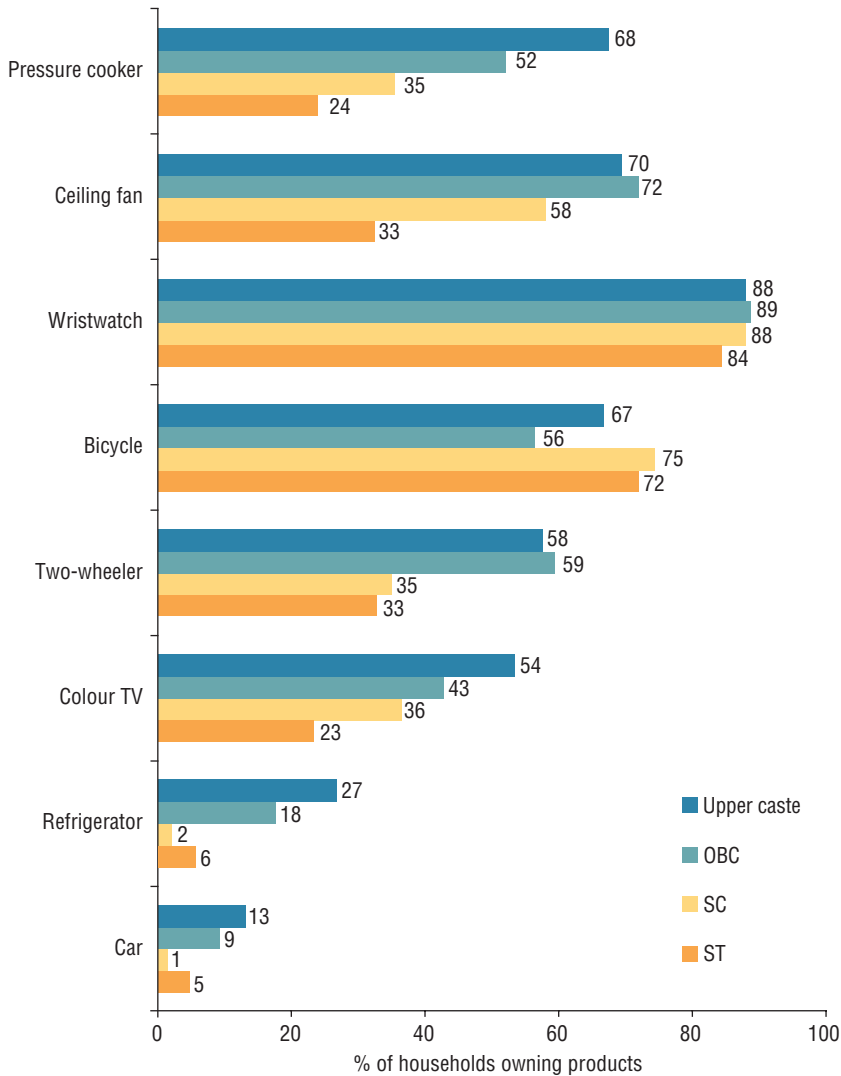
car compared to just 1.5 per cent of the landless. The figures are 55 per cent and 17 per cent, respectively, for two-wheelers, and 46 per cent and 19 per cent, respectively, for colour televisions.

Ownership variations across castes are a lot less when it comes to groups with larger landholdings. Upper caste landless households have

**FIGURE 3.25: Ownership Pattern of Select Consumer Goods by Small Farmers**

**Source:** NSHIE (2004–05), NCAER.

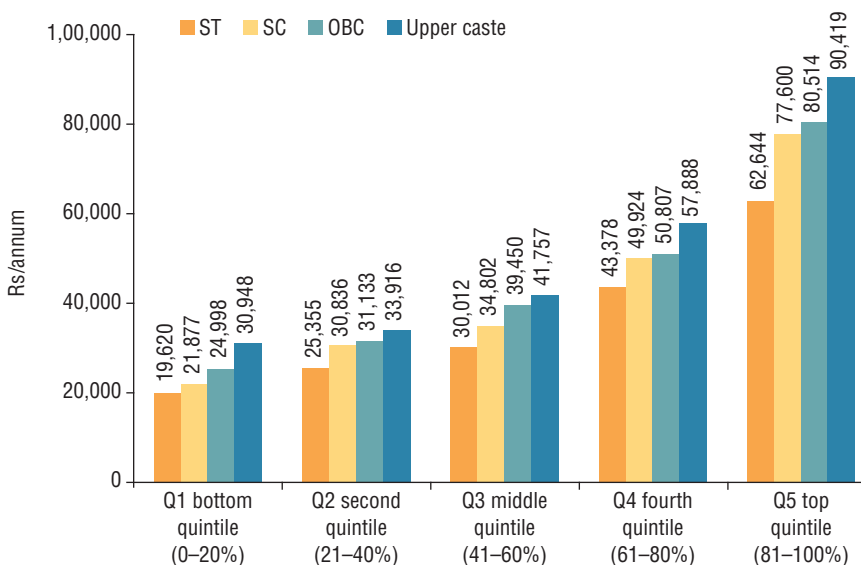
6 times higher ownership of cars than ST households (3 per cent versus 0.5 per cent, respectively). The difference narrows to under 3 per cent in the case of households that have larger landholdings (13 versus 5 for upper caste and ST households respectively).

**FIGURE 3.26: Ownership Pattern of Select Consumer Goods by Large Farmers**

Source: NSHIE (2004–05), NCAER.

### Per Capita Income Quintiles

Expenditure variations tend to be highest at the level of the bottom quintile (upper castes in the bottom quintile tend to spend 58 per cent more than their ST counterparts; Figure 3.27). In the highest income

**FIGURE 3.27: Estimates of Household Expenditure by Per Capita Income Quintiles (Rs/annum)**

**Source:** NSHIE (2004–05), NCAER.

quintile, the difference reduces to 44 per cent (Rs 90,419 per annum versus Rs 62,644 per annum, respectively).

Anywhere between 55–60 per cent of SC/ST households are in the lowest two quintiles compared to just 25 per cent for the upper castes (Table 3.22). This fact ensures that the average spending levels of SC/STs hovers around 55 per cent of that of the upper castes. In general, the lowest quintile has a spending efficiency of just around half, with 18 per cent of the households but around 9 per cent of the expenditure (Tables 3.22 and 3.23). The top quintile has an efficiency of 1.8 (22 per cent of the households spend nearly 40 per cent of the total; Table 3.24). The SC/STs have around 11 per cent each of their households in this group while nearly a third of the upper castes constitute the highest income quintile.

Of the total number of households in the country, 2.9 per cent are ST and belong to the lowest income quintile, accounting for 1.2 per cent of the total expenditure of all households (an efficiency factor of 0.41). The upper castes have 11.6 per cent of their households in the top-most quintile. These households account for 21.8 per cent of India's expenditure, resulting in an efficiency factor of 1.89.

**TABLE 3.22: Distribution of Households by Per Capita Income Quintiles (% to total)**

Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q1 bottom quintile (0–20%)	2.9	4.5	7.1	3.3	17.8
Q2 second quintile (21–40%)	2.0	4.2	8.3	4.7	19.2
Q3 middle quintile (41–60%)	1.5	3.5	8.9	6.3	20.2
Q4 fourth quintile (61–80%)	1.0	2.6	8.8	8.2	20.6
Q5 top quintile (81–100%)	0.9	1.8	8.0	11.6	22.3
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 3.23: Distribution of Expenditure by Per Capita Income Quintiles (% to total)**

Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q1 bottom quintile (0–20%)	1.2	2.1	3.7	2.1	9.1
Q2 second quintile (21–40%)	1.1	2.7	5.4	3.3	12.5
Q3 middle quintile (41–60%)	0.9	2.6	7.3	5.5	16.3
Q4 fourth quintile (61–80%)	0.9	2.7	9.3	9.9	22.8
Q5 top quintile (81–100%)	1.2	3.0	13.4	21.8	39.4
All-India	5.2	13.0	39.1	42.7	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 3.24: Impact Per Capita Income Quintiles on Spending (efficiency factor)**

Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q1 bottom quintile (0–20%)	0.41	0.46	0.52	0.65	0.51
Q2 second quintile (21–40%)	0.53	0.64	0.65	0.71	0.65
Q3 middle quintile (41–60%)	0.63	0.73	0.82	0.87	0.81
Q4 fourth quintile (61–80%)	0.91	1.04	1.06	1.21	1.11
Q5 top quintile (81–100%)	1.31	1.62	1.68	1.89	1.77
All-India	0.63	0.78	0.95	1.25	1.00

Source: NSHIE (2004–05), NCAER.

The SCs and STs benefit the most from the move into the upper income quintiles. So, when SC/STs are in the bottom quintile, they have an expenditure efficiency of just 60 per cent or so—35.4 per cent of ST households are in the lowest income quintile and spend just 23.1 per cent of the expenditure of all ST households. In the case of SCs, the figures are 26.1 and 15.8 per cent, respectively. When both groups move to the top income quintile, their efficiency rises by 100 per cent—both castes have 11 per cent of their households in this group, accounting for 22.8 per cent each of the expenditures by their entire caste group. By contrast, in the case of upper caste households, the efficiency

is around 1.5: that is, 34 per cent of the households account for 51 per cent of the expenditure.

On average, irrespective of their caste, households in the top quintile (Q5) tend to spend around 3.5 times that of those in the lowest quintile; households in the fourth quintile tend to spend double that of those in the lowest quintile.

Also, the differences in expenditure patterns tend to be the least in the higher income quintiles (Table 3.25). So, while the ST household in the lowest quintile spends just around two-thirds that of the upper caste household in the same quintile (Rs 19,620 versus Rs 30,948), this difference reduces to around 30 per cent in the top quintile (Rs 62,644 for the ST family versus Rs 90,419 for the upper caste family).

**TABLE 3.25: Explaining Rise in Household Expenditure Levels Taking Lowest Quintile as a Base (Rs/annum)**

Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q5 top quintile (81–100%)	43,024	55,723	55,516	59,471	60,293
Q4 fourth quintile (61–80%)	23,758	28,047	25,809	26,940	28,780
Q3 middle quintile (41–60%)	10,392	12,925	14,452	10,809	14,292
Q2 second quintile (21–40%)	5,735	8,959	6,135	2,968	6,762
Q1 bottom quintile (0–20%)	19,620	21,877	24,998	30,948	24,394

**Source:** NSHIE (2004–05), NCAER.

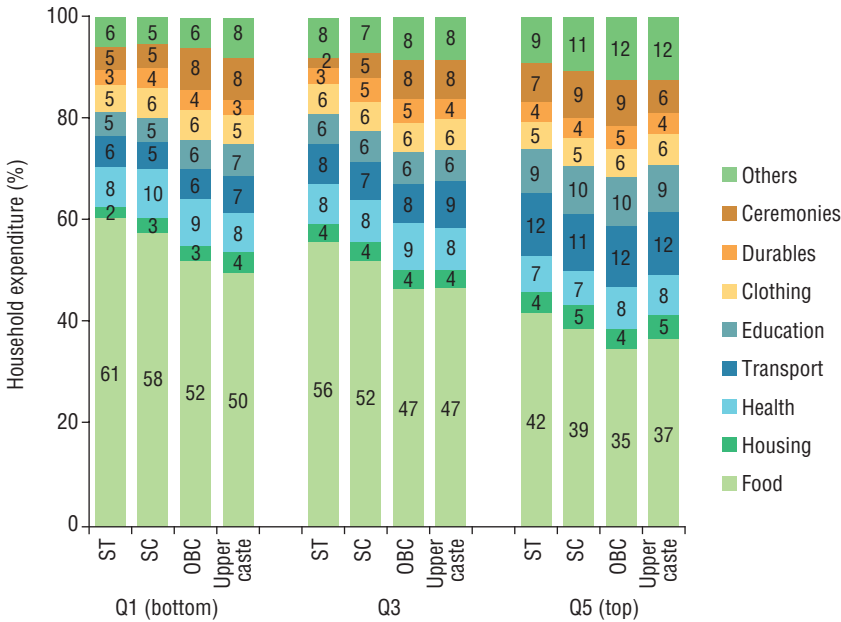
While families in the lowest quintile spend around 54 per cent of their annual expenditure on food, this falls to around 37 per cent in the top quintile (Figure 3.28). Expenditure on education remains broadly similar across income quintiles (5 per cent for STs in the lowest quintile versus 7 per cent for upper castes); this rises to around 9 per cent each in the top quintile.

On average, households in the top income quintile, regardless of caste, tend to have much higher ownership patterns. So, on average, 21 per cent of those in the top quintile own a car, compared to just 0.6 per cent for those in the bottom quintile; the figures are 71 per cent and 8 per cent, respectively, for two-wheelers, and 77 per cent and 7 per cent for colour televisions.

In the case of two-wheelers, upper castes in the lowest quintile have 5 times higher ownership than STs (15 per cent versus 3 per cent, respectively); 1.3 times in the case of STs and upper caste households in the top quintile (Figures 3.29 and 3.31). Similarly, 14 per cent of the



**FIGURE 3.28: Distribution of Expenditure by Per Capita Income Quintiles (% to total)**



Source: NSHIE (2004–05), NCAER.

upper castes in the lowest quintile own colour televisions compared to nearly 2 per cent among the STs; the figure is 82 per cent and 64 per cent, respectively, for the top quintile.

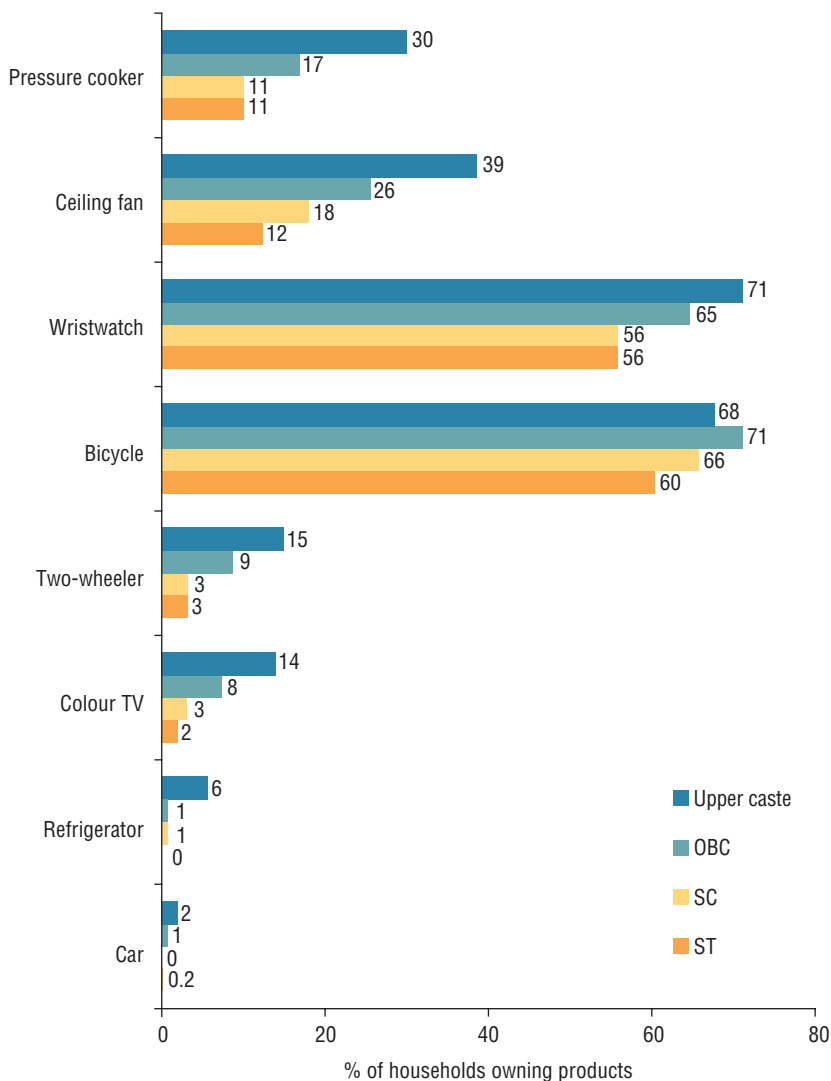
The ownership pattern of selected consumer goods of median quintile households reflects that 11 per cent of the upper caste households belonging to this category own refrigerators, which declines to just 1 per cent for STs. However, the ownership pattern of products like cars remains the same as in the case of the lowest quintile households (Figure 3.30).

### Urbanisation

While there are large differences in expenditure patterns across rural areas and cities, the differences are by far the largest in rural India. So, the average ST family spends around 42 per cent less than the average upper caste family in rural India. This difference falls to around 30 per cent in cities with more than a million people.

There is, of course, a very large change in expenditure patterns with the move from rural India to big towns. For an average ST family,

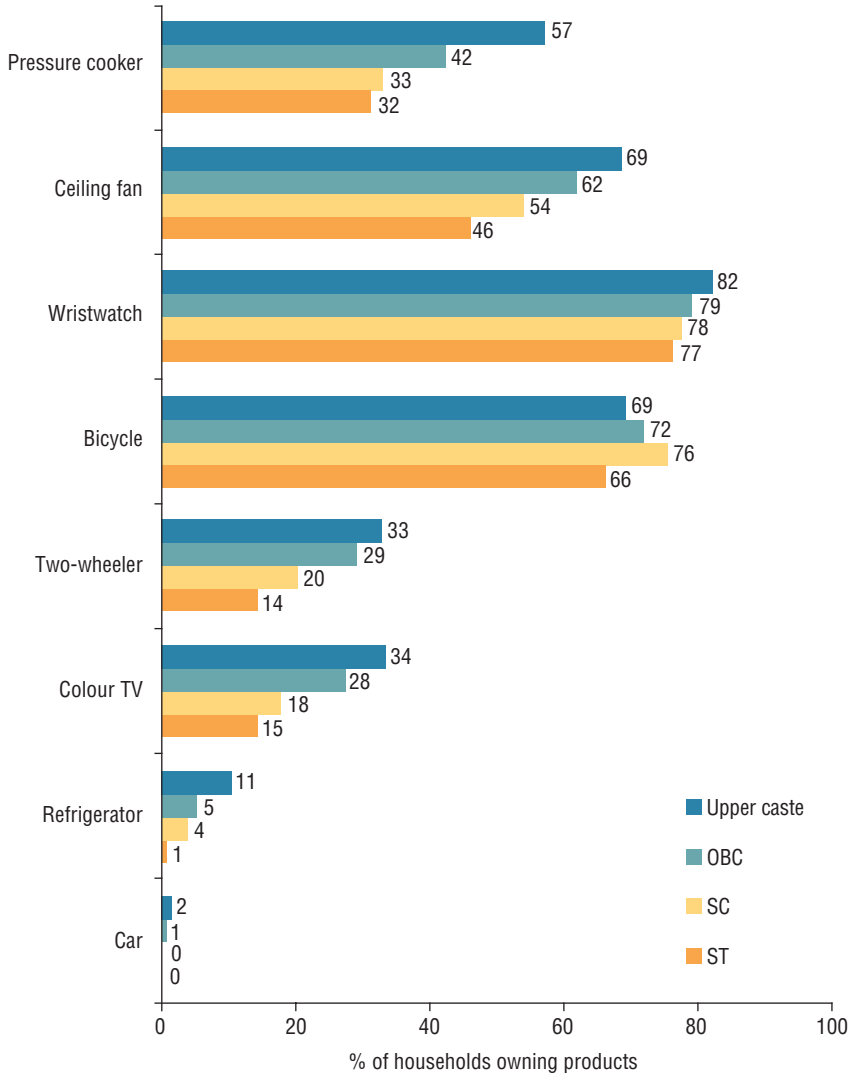
**FIGURE 3.29: Ownership Pattern of Select Consumer Goods by Households in the Bottom Quintile**



**Source:** NSHIE (2004–05), NCAER.

expenses rise from Rs 28,097 per annum in rural India to Rs 57,615 in cities with over a million people. For the upper castes, the rise is from Rs 48,304 to Rs 83,259. These figures reveal the positive impact of urbanisation is greater for ST families (Figure 3.32). Given that upper castes and OBCs tend to have a greater proportion of households in big

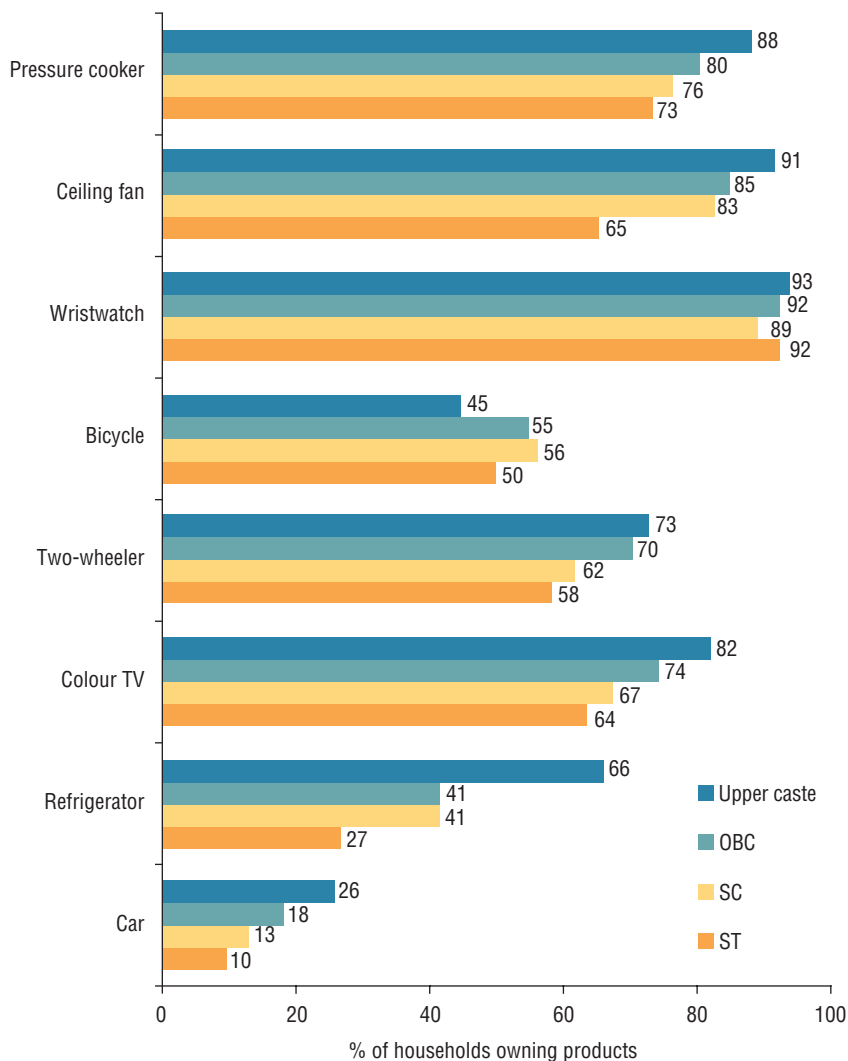
**FIGURE 3.30: Ownership Pattern of Select Consumer Goods by Households in the Median Quintile**



**Source:** NSHIE (2004–05), NCAER.

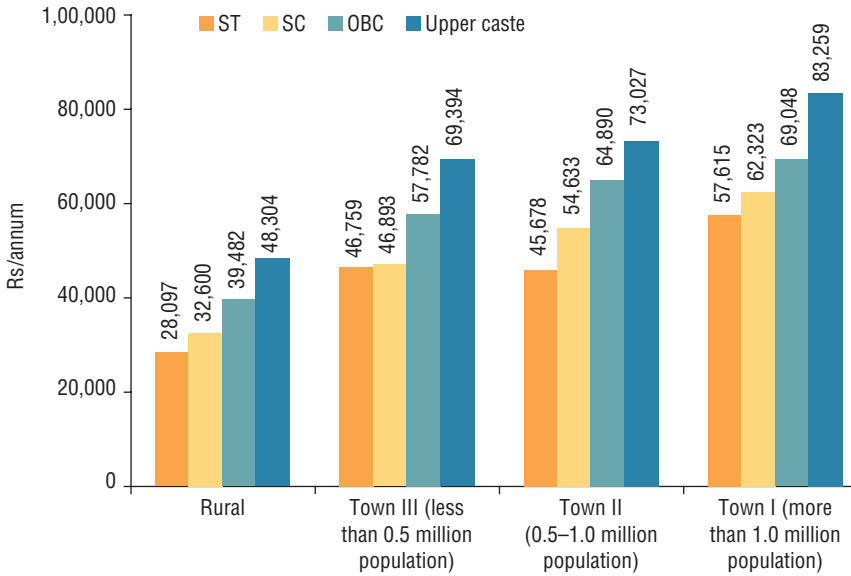
cities (around 15 per cent each), it is not surprising that their expenditure patterns are higher.

Each group benefits by moving from rural areas to towns and from smaller to larger towns, but SC/ST families benefit more from moving to small and medium-sized towns than they do from moving into very large

**FIGURE 3.31: Ownership Pattern of Select Consumer Goods by Households in the Top Quintile**

**Source:** NSHIE (2004–05), NCAER.

million-plus cities (Table 3.26). STs in rural areas have an expenditure efficiency of 0.59, forming as they do 90.2 per cent of the households (Table 3.27) and 82.6 per cent of the expenditure (Table 3.28). This rises to around 1 when they move to cities with a population of under 0.5 million, which further rises to 1.2 in the 1 million-plus cities.

**FIGURE 3.32: Estimates of Household Expenditure by Location (Rs/annum)**

Source: NSHIE (2004-05), NCAER.

**TABLE 3.26: Impact of Location on Spending (efficiency factor)**

Location	ST	SC	OBC	Upper caste	Total
Rural	0.59	0.68	0.82	1.01	0.82
Town III (less than 0.5 million population)	0.98	0.98	1.21	1.45	1.26
Town II (0.5-1 million population)	0.95	1.14	1.35	1.52	1.39
Town I (more than 1 million population)	1.20	1.30	1.44	1.74	1.59
All-India	0.63	0.78	0.95	1.25	1.00

Source: NSHIE (2004-05), NCAER.

**TABLE 3.27: Distribution of Households by Location (% to total)**

Location	ST	SC	OBC	Upper caste	Total
Rural	7.4	12.8	29.8	20.0	70.1
Town III (less than 0.5 million population)	0.5	2.0	6.3	5.4	14.2
Town II (0.5-1.0 million population)	0.1	0.4	1.3	1.4	3.2
Town I (more than 1.0 million population)	0.3	1.4	3.6	7.2	12.5
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004-05), NCAER.

**TABLE 3.28: Distribution of Expenditure by Location (% to total)**

Location	ST	SC	OBC	Upper caste	Total
Rural	4.3	8.7	24.6	20.2	57.8
Town III (less than 0.5 million population)	0.5	2.0	7.5	7.9	17.9
Town II (0.5–1.0 million population)	0.1	0.5	1.8	2.2	4.5
Town I (more than 1.0 million population)	0.3	1.8	5.2	12.4	19.8
All-India	5.2	13.0	39.1	42.7	100.0

**Source:** NSHIE (2004–05), NCAER.

Therefore, of the total number of households in the country, 7.4 per cent are ST and in rural areas, and account for 4.3 per cent of the total expenditure of all households (or have an efficiency factor of 0.59). Of the total number of households, 7.2 per cent are upper caste and live in larger cities; these households account for 12.4 per cent of India's expenditure, resulting in an efficiency factor of 1.74.

While households in cities with a population of a million or more tend to spend almost twice more than those in rural areas, the difference is the greatest in the case of STs and the least in the case of the upper castes: STs in big cities tend to spend twice as much as those in rural areas while the difference is 1.7 times for the upper castes.

Differences across castes are also the smallest in big cities (Table 3.29). In rural areas, STs spend Rs 28,097 versus Rs 48,304 for upper castes (60 per cent); in big cities, this difference narrows and STs spend 70 per cent of what the upper castes do.

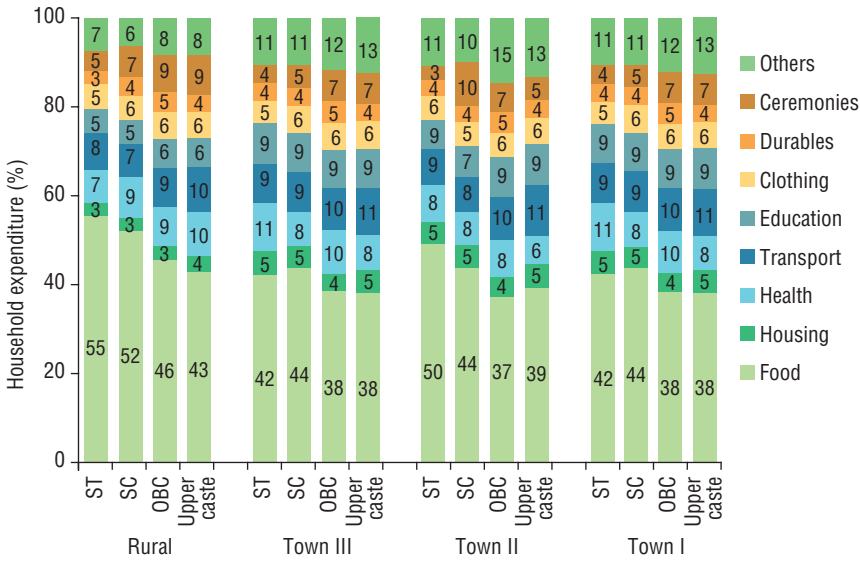
**TABLE 3.29: Explaining the Rise in Household Expenditure Levels Taking Rural Areas as a Base (Rs/annum)**

Location	ST	SC	OBC	Upper caste	Total
Town I (more than 1 million population) Q5 (Top)	29,519	29,723	29,566	34,955	36,639
Town II (0.5–1 million population) Q4	17,582	22,033	25,408	24,723	27,179
Town III (less than 0.5 million population)	18,662	14,293	18,300	21,090	20,768
Rural	28,097	32,600	39,482	48,304	39,541

**Source:** NSHIE (2004–05), NCAER.

As compared to around 46 per cent in rural areas, households in big cities tend to spend around 40 per cent of their expenditures on food. Expenditure on education rises from 5 per cent for STs and 6 per cent for upper castes in rural areas to 9 per cent for both STs and upper castes in big cities (Figure 3.33).

FIGURE 3.33: Distribution of Expenditure by Location (% to total)



Source: NSHIE (2004–05), NCAER.

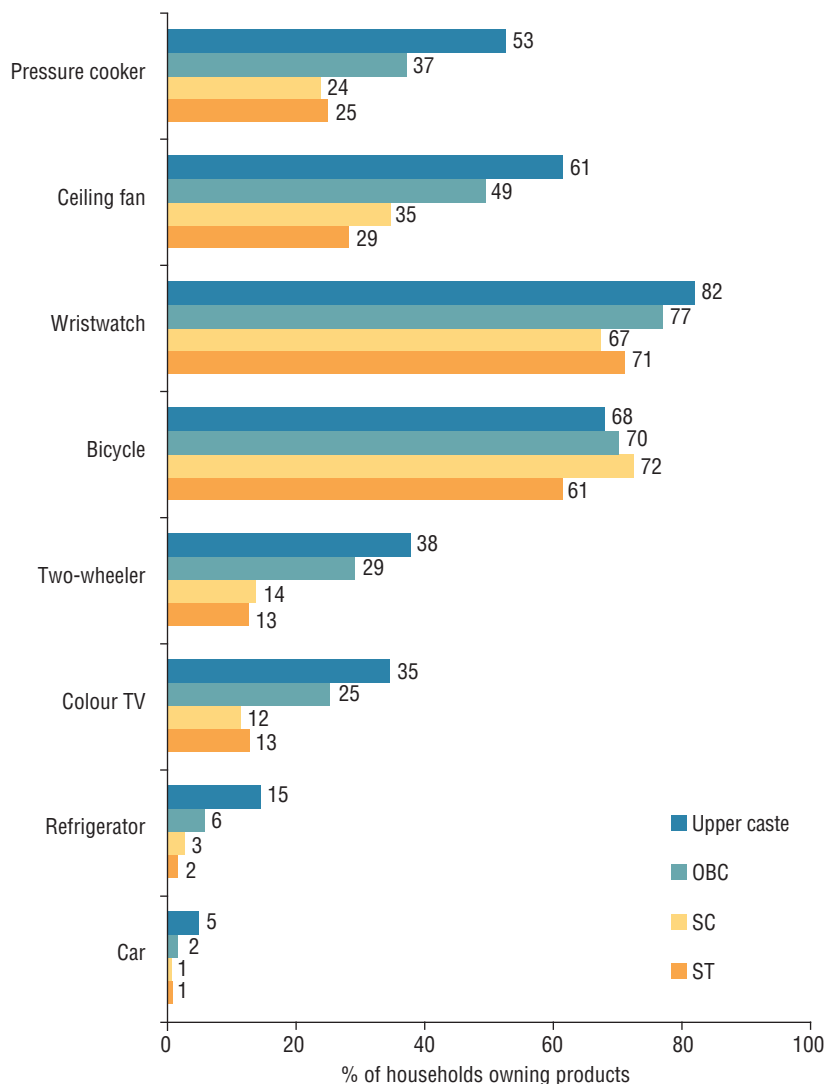
As in other categories, the biggest differences in ownership do not occur across caste groups. Of the upper caste households in rural areas, 5 per cent own a car as compared to a little over 1 per cent for ST families (Figure 3.34). But when it comes to ST households in cities with more than a million people, ownership rises to over 14 per cent. For upper caste households in cities with more than a million people, this rises to over 25 per cent (Figure 3.35).

For two-wheelers, rural usage levels rise from 13 per cent for STs to 38 per cent for upper castes (Figure 3.34). But this rises to 55 per cent for STs and 67 per cent for upper castes in cities which have more than a million people (Figure 3.35).

### Regional Disparity<sup>1</sup>

As in the case of rural to urban migration, movement across state categories (from poorer to richer states) benefits the STs more (Figure 3.38).

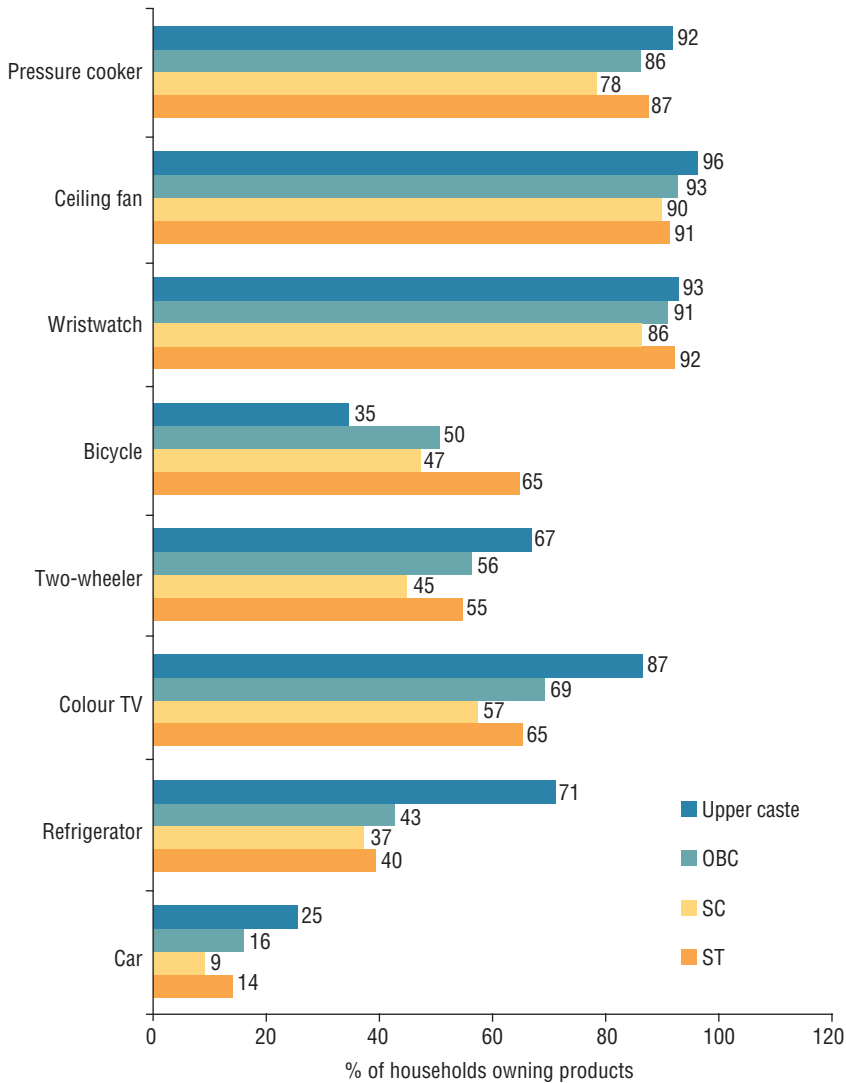
<sup>1</sup> *Low income states:* Bihar, Uttar Pradesh, Orissa, Madhya Pradesh, Rajasthan, Chhattisgarh and Jharkhand; *Middle income states:* Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and West Bengal; *High income states:* Goa, Gujarat, Haryana, Maharashtra, Punjab, Puducherry, Chandigarh and Delhi; *Hill states:* Assam, Meghalaya, Uttaranchal and Himachal Pradesh

**FIGURE 3.34: Ownership Pattern of Select Consumer Goods by Households in Rural Areas**

**Source:** NSHIE (2004–05), NCAER.

An upper caste family's expenditure rises by just around 1 per cent (Rs 60,701 to Rs 63,176) while that of an ST family rises by around 29 per cent (Rs 25,278 to Rs 32,567). It is not so much the movement to the state that makes the difference as it is the size of the city to which the movement is being made from rural India.

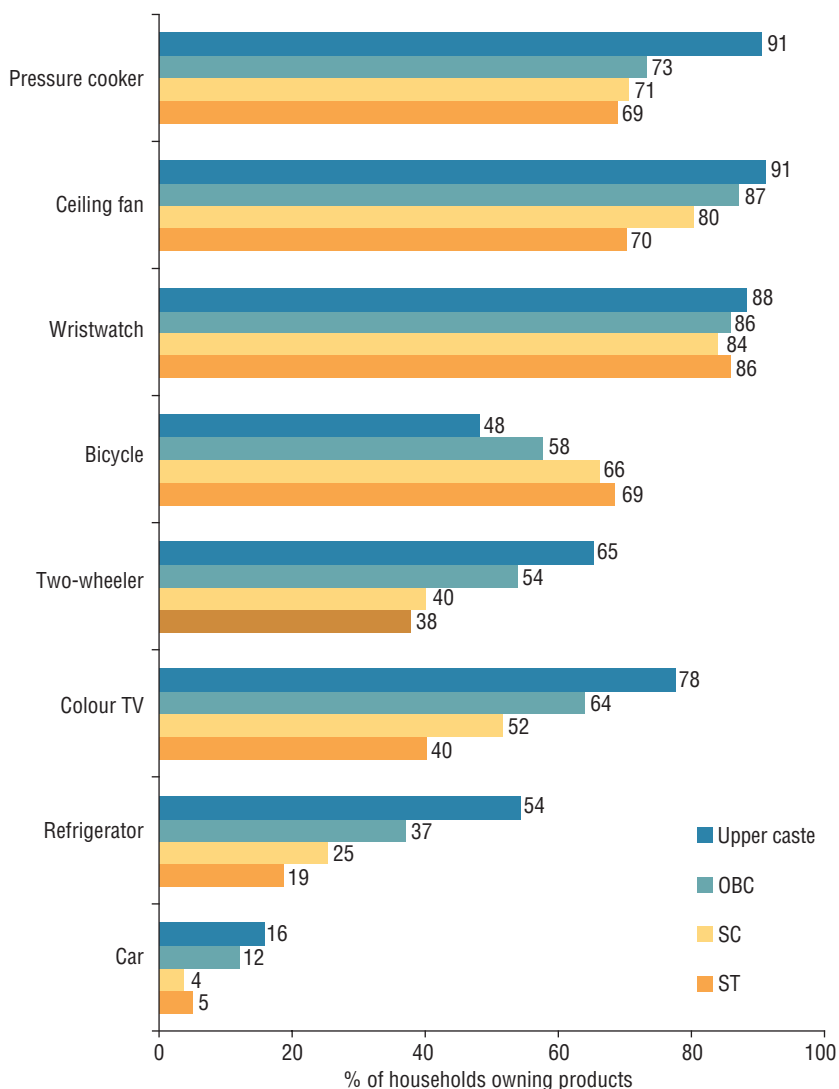


**FIGURE 3.35: Ownership Pattern of Select Consumer Goods by Households in Town I**

**Source:** NSHIE (2004–05), NCAER.

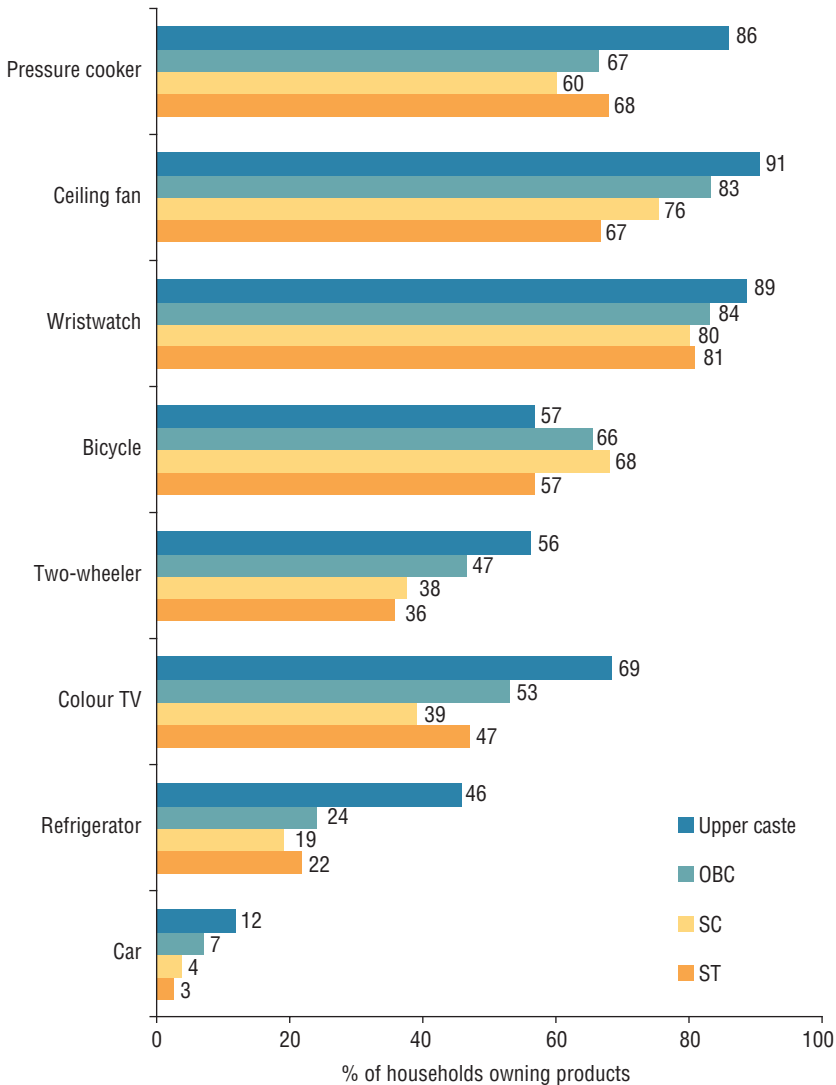
Differences in expenditure levels of the STs and upper castes are highest in low income states, with upper castes spending 2.4 times more than STs. This declines to 1.9 in high income states and is virtually similar in hill states.

While STs tend to increase their levels of prosperity/efficiency as they move from low income to hill states, there is a decline in efficiency on

**FIGURE 3.36: Ownership Pattern of Select Consumer Goods by Households in Town II**

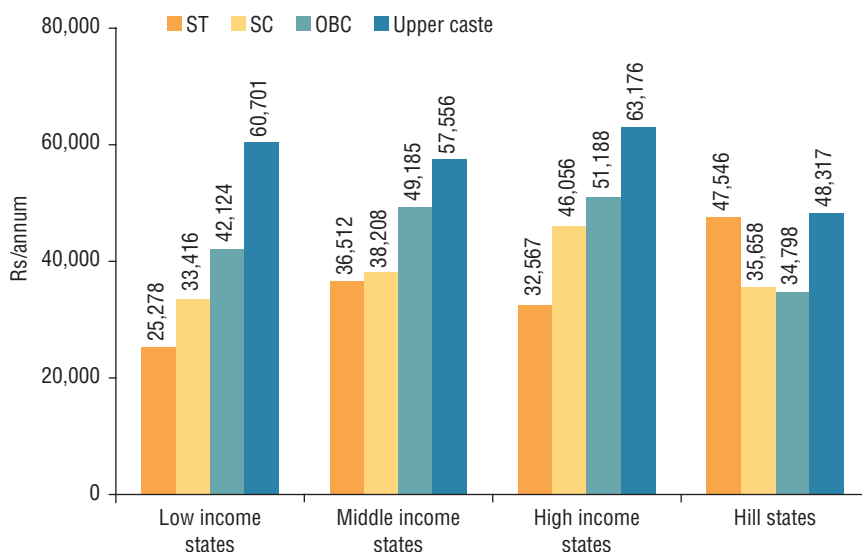
**Source:** NSHIE (2004–05), NCAER.

moving beyond high income states for both SCs and OBCs; for upper castes, moving across states makes little difference. Efficiency levels for STs rise from 0.5 in low income states to 1 in hill states (6.3 per cent of population and 9.9 per cent of expenditure); for SCs, the highest levels of 1 are achieved in high income states (Table 3.30).

**FIGURE 3.37: Ownership Pattern of Select Consumer Goods by Households in Town III**

**Source:** NSHIE (2004–05), NCAER.

So, of the total number of households in the country, 4.4 per cent are ST and belong to low income states (Table 3.31). These households account for 2.3 per cent of the total expenditure of all households (Table 3.32) or have an efficiency factor of 0.53. Of the total number of households, 11.6 per cent are upper caste and reside in high income

**FIGURE 3.38: Estimates of Household Expenditure by State of Residence (Rs/annum)**

Source: NSHIE (2004–05), NCAER.

**TABLE 3.30: Impact of State of Residence on Spending (efficiency factor)**

State of residence	ST	SC	OBC	Upper caste	Total
Low income states	0.53	0.70	0.88	1.27	0.91
Middle income states	0.76	0.80	1.03	1.20	1.03
High income states	0.68	0.96	1.07	1.32	1.16
Hill states	0.99	0.74	0.73	1.01	0.87
All-India	0.63	0.78	0.95	1.25	1.00

Source: NSHIE (2004–05), NCAER.

**TABLE 3.31: Distribution of Households by State of Residence (% to total)**

State of residence	ST	SC	OBC	Upper caste	Total
Low income states	4.4	7.6	18.2	10.9	41.1
Middle income states	1.6	5.8	15.9	10.0	33.2
High income states	1.7	3.0	5.2	11.6	21.5
Hill states	0.5	0.3	1.8	1.6	4.1
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 3.32: Distribution of Expenditure by State of Residence (% to total)**

State of residence	ST	SC	OBC	Upper caste	Total
Low income states	2.3	5.3	16.0	13.8	37.4
Middle income states	1.2	4.6	16.3	12.0	34.1
High income states	1.2	2.9	5.6	15.3	24.9
Hill states	0.5	0.2	1.3	1.6	3.6
All-India	5.2	13.0	39.1	42.7	100.0

Source: NSHIE (2004–05), NCAER.

states, accounting for 15.3 per cent of India's expenditure, resulting in an efficiency factor of 1.32.

Expenditure patterns across states vary the most for SCs—those in high income states spend around a third more than those in low income states. The figure is a much lower 2 per cent for upper castes. In general, ST families tend to spend around half of what is spent by upper caste families, as more of them live in low income states (54 versus 32 per cent) and much less in high income states (21 per cent versus 34 per cent).

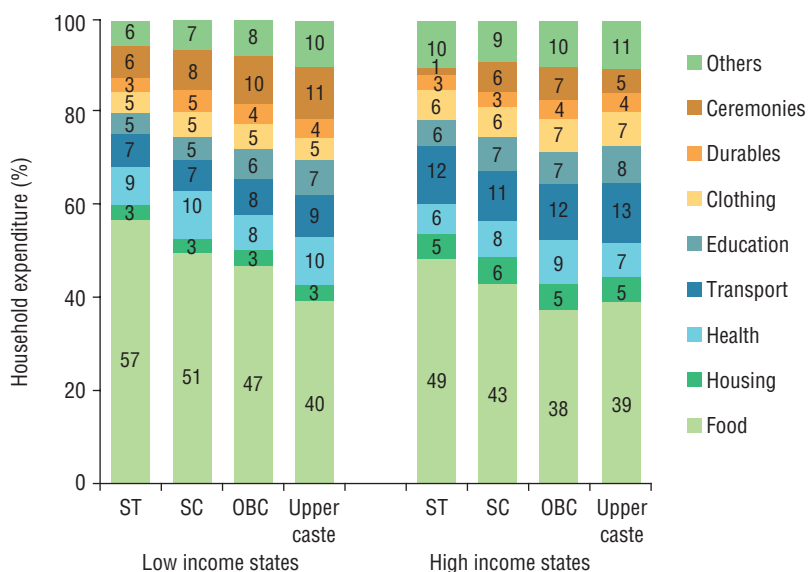
**TABLE 3.33: Explaining Rise in Household Expenditure Levels Taking Hill States as a Base (Rs/annum)**

State of residence	ST	SC	OBC	Upper caste	Total
High income states	-14,979	10,398	16,390	14,860	13,893
Middle income states	-11,034	2,550	14,387	9,239	7,668
Low income states	-22,268	-2,242	7,326	12,384	2,050
Hill states	47,546	35,658	34,798	48,317	41,549

Source: NSHIE (2004–05), NCAER.

While households in low income states spend more on food than they do in higher income states, the difference across caste groups is obvious (Figure 3.39). In low income states, ST families spend 57 per cent of their expenditure on food as compared to 40 per cent for upper caste households; the figures are 49 and 39 per cent, respectively, in high income states. For education, ST families in low income states spend 5 per cent versus 7 per cent for upper castes; the figure is 6 versus 8 per cent in high income states.

**FIGURE 3.39: Distribution of Expenditure by State of Residence (% to total)**

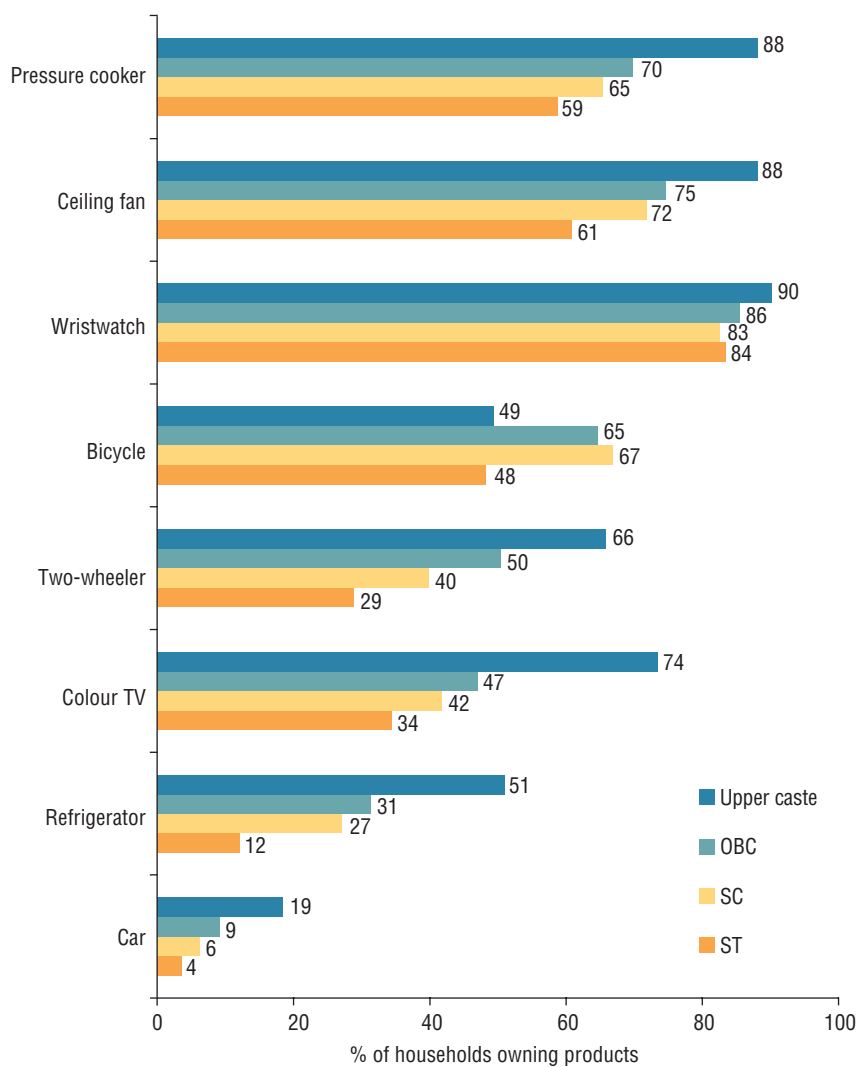


**Source:** NSHIE (2004–05), NCAER.

On average, car ownership levels are around 5.0 times as high in high income states; the figure is 2.3 times for two-wheelers and 3.5 times for colour televisions (Figure 3.40).

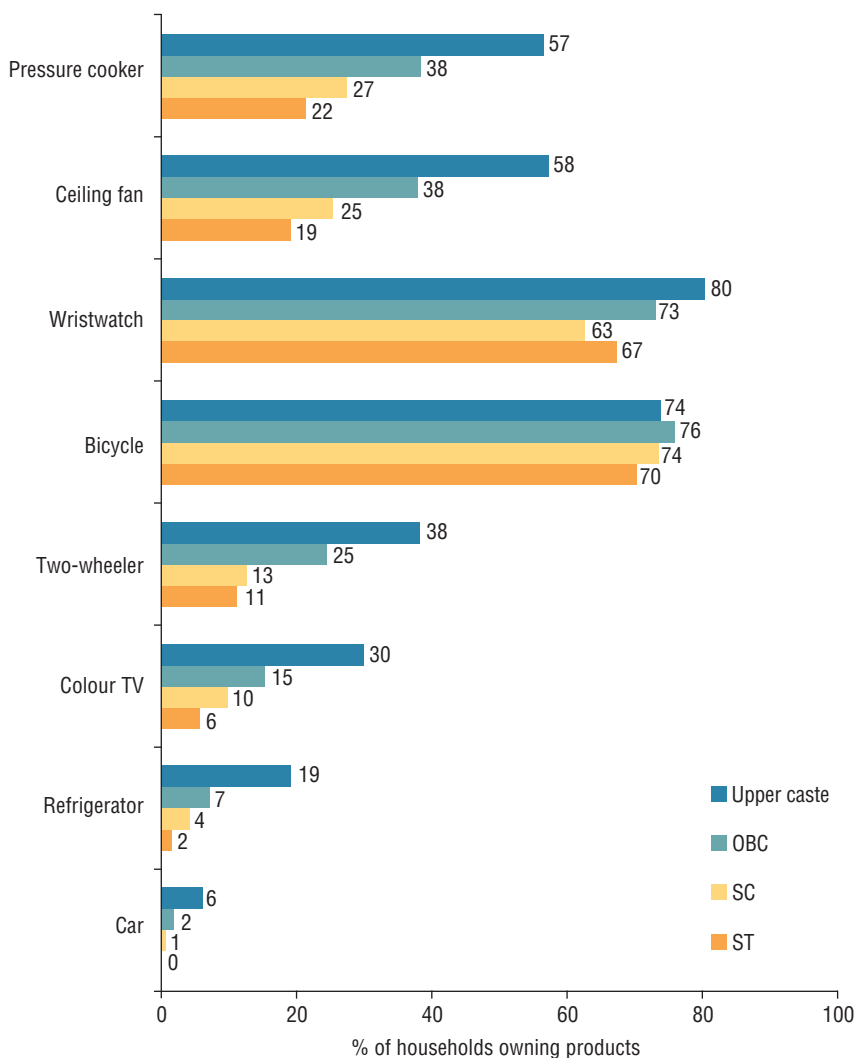
Less than 1 per cent of ST households own a car as compared to 6 per cent for upper caste households in low income states (Figure 3.41). When it comes to high income states, the difference is not as much and varies from 4 to 19 per cent. Similar changes can be seen in the case of two-wheelers and colour televisions.

FIGURE 3.40: Ownership Pattern of Select Consumer Goods in High Income States



Source: NSHIE (2004-05), NCAER.

**FIGURE 3.41: Ownership Pattern of Select Consumer Goods in Low Income States**



**Source:** NSHIE (2004–05), NCAER.



## 4 SAVINGS

Given their overall income and expenditure patterns, it is not surprising that SC households in the country have the least surplus income (Rs 8,512), around a third that of upper caste households (Rs 26,636). In overall terms, ST households account for 5 per cent of the country's total savings, SC households account for 8.3 per cent, OBCs 33.7 per cent and upper caste households 53 per cent (Table 4.1 and Figure 4.1).

**TABLE 4.1: Estimates of Household Income and Savings**

Social group	Average annual household income (Rs)	Average annual household savings (Rs)	Share of savings to income (%)
ST	40,753	10,425	25.6
SC	45,889	8,512	18.5
OBC	59,741	14,047	23.5
Upper caste	86,690	26,636	30.7
Total	65,041	17,111	26.3

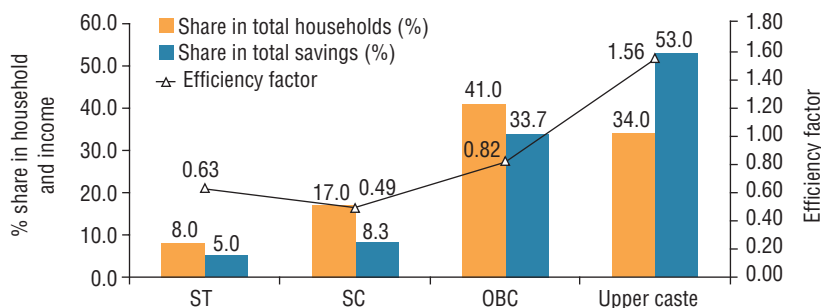
**Source:** NSHIE (2004–05), NCAER.

Since ST households account for 8 per cent of the total number of households in the country but just 5 per cent of surplus income, they could be said to have an efficiency factor of 0.63. SC households have an even lower efficiency factor, 0.49; OBCs are around 0.82 and upper caste households have an efficiency factor of 1.56—that is, upper caste households account for 34 per cent of the country's households but 53 per cent of the total surplus income (Figure 4.1).

As we have seen in the analysis of income and expenditure, including the ownership of durables, much of this difference does not seem to be driven by caste; rather it seems to be driven more by factors such as income, education, the size of cities the households are located in and the kind of jobs they are engaged in.

Given their higher income levels as well as higher efficiency factors, upper caste households tend to account for the bulk of all types of savings: 56 per cent of cash balances, 49 per cent of land and 47 per cent of financial savings. Savings of ST households tend to be mostly in cash (73 per cent) and, correspondingly, the least in physical and financial

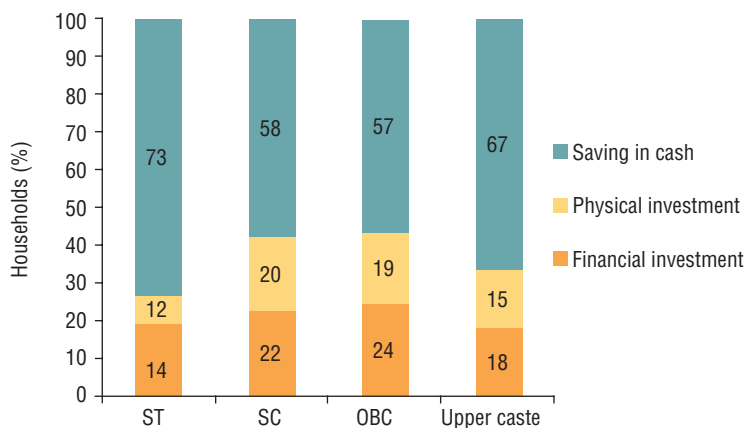
**FIGURE 4.1: Distribution of Households and Savings by Social Group (% to total)**



**Source:** NSHIE (2004–05), NCAER.

assets (Figure 4.2). SC households save around 58 per cent of their surplus incomes in cash and the figure goes up to 67 per cent for upper caste households. SCs and OBCs tend to have the highest proportion of savings in financial assets, but given the higher absolute savings of the upper castes, they have a higher share of overall financial savings in the country.

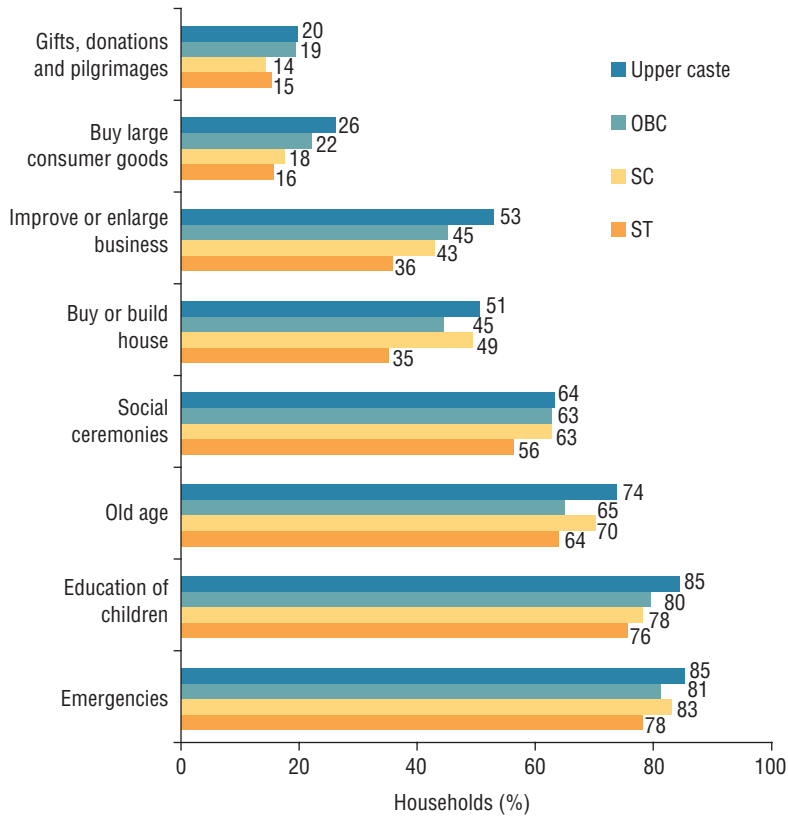
**FIGURE 4.2: Distribution of Surplus Income by Mode of Saving (% to total)**



**Source:** NSHIE (2004–05), NCAER.

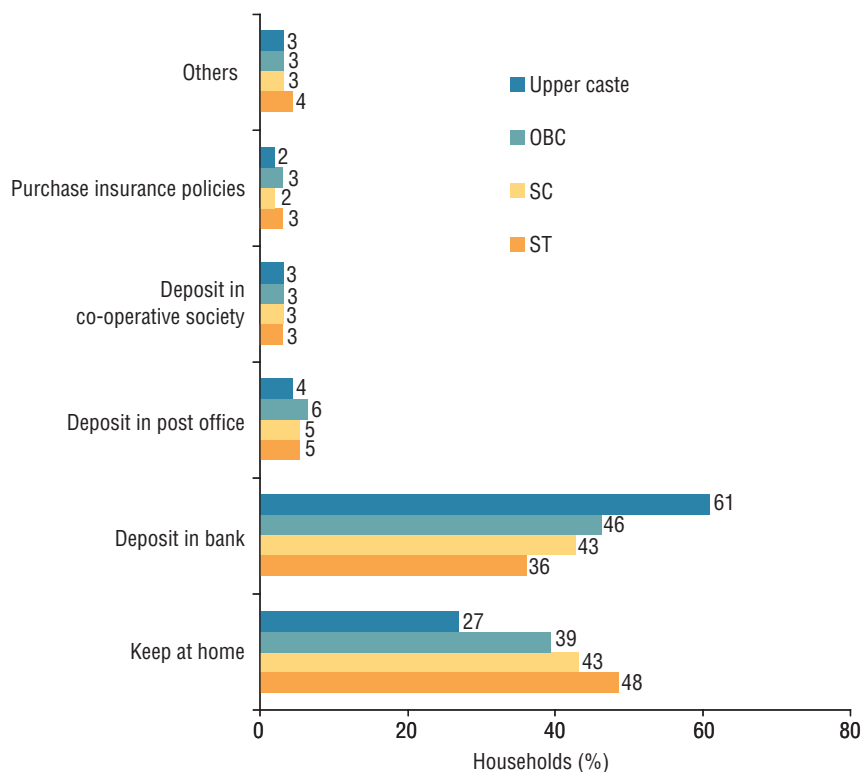
**Note:** Financial instruments include investments made in the stock market, small savings and life insurance. Physical instruments include investments made in jewellery, consumer durables and others. Surplus income = total household income – total household expenditure. In this book, ‘saving’ is used frequently as a synonym for ‘surplus income’.

The reasons for saving are many: emergencies, children’s education, buying a house, expanding the business, social ceremonies, buying durables, etc (Figure 4.3). Saving for emergencies was accorded top priority

**FIGURE 4.3: Motivation for Saving (% to total)**

**Source:** NSHIE (2004–05), NCAER.

by all categories of households, varying from 78 per cent for STs to 85 per cent for the upper castes. Children's education was the next priority. Despite the lack of a social security system in the country, saving for old age was not thought to be as important as these two, and came in at the third position. Following this came social ceremonies like marriages, ranging from 56 per cent (ST) to 64 per cent (upper castes). Buying or building a house got relatively low priority: 35 per cent of STs, 49 per cent of SCs, 45 per cent of OBCs and 51 per cent of upper caste households. Similar was the case with saving to improve or expand the business. Households also saved for buying large consumer goods but their percentage was low ranging from 16 per cent for STs to 26 per cent for the upper castes. Saving for gifts, donations and pilgrimages was accorded the lowest priority.

**FIGURE 4.4: Preferred Mode of Saving (% to total)**

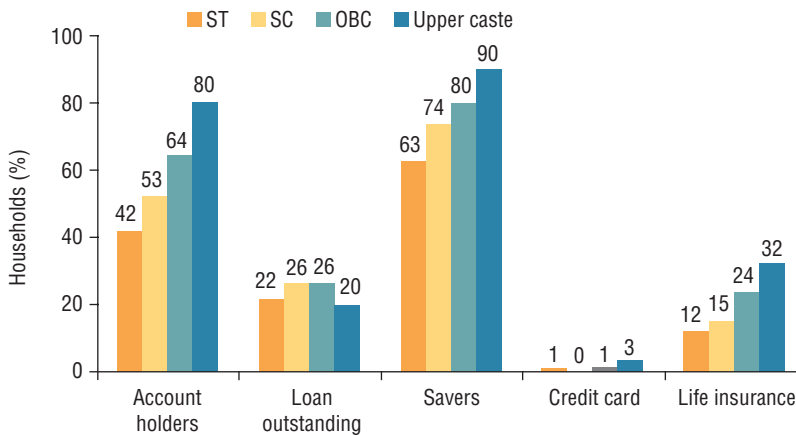
**Source:** NSHIE (2004–05), NCAER.

Keeping savings in banks was the most prevalent mode of saving surplus income across castes: 61 per cent of upper caste households, followed by 46 per cent of OBC, 43 per cent of SC and 36 per cent of ST households (Figure 4.4). Just reverse of this preference pattern was that for keeping savings at home: with the lowest (27 per cent) being the upper castes and the highest (48 per cent) in the case of ST households. Just 4–6 per cent of households across castes saved their surplus income in post offices, while only 3 per cent saved in cooperative societies. Purchasing insurance policies was not a common mode of saving/investment (2 per cent each of SC and upper caste and 3 per cent each of ST and OBC households).

The education level of the primary earner influences the occupation of the household to a considerable extent, and both these factors determine operating an account in a financial institution such as commercial banks, post offices, regional rural banks, etc. At an all-India level, 80 per cent

of upper caste households owned accounts in financial institutions, followed by OBC (64 per cent), SC (53 per cent) and ST (42 per cent) households (Figure 4.5). Predictably, the proportion of savers was higher than that of account holders in each social class but the pattern of savers was similar to that of account holders, ranging from 90 per cent for the upper castes down to 63 per cent for ST households.

**FIGURE 4.5: Saving-Related Household Behaviour (% to total)**

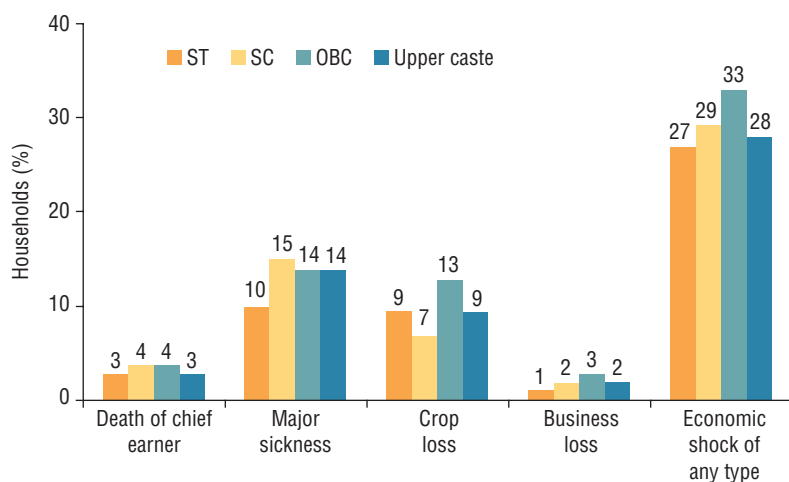


**Source:** NSHIE (2004–05), NCAER.

The chief economic hardships faced by all caste households were, by and large, the death of the primary earner, major illness of any household member, crop loss for farming households and business loss for those who were thus engaged (Figure 4.6). The incidence of these hardships faced by various social classes during 2000–05 indicated that:

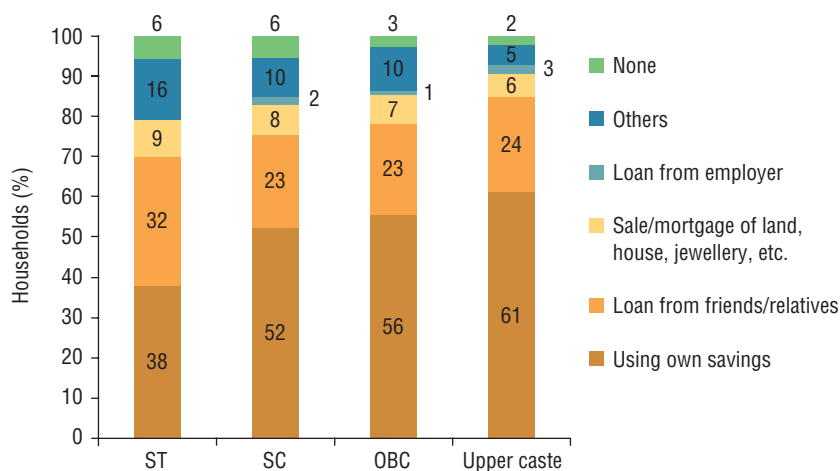
- There was not much variation in the proportion of death of chief earners among households of different social classes (3–4 per cent).
- Members of ST households had the lowest percentage of major illness (10 per cent) and SC households, the highest (15 per cent).
- The proportion of households that suffered crop loss during 2000–05 varied from 7 per cent of SC to 13 per cent of OBC households.
- Business loss was incurred by a small fraction of households of each social class—the lowest 1 per cent of ST and highest 3 per cent of OBC households.

The most common measure of coping with the death of the primary earner was to draw on personal savings, with 61 per cent of the upper

**FIGURE 4.6: Coping with Economic Hardship (% to total)**

**Source:** NSHIE (2004–05), NCAER.

caste, 56 per cent of OBC, 52 per cent of SC and 38 per cent of ST households taking recourse to this (Figure 4.7). The second economic coping mechanism was taking loans from friends/relatives: this ranged from 23 to 32 per cent. About 9 per cent of ST, 8 per cent of SC, 7 per cent of OBC and 6 per cent of upper caste households had to sell/mortgage assets like land, house and jewellery to deal with the crisis. Some of the households, perhaps the well-off ones, varying from 2 per cent of

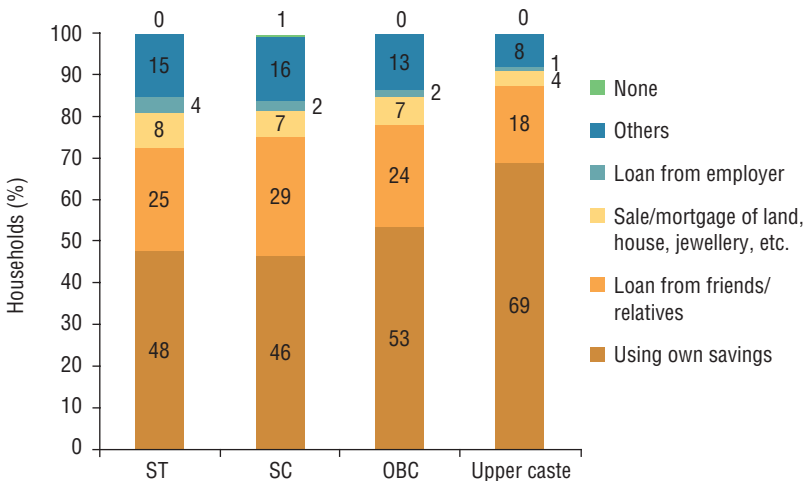
**FIGURE 4.7: Measures Taken to Cope with Death of Chief Earner (% to total)**

**Source:** NSHIE (2004–05), NCAER.

upper castes to 6 per cent of SC/STs, continued their routine without adopting any special measure. A negligible proportion of SC, OBC and upper caste households, between 1 and 3 per cent, took loans from their employers to mitigate the hardship (ST households did not use this coping mechanism at all).

In the case of major illness too, the most common measure adopted across castes was to use personal savings: 69 per cent of upper caste, 53 per cent of OBC, 48 per cent of ST and 46 per cent of SC households (Figure 4.8). While 18 per cent of the upper caste households took loans from friends/relatives, around one-fourth (23–29 per cent) of each of the other castes did the same. Some households—varying from 4 per cent among the upper castes to 8 per cent for STs—sold their assets to deal with the crisis. Loans from the employer was a limited option for most households, with 1 per cent of upper caste households to 4 per cent of ST households adopting this as an economic coping mechanism.

**FIGURE 4.8: Measures Taken to Cope with Major Sickness (% to total)**



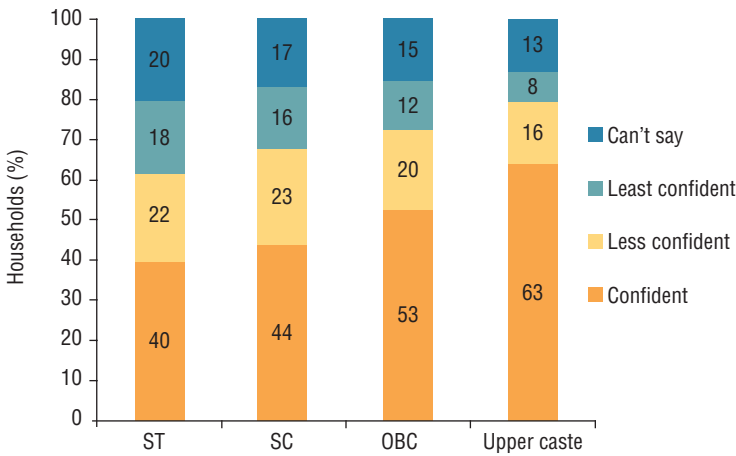
Source: NSHIE (2004–05), NCAER.

### Household Perception about Financial Security

A majority of households across caste groups expressed confidence in the stability of the source of income—the lowest percentage being ST (40 per cent) and highest being the upper caste households (63 per cent; Figure 4.9). The other side of the coin, in broad terms, comprised those households which were ‘least confident’ about the stability of their

household income: 18 per cent of STs and 8 per cent of upper castes. Households falling in the category of ‘can’t say’ consisted of 20 per cent of ST, 17 per cent of SC, 15 per cent of OBC and 13 per cent of upper caste households. The main reason for the greater level of confidence seemed to be the joint family and social system of Indian households which, by its very nature, provides financial security (or at least the confidence of security) to each member of the household. This could also be the reason for not assigning top priority to saving for old age.

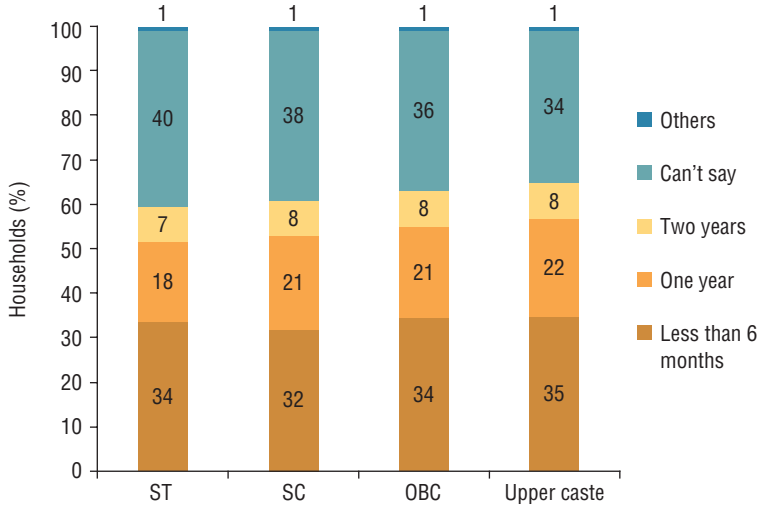
**FIGURE 4.9: Confidence in the Stability of the Source of Income (% to total)**



Source: NSHIE (2004–05), NCAER.

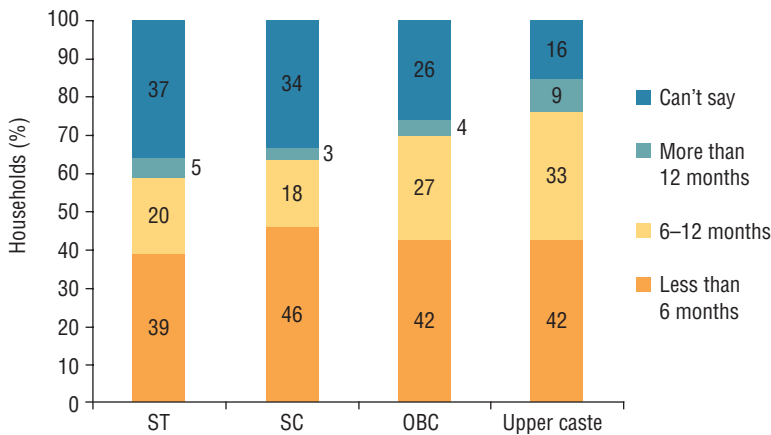
The time horizon perceived by the households to recover from loss of income, together with the level of confidence expressed in the stability of household income, is indicative of the financial planning that Indian households of various classes undertake. About one-third of households of each caste indicated that they could recover from such loss within six months (Figure 4.10). And between 18 and 22 per cent said that it would take a year to recover from the loss. Thus, simple arithmetic shows that over half of the households across castes (53 per cent of SC, 52 per cent of ST, 55 per cent of OBC and 57 per cent of upper caste) would take less than a year to recover from loss of income. About 8 per cent of households of each caste felt that they would take two years to overcome income loss. And 34 per cent of upper caste households, 36 per cent of OBC, 38 per cent of SC and 40 per cent of ST households were unsure of the time frame within which they would be able to find alternative sources of income. These figures, along with confidence in a stable source of income, point towards a lack of proper financial planning.



**FIGURE 4.10: Recovery Time in the Case of Loss of Income Source (% to total)**

Source: NSHIE (2004–05), NCAER.

A bulk of households across castes indicated that they could live off their current savings for up to six months in case of loss of income (Figure 4.11). Their percentage varied from 39 per cent for ST to 46 per cent for SC households; very few households across castes thought that their savings could sustain them beyond a year (ranging between 3 and 9 per cent). A significant proportion of households across castes was

**FIGURE 4.11: Sustainability on Current Savings in Case of Loss of Income Source (% to total)**

Source: NSHIE (2004–05), NCAER.

unable to estimate how long their savings could sustain them. The percentage of such households was highest in ST (37 per cent), followed by SCs (34 per cent), OBCs (26 per cent) and upper castes (16 per cent).

### Highest Level of Education

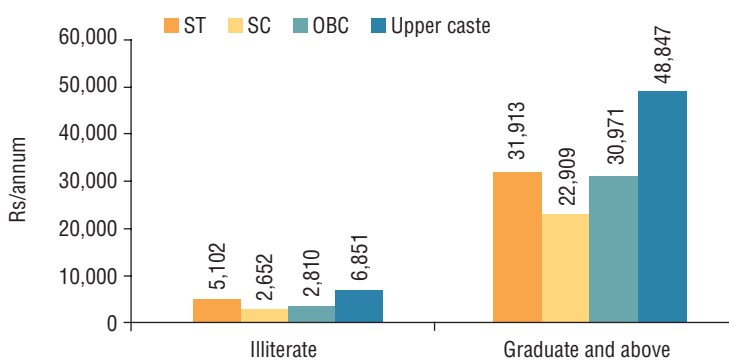
SC households tend to save the least, around a third that of the upper caste households. This is because SCs as a group tend to have among the highest proportion of households who have studied just till the 10th class (75 per cent); these are the households whose savings efficiency levels are below 0.7. Upper castes, in comparison, have nearly 3 times the proportion of graduates—12 per cent of ST households have at least one graduate as compared to 34 per cent for upper castes. Graduates have a savings efficiency level of over 2 (Table 4.2). In a nutshell, those social groups that have a higher proportion of graduates amongst them will be the ones that have higher savings levels (Figure 4.12).

**TABLE 4.2: Impact of Education Level on Saving (efficiency factor)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	0.30	0.15	0.16	0.40	0.23
Up to primary (5th)	0.28	0.19	0.26	0.33	0.26
Up to matriculation (10th)	0.44	0.33	0.50	0.75	0.54
Up to higher secondary (12th)	0.90	0.84	1.05	1.34	1.13
Graduate and above	1.87	1.34	1.81	2.85	2.29
All-India	0.61	0.50	0.82	1.56	1.00

Source: NSHIE (2004–05), NCAER.

**FIGURE 4.12: Estimates of Household Savings by Highest Level of Education (Rs/annum)**



Source: NSHIE (2004–05), NCAER.

Illiterates, who form around 4.4 per cent of the households, contribute just 1 per cent of the total savings in the country. Graduates, in contrast, comprise 23.3 per cent of the total number of households and account for around 53.4 per cent of savings (Tables 4.3 and 4.4).

**TABLE 4.3: Distribution of Households by Highest Level of Education (% to total)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	1.0	1.1	1.7	0.6	4.4
Up to primary (5th)	2.1	3.2	5.5	2.4	13.2
Up to matriculation (10th)	3.2	8.0	18.0	12.3	41.5
Up to higher secondary (12th)	1.0	2.1	7.6	6.9	17.6
Graduate and above	1.0	2.3	8.3	11.7	23.3
All-India	8.2	16.7	41.0	34.1	100.0

**Source:** NSHIE (2004–05), NCAER.

**TABLE 4.4: Distribution of Savings by Highest Level of Education (% to total)**

Highest level of education	ST	SC	OBC	Upper caste	Total
Illiterate	0.3	0.2	0.3	0.2	1.0
Up to primary (5th)	0.6	0.6	1.4	0.8	3.4
Up to matriculation (10th)	1.4	2.7	9.0	9.2	22.3
Up to higher secondary (12th)	0.9	1.7	8.0	9.3	19.8
Graduate and above	1.9	3.1	15.0	33.4	53.4
Total	5.0	8.3	33.7	53.0	100.0

**Source:** NSHIE (2004–05), NCAER.

So, 1 per cent of the total number of households in the country is ST and illiterate, accounting for 0.3 per cent of the total savings of all households (or an efficiency factor of 0.30). Upper caste households with at least one graduate (11.7 per cent) account for 33.4 per cent of total savings, resulting in an efficiency factor of 2.85.

The biggest jump, in proportionate terms, is seen when families move from middle/matriculation levels to passing school or when they become graduates; in most cases, the jump in savings levels is around 100 per cent. So, for ST families headed by those who have passed just their middle school/matriculation, savings levels are around Rs 7,603 per year. This almost doubles to Rs 15,317 when the same ST households are headed by those who have completed school (Table 4.5). The figure again doubles for ST households headed by graduates.

For upper caste households, savings levels remain more or less the same for households headed by illiterates (Rs 6,851 per annum; Table 4.5) or by those who have completed primary schooling. This more than

**TABLE 4.5: Explaining the Rise in Household Savings Levels Taking Illiteracy as a Base (Rs/annum)**

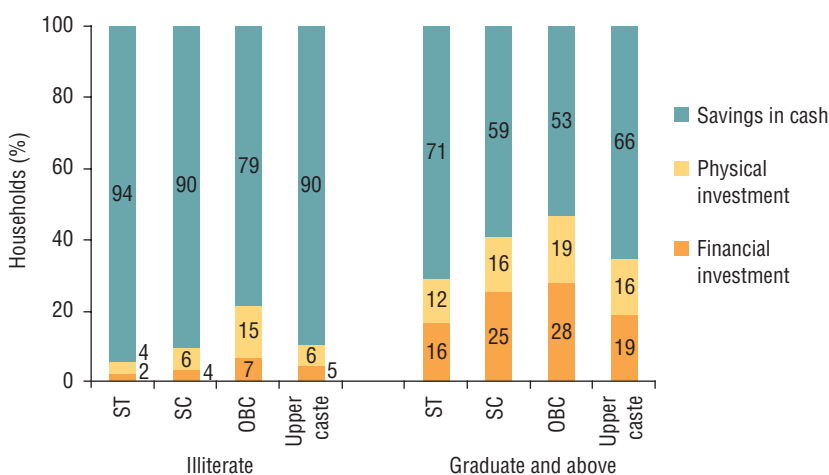
Highest level of education	ST	SC	OBC	Upper caste	Total
Graduate and above	26,811	20,257	28,161	41,996	35,289
Up to higher secondary (12th)	10,215	11,662	15,077	16,062	15,411
Up to matriculation (10th)	2,502	3,080	5,753	5,927	5,303
Up to primary (5th)	-319	563	1,653	-1,159	572
Illiterate	5,102	2,652	2,810	6,851	3,889

Source: NSHIE (2004–05), NCAER.

doubles with education up to the middle school/matriculation level (Rs 12,778); it doubles further with households headed by those who have graduated.

On average, just a little over 20 per cent of all surplus income across castes is put into financial investments, under 17 per cent in land and other physical forms of investment, and the rest is held in cash (Figure 4.13). There are, however, significant differences across caste groups. Just 2 per cent of all the investments by ST households headed by illiterates are in financial products, while 5 per cent of all investments of upper caste households headed by illiterates are in financial products; the figures are 16 and 19 per cent, respectively, for households headed by graduates.

But the difference is not that great across castes within each level of education: illiterate/primary/matriculation/higher secondary/graduates.

**FIGURE 4.13: Distribution of Surplus Income by Highest level of Education (% to total)**

Source: NSHIE (2004–05), NCAER.

Overall, households headed by illiterates tend to invest around 4 per cent of their surplus income in financial products, rising to over 21 per cent for graduate households.

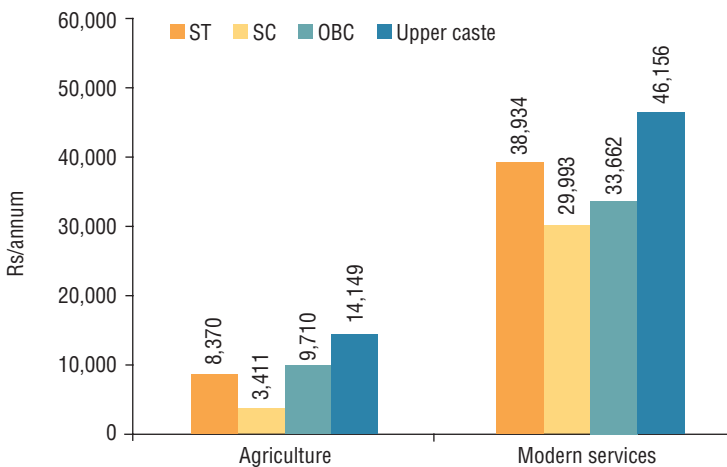
A similar trend can be seen for savings in land and other physical forms: nearly 8 per cent of all illiterate households (it ranges from 4 per cent in the case of ST households to 6 per cent in the case of upper caste ones) to nearly 16 per cent in the case of graduate households (12 per cent for STs and 16 per cent for upper castes).

### Sectors of Engagement

Not surprisingly, households which have agriculture as the main occupation (42 per cent across the country) tend to have the lowest incomes and consequently the lowest levels of surplus income (they account for just 24 per cent); those in traditional services come next, followed by industry and then by modern services. Therefore, caste groups which populate modern services tend to have the highest levels of surplus income.

Around 42 per cent of households in the country are engaged in agriculture as the primary source of income, and these households account for just 24 per cent of the country's surplus income (Figure 4.14). In other words, these households have an efficiency ratio of just 57 per cent (Table 4.6). Households engaged in the traditional services sector fare better, but still bat below their weight class: 34 per cent of households in

**FIGURE 4.14: Estimates of Household Savings by Sectors of Engagement (Rs/annum)**



Source: NSHIE (2004–05), NCAER.

the country while accounting for a little over 32 per cent of the country's total surplus income (an efficiency ratio of 0.96). The industry sector bats a wee bit over its weight class: 9.6 per cent of the country's households employed in industry account for 10.7 per cent of the country's total surplus income. Modern services are able to employ just 14.3 per cent of households but the income levels are so high here that such households account for nearly 33 per cent of the country's savings (Tables 4.7 and 4.8), an efficiency ratio of 2.3.

**TABLE 4.6: Impact of Sectors of Engagement on Savings (efficiency factor)**

Sectors of engagement	ST	SC	OBC	Upper caste	Total
Agriculture	0.49	0.20	0.57	0.83	0.57
Industry	0.42	0.43	0.88	1.83	1.11
Traditional services	0.46	0.52	0.69	1.57	0.96
Modern services	2.28	1.75	1.97	2.70	2.30
All-India	0.61	0.50	0.82	1.56	1.00

Source: NSHIE (2004–05), NCAER.

**TABLE 4.7: Distribution of Households by Sectors of Engagement (% to total)**

Sectors of engagement	ST	SC	OBC	Upper caste	Total
Agriculture	5.0	7.2	17.9	12.0	42.1
Industry	0.6	1.6	4.0	3.4	9.6
Traditional services	2.0	6.2	13.8	12.0	34.0
Modern services	0.6	1.7	5.3	6.7	14.3
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 4.8: Distribution of Savings by Sectors of Engagement (% to total)**

Sectors of engagement	ST	SC	OBC	Upper caste	Total
Agriculture	2.5	1.4	10.2	9.9	24.0
Industry	0.3	0.7	3.5	6.2	10.7
Traditional services	0.9	3.2	9.6	18.8	32.6
Modern services	1.4	3.0	10.4	18.0	32.8
All-India	5.0	8.3	33.7	53.0	100.0

Source: NSHIE (2004–05), NCAER.

So, STs engaged in agriculture make up 5 per cent of the total number of households in the country, and account for 2.5 per cent of the total savings of all households or an efficiency factor of 0.49. Of the total number of households, 6.7 per cent are upper caste and engaged in

modern services, accounting for 18 per cent of total savings, resulting in an efficiency factor of 2.70.

The rest then follows. ST households have the greatest proportion (61.2 per cent) that are engaged in agriculture and the least in modern services (7.3 per cent). STs, as a group, also have less households engaged in industry (7.3 per cent versus 10 per cent for upper caste households); industry has an efficiency factor of a little over unity. The upper castes, by way of comparison, have just 35.2 per cent of households who declare agriculture as their main source of income.

The importance of this can best be seen from Table 4.9 which explains the change in surplus income as each caste group moves from one occupation to another. While ST households in the agriculture sector have around 59 per cent of the savings of upper caste households, this comes down in the case of households in both industry and traditional services. It is only when ST households are in the modern services sector that their surplus income levels reach those of upper caste households.

**TABLE 4.9: Explaining the Rise in Household Savings Levels Taking Agriculture as a Base (Rs/annum)**

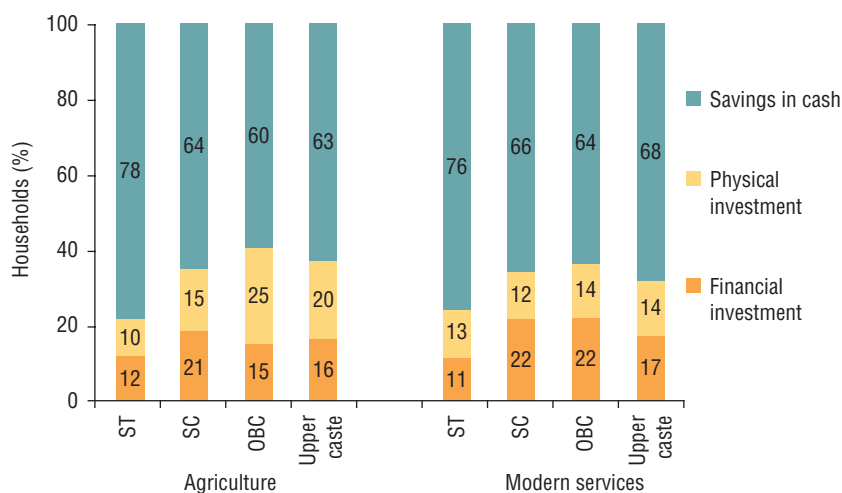
Sectors of engagement	ST	SC	OBC	Upper caste	Total
Modern services	30,564	26,581	23,942	32,007	29,535
Industry	-1,203	3,955	5,333	17,248	9,283
Traditional services	-506	5,448	2,161	12,775	6,651
Agriculture	8,370	3,411	9,710	14,149	9,745

**Source:** NSHIE (2004–05), NCAER.

For families engaged in agriculture across all caste groups, around 16 per cent of the annual surplus income is invested in financial instruments and this goes up to around 20 per cent in the case of families employed in the modern services sector (Figure 4.15). Similarly, investments in physical assets range from an average of 21 per cent for families in the agriculture sector to around 15 per cent in the services sector, both traditional and modern.

### Occupation

While there are large differences in salary levels across castes within each professional group—upper caste sales staffers are paid twice as much as their ST counterparts, though it is not clear whether seniority is a

**FIGURE 4.15: Distribution of Surplus Income by Sectors of Engagement (% to total)**

**Source:** NSHIE (2004–05), NCAER.

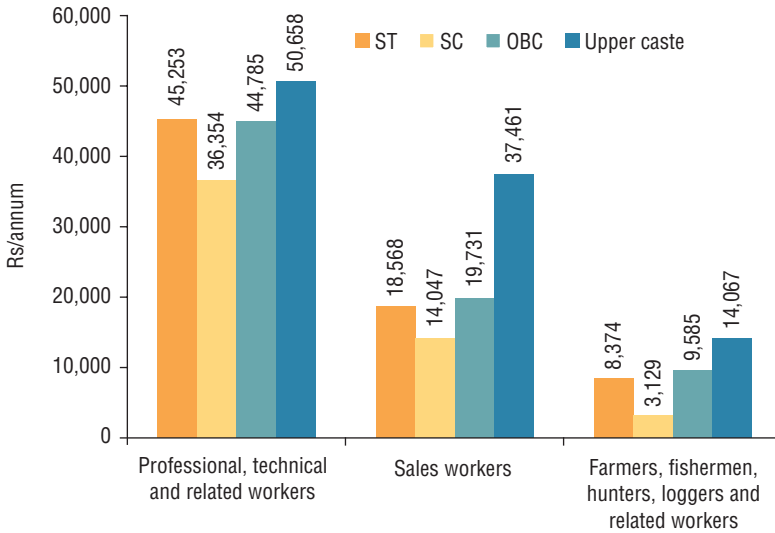
factor—by and large, the bigger differences are across professions. Not surprisingly, then, surplus incomes also tend to follow the same pattern.

Surplus income rises from a mere Rs 8,374 for ST households who are in farming/fishing to Rs 14,067 for upper caste households—that is, by a little over 67 per cent (Figure 4.16). Surplus income, however, rises over 5 times when ST households are employed in professional/technical positions; they rise around 3.6 times in the case of upper caste households. In other words, savings levels rise far more dramatically in the case of SC/ST households as their professional levels rise.

‘Administrative/executive/managerial’ households account for 2.8 per cent of the total households and for 11.5 per cent of the surplus income (Tables 4.10 and 4.11). These households have the highest efficiency, of 4.0 (Table 4.12). This changes to a mere 0.6 in the case of ‘production and related’ jobs—such households account for 22.2 per cent of all households and just 12.1 per cent of all surplus income.

It follows that, of the total number of households in the country, 0.2 per cent are ST and ‘professional/technical/related workers’. These households account for 0.6 per cent of the total savings of all households, an efficiency factor of 2.64. Of the total number of households, 11.6 per cent are upper caste households and farmers/fishermen, hunters and related workers. These households account for 9.5 per cent of total savings, resulting in an efficiency factor of 0.82.



**FIGURE 4.16: Estimates of Household Savings by Occupation (Rs/annum)**

Source: NSHIE (2004–05), NCAER.

**TABLE 4.10: Distribution of Households by Occupation (% to total)**

Occupation	ST	SC	OBC	Upper caste	Total
Professional, technical and related workers	0.2	0.5	1.7	2.2	4.7
Administrative, executive and managerial workers	0.1	0.2	1.0	1.6	2.8
Clerical and related workers	0.2	0.7	1.9	2.4	5.3
Sales workers	0.4	1.5	5.1	5.7	12.6
Service workers	0.3	0.9	2.1	2.4	5.6
Farmers, fishermen, hunters, loggers and related workers	4.8	6.6	17.0	11.6	40.0
Production and related workers	1.9	5.2	9.5	5.6	22.2
Workers not classified by occupation	0.4	1.1	2.7	2.6	6.8
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

Since SC households have a small proportion of ‘professional/technical’ and ‘executive/managerial’ employees, it is hardly surprising that their savings are the least. As a result, while professional/technical and executive/managerial households comprise just 7.5 per cent of the total in the country, they account for nearly a fourth of all surplus income. Farmers and fishermen, who comprise 40 per cent of all households, account for just 23 per cent of savings (Tables 4.10 and 4.11). While

**TABLE 4.11: Distribution of Savings by Occupation (% to total)**

Occupation	ST	SC	OBC	Upper caste	Total
Professional, technical and related workers	0.6	1.2	4.4	6.6	12.7
Administrative, executive and managerial workers	0.3	0.6	3.2	7.3	11.5
Clerical and related workers	0.4	1.1	3.5	5.0	10.1
Sales workers	0.4	1.2	5.8	12.5	19.9
Service workers	0.4	1.0	2.7	4.1	8.2
Farmers, fishermen, hunters, loggers and related workers	2.4	1.2	9.5	9.5	22.6
Production and related workers	0.4	1.5	3.5	6.6	12.1
Workers not classified by occupation	0.2	0.5	1.0	1.3	2.9
All-India	5.0	8.3	33.7	53.0	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 4.12: Impact of Occupation on Saving (efficiency factor)**

Occupation	ST	SC	OBC	Upper caste	Total
Professional, technical and related workers	2.64	2.12	2.62	2.96	2.73
Administrative, executive and managerial workers	2.97	2.76	3.36	4.71	4.04
Clerical and related workers	1.97	1.60	1.81	2.05	1.90
Sales workers	1.09	0.82	1.15	2.19	1.58
Service workers	1.43	1.12	1.28	1.72	1.45
Farmers, fishermen, hunters, loggers and related workers	0.49	0.18	0.56	0.82	0.57
Production and related workers	0.23	0.29	0.37	1.19	0.55
Workers not classified by occupation	0.54	0.44	0.36	0.50	0.44
All-India	0.61	0.50	0.82	1.56	1.00

Source: NSHIE (2004–05), NCAER.

there is insignificant difference in the savings levels across caste groups in clerical jobs, or even among professional/technical jobs, the difference in executive/managerial jobs can be as high as 75 per cent between ST and upper caste households (Table 4.13).

Typically, professional and managerial households tend to invest a larger share of their savings in financial instruments in comparison to physical assets; it is the reverse for farmers and fishermen (Figure 4.17).

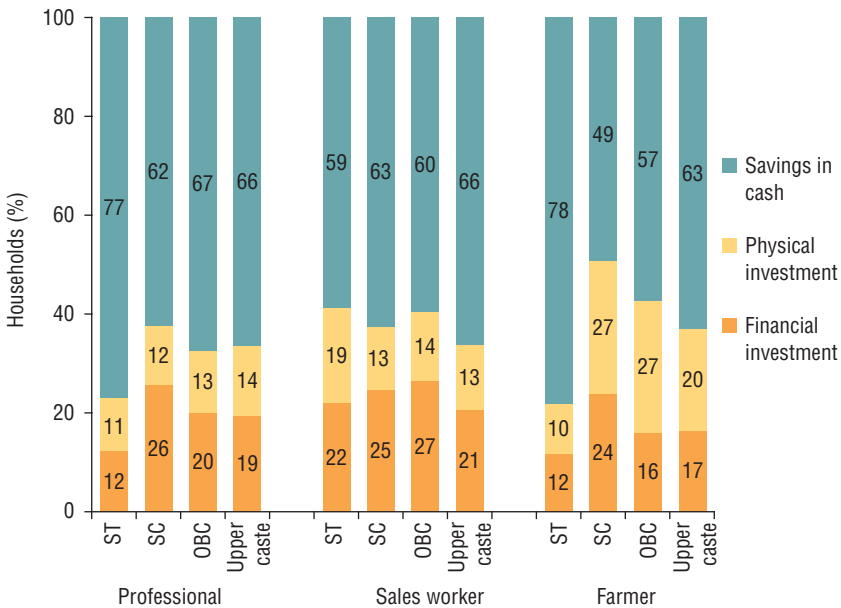
### Major Source of Household Income

With the exception of salaried households, ST households tend to save much less than upper caste households, ranging from 37 per cent in the case of labour households (ST labour households save Rs 1,767 per annum and upper caste ones save Rs 4,817) to 76 per cent for those who are self-employed in agricultural sectors (ST households who are

**TABLE 4.13: Explaining the Rise in Household Savings Levels Taking Production and Related Workers as a Base (Rs/annum)**

Occupation	ST	SC	OBC	Upper caste	Total
Administrative, executive and managerial workers	46,853	42,253	51,165	60,307	59,731
Professional, technical and related workers	41,337	31,361	38,452	30,307	37,317
Clerical and related workers	29,855	22,385	24,700	14,792	23,235
Sales workers	14,652	9,053	13,398	17,109	17,721
Service workers	20,585	14,230	15,550	9,031	15,438
Farmers, fishermen, hunters, loggers and related workers	4,458	-1,864	3,252	-6,284	334
Workers not classified by occupation	5,270	2,522	-258	-11,720	-1,887
Production and related workers	3,916	4,994	6,334	20,352	9,336

Source: NSHIE (2004–05), NCAER.

**FIGURE 4.17: Distribution of Surplus Income by Occupation (% to total)**

Source: NSHIE (2004–05), NCAER.

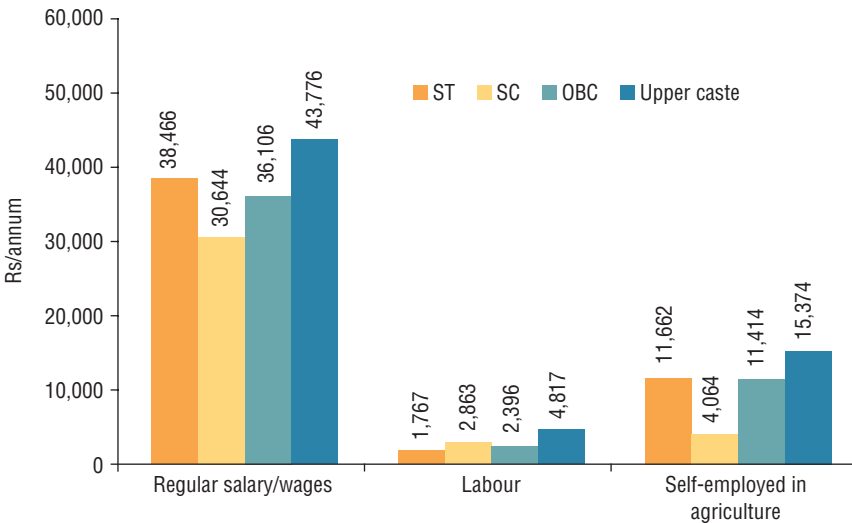
self-employed in agriculture save Rs 11,662 as compared to Rs 15,374 for upper castes; Figure 4.18). This, however, is not only related to their income levels. Upper caste households (Rs 35,181; see Figure 2.6 in Chapter 2) engaged in daily labour earn around 50 per cent more than similar ST households (Rs 24,332; see Figure 2.6 in Chapter 2), but save

more than 2.5 times as much. Given that ST labour households earn so little, their low savings are hardly surprising. For the self-employed in agriculture, upper caste households earn 60 per cent more than ST ones (see Figure 2.6 in Chapter 2), but save 32 per cent more. In the case of those households reporting regular salary/wages, the difference in income levels of ST and upper caste households is about 20 per cent while that in savings is around 14 per cent.

Among the various employment groups, regular salary/wage households comprise around 18 per cent of the total (Table 4.14) and they account for more than double that in the share of surplus income (Table 4.15). In other words, such households have an efficiency of 2.3 (Table 4.16). Households earning their living from daily labour have the lowest efficiency of just 0.2—they comprise 33 per cent of all households in the country but their incomes are so low that they account for under 6 per cent of the country’s surplus income.

Of the total number of households in the country, 3.2 per cent are ST with agriculture as their primary source of income. These households account for 2.2 per cent of the total savings of all households, an efficiency factor of 0.68. The salaried upper caste comprise 8.8 per cent of the total number of households, accounting for 22.6 per cent of total savings and resulting in an efficiency factor of 2.56.

**FIGURE 4.18: Estimates of Household Savings by Major Source of Household Income (Rs/annum)**



Source: NSHIE (2004–05), NCAER.

**TABLE 4.14: Distribution of Households by Major Source of Household Income (% to total)**

Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	0.7	2.3	6.6	8.8	18.4
Self-employed in non-agriculture	0.5	1.9	7.1	7.7	17.1
Labour	3.7	8.6	13.8	6.4	32.5
Self-employed in agriculture	3.2	3.5	12.6	9.6	28.9
Others	0.1	0.4	1.1	1.5	3.1
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 4.15: Distribution of Savings by Major Source of Household Income (% to total)**

Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	1.7	4.1	13.9	22.6	42.3
Self-employed in non-agriculture	0.7	1.8	8.9	19.2	30.5
Labour	0.4	1.4	1.9	1.8	5.6
Self-employed in agriculture	2.2	0.8	8.4	8.6	20.0
Others	0.1	0.1	0.6	0.8	1.6
All-India	5.0	8.3	33.7	53.0	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 4.16: Impact of Major Source of Household Income on Savings (efficiency factor)**

Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	2.25	1.79	2.11	2.56	2.29
Self-employed in non-agriculture	1.51	0.95	1.25	2.50	1.79
Labour	0.10	0.17	0.14	0.28	0.17
Self-employed in agriculture	0.68	0.24	0.67	0.90	0.69
Others	0.75	0.37	0.59	0.51	0.53
All-India	0.61	0.50	0.82	1.56	1.00

Source: NSHIE (2004–05), NCAER.

As a group, SCs have the highest proportion of families earning their living out of daily labour, while STs have the highest proportion among those who are self-employed in agriculture. Where the upper castes score is in their share of the self-employed in non-agricultural sectors (23 per cent) as well as the salaried classes (26 per cent)—the two groups have an efficiency of 1.8 and 2.3, respectively.

Given this, while salaried households comprise just over 18 per cent of the total in the country, these households account for 42 per cent of the country's savings. Almost a third of the country's households are daily workers but they account for just 6 per cent of the savings.

The biggest differences in surplus income across castes are in the case of households earning their living from daily labour. The figure rises from Rs 1,767 per year in the case of ST households to Rs 4,817 for upper caste households, or a rise of 2.7 times (Table 4.17).

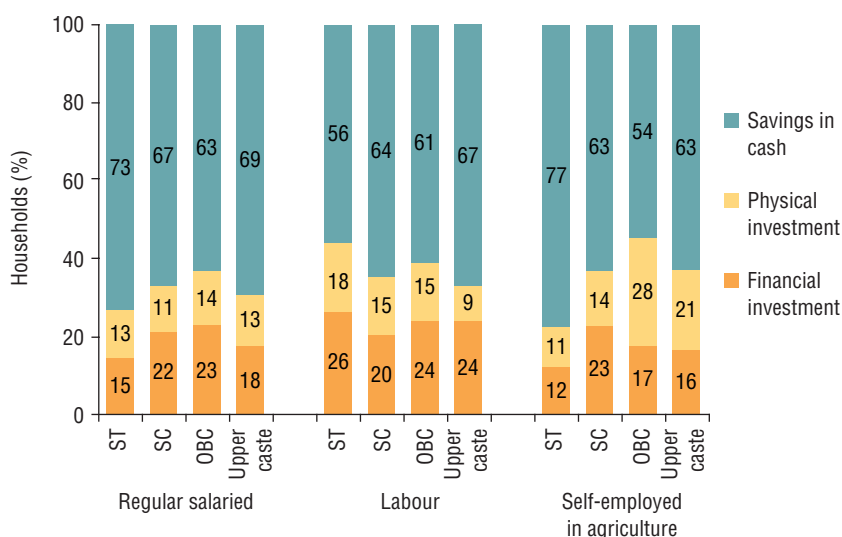
**TABLE 4.17: Explaining the Rise in Household Savings Levels Taking Labour as a Base (Rs/annum)**

Major source of household income	ST	SC	OBC	Upper caste	Total
Regular salary/wages	36,699	27,781	33,710	38,959	36,270
Self-employed in non-agriculture	24,113	13,409	19,066	38,037	27,699
Self-employed in agriculture	9,895	1,201	9,018	10,557	8,930
Others	11,111	3,390	7,621	3,861	6,064
Labour	1,767	2,863	2,396	4,817	2,927

Source: NSHIE (2004–05), NCAER.

The proportion of surplus income that is invested in financial instruments rises quite sharply across caste groups for almost all categories of employment (Figure 4.19). So, 15 per cent of the savings of an ST salaried household are invested in financial instruments and this rises to 18 per cent in the case of upper caste salaried households. In the case of the self-employed in agriculture, this rises from 12 to 16 per cent.

**FIGURE 4.19: Distribution of Surplus Income by Major Source of Household Income (% to total)**

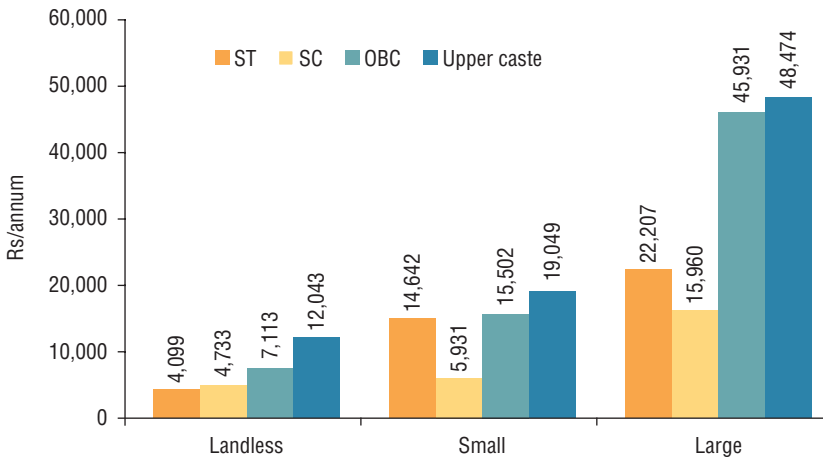


Source: NSHIE (2004–05), NCAER.

## Landholding Size

There is a very large difference in the savings levels of SC/ST households in comparison to upper caste households when these families either own no land at all or, at most, have very small landholdings (Figure 4.20). This difference comes down with the increase in the size of landholdings. In the landless category, ST households save around a third that of upper caste households; in the case of small farms, the difference is around a third; in the case of medium-sized holdings, there is hardly any difference at all; in the case of large farms versus the landless, however, the difference rises quite substantially

**FIGURE 4.20: Estimates of Household Savings by Size of Landholding (Rs/annum)**



**Source:** NSHIE (2004–05), NCAER.

The overall share of savings for each caste group is a function of the efficiency of each group (landless households comprise 38 per cent of the total but account for just 22 per cent of the total surplus income) as well as the proportion of each caste in that group (Tables 4.18 and 4.19). Over 70 per cent of ST and over 82 per cent of all SC households are either landless or marginal landowners. Not surprising, then, that their overall share of savings is low (as a result of low efficiency levels of both groups; Table 4.20). Nearly 38 per cent of ST households are landless and this group accounts for just 16 per cent of the surplus income of STs.

STs who belong to the landless category comprise 4.0 per cent of the total number of households in the country. These households account

**TABLE 4.18: Distribution of Households by Size of Landholding (% to total)**

Size of landholding	ST	SC	OBC	Upper caste	Total
Landless	4.0	9.7	16.3	8.4	38.4
Marginal	3.5	5.3	13.1	8.6	30.5
Small	1.7	1.6	5.7	4.5	13.5
Semi-medium	0.9	1.0	4.1	3.8	9.9
Medium	0.4	0.5	2.5	2.3	5.6
Large	0.1	0.2	0.9	1.0	2.2
Rural	10.6	18.3	42.5	28.6	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 4.19: Distribution of Savings by Size of Landholding (% to total)**

Size of landholding	ST	SC	OBC	Upper caste	Total
Landless	1.3	3.7	9.4	8.2	22.5
Marginal	1.8	2.7	11.3	6.8	22.6
Small	2.0	0.8	7.1	6.9	16.8
Semi-medium	1.6	0.6	5.0	7.7	14.9
Medium	1.2	0.9	5.9	7.5	15.6
Large	0.2	0.3	3.3	3.8	7.6
Rural	8.1	8.9	42.1	40.9	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 4.20: Impact of Size of Landholding on Savings (efficiency factor)**

Size of landholding	ST	SC	OBC	Upper caste	Total
Landless	0.33	0.38	0.57	0.97	0.59
Marginal	0.51	0.51	0.87	0.79	0.74
Small	1.18	0.48	1.25	1.54	1.25
Semi-medium	1.77	0.58	1.22	2.02	1.51
Medium	3.22	1.83	2.42	3.29	2.77
Large	1.79	1.29	3.71	3.92	3.47
Rural	0.77	0.49	0.99	1.43	1.00

Source: NSHIE (2004–05), NCAER.

for 1.3 per cent of the total savings of all households or have an efficiency factor of 0.33. Of the total number of households, 1 per cent are upper caste and have large landholdings. These households account for 3.8 per cent of total saving, resulting in an efficiency factor of 3.92.

A significant rise in savings emerges when households graduate from semi-medium to medium-sized landholdings (Table 4.21). In the case of SC and ST households, the increase in surplus actually falls as landholding size increases, while for OBCs and upper castes the surplus is highest with large landholdings.



**TABLE 4.21: Explaining the Rise in Household Savings Levels Taking the Landless as a Base (Rs/annum)**

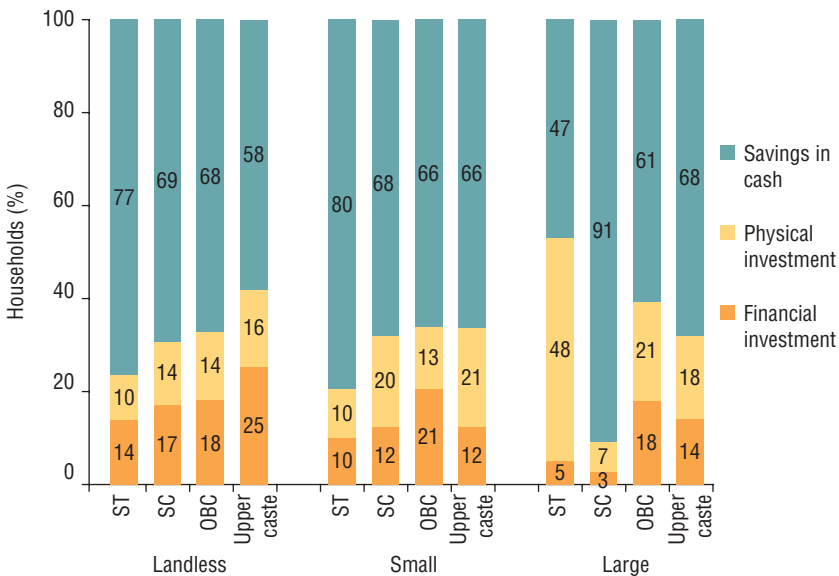
Size of landholding	ST	SC	OBC	Upper caste	Total
Large	18,109	11,227	38,818	36,431	35,734
Medium	35,767	17,868	22,799	28,675	27,080
Semi-medium	17,844	2,482	7,955	12,931	11,452
Small	10,543	1,198	8,389	7,006	8,144
Marginal	2,273	1,570	3,608	(2,243)	1,920
Landless	4,099	4,733	7,113	12,043	7,273

Source: NSHIE (2004–05), NCAER.

As farm sizes get larger, the proportion of surplus invested in land tends to rise in comparison to the amount invested in financial assets. Upper caste large farmers invest 14 per cent of their surplus income in financial assets as compared to 18 per cent in physical assets (Figure 4.21).

### Per Capita Income Quintiles

The bottom 40 per cent of the country's population, irrespective of caste, does not save anything while the middle 20 per cent just manages to save (it accounts for 3 per cent of the country's total savings). Over 90 per cent

**FIGURE 4.21: Distribution of Surplus Income by Size of Landholding (% to total)**

Source: NSHIE (2004–05), NCAER.

of savings are of those in the top quintile (Tables 4.22 and 4.23). In this quintile, there is little difference in the savings habits. Both STs and upper castes save roughly similar amounts per household; OBCs and SCs are on par, but they save less than STs and upper castes (Figure 4.22).

**TABLE 4.22: Distribution of Households by Per Capita Income Quintiles (% to total)**

Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q1 bottom quintile (0–20%)	2.9	4.5	7.1	3.3	17.8
Q2 second quintile (21–40%)	2.0	4.2	8.3	4.7	19.2
Q3 middle quintile (41–60%)	1.5	3.5	8.9	6.3	20.2
Q4 fourth quintile (61–80%)	1.0	2.6	8.8	8.2	20.6
Q5 top quintile (81–100%)	0.9	1.8	8.0	11.6	22.3
All-India	8.2	16.7	41.0	34.1	100.0

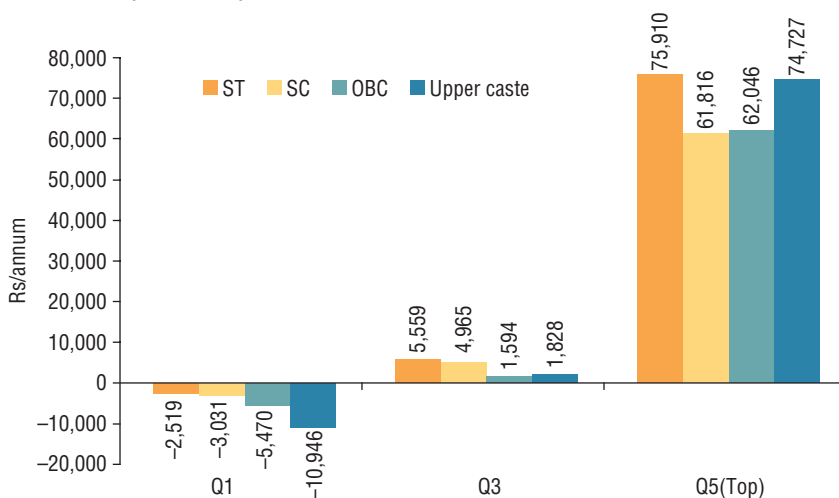
Source: NSHIE (2004–05), NCAER.

**TABLE 4.23: Distribution of Savings by Per Capita Income Quintiles (% to total)**

Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q1 bottom quintile (0–20%)	-0.4	-0.8	-2.3	-2.1	-5.6
Q2 second quintile (21–40%)	0.0	-0.6	-0.6	-1.0	-2.0
Q3 middle quintile (41–60%)	0.5	1.0	0.8	0.7	3.0
Q4 fourth quintile (61–80%)	0.9	2.0	6.8	4.8	14.5
Q5 top quintile (81–100%)	4.0	6.6	28.9	50.6	90.1
All-India	5.0	8.3	33.7	53.0	100.0

Source: NSHIE (2004–05), NCAER.

**FIGURE 4.22: Estimates of Household Savings by Per Capita Income Quintiles (Rs/annum)**



Source: NSHIE (2004–05), NCAER.

The top quintile of all caste groups accounts for between 80 and 90 per cent of the group's overall savings. The bottom three quintiles, for all groups as a whole, have a net dis-saving that adds up to around 5 per cent of the total surplus income for the country.

So, of the total number of households in the country, 2.9 per cent are ST and are part of the lowest quintile; 0.4 per cent of these households' income is borrowed. Of the total number of households, 11.6 per cent are upper caste and in the top quintile, accounting for 50.6 per cent of total saving, resulting in an efficiency factor of 4.37 (Table 4.24).

**TABLE 4.24: Impact of Per Capita Income Quintiles on Savings (efficiency factor)**

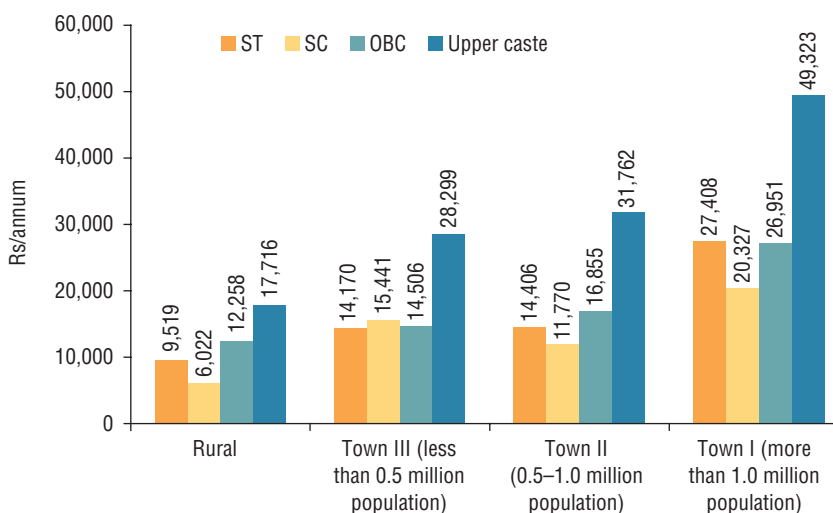
Per capita income quintiles	ST	SC	OBC	Upper caste	Total
Q1 bottom quintile (0–20%)	0.15	0.18	0.32	0.64	0.31
Q2 second quintile (21–40%)	0.02	0.13	0.07	0.20	0.11
Q3 middle quintile (41–60%)	0.32	0.29	0.09	0.11	0.15
Q4 fourth quintile (61–80%)	0.95	0.77	0.77	0.59	0.70
Q5 top quintile (81–100%)	4.44	3.61	3.63	4.37	4.04
All-India	0.61	0.50	0.82	1.56	1.00

Source: NSHIE (2004–05), NCAER.

## Urbanisation

As in the case of income levels, surplus income rises for all caste groups as they move from rural to urban areas, with an exception of SCs (Figure 4.23). The hike is sharpest in the move from rural India to small towns, and then the next big jump takes place with the move from cities with less than a million persons to cities with more than a million persons. Indeed, efficiency levels rise dramatically from 0.72 for rural India (70 per cent of households are in rural India and they account for just 51 per cent of the country's surplus income) to 1.3 for the next two categories of cities; and to 2 for the biggest category of cities (Table 4.25).

While 90 per cent of ST households are to be found in rural areas (Table 4.26), they contribute just around 83 per cent of the total savings of all ST households in the country (Table 4.27). By contrast, just 3.7 per cent of ST households are located in cities with more than a million persons, but the surplus income from these households equals 8.0 per cent of the savings of all ST households. Similarly, in the upper caste category of households, around 21 per cent are found in big metros, accounting for nearly 39 per cent of the total savings of the upper caste households in the country.

**FIGURE 4.23: Estimates of Household Savings by Location (Rs/annum)**

Source: NSHIE (2004-05), NCAER.

**TABLE 4.25: Impact of Location on Savings (efficiency factor)**

Location	ST	SC	OBC	Upper caste	Total
Rural	0.56	0.35	0.72	1.04	0.72
Town III (less than 0.5 million population)	0.83	0.90	0.85	1.65	1.16
Town II (0.5-1 million population)	0.84	0.69	0.99	1.86	1.33
Town I (more than 1 million population)	1.60	1.19	1.58	2.88	2.28
All-India	0.61	0.50	0.82	1.56	1.00

Source: NSHIE (2004-05), NCAER.

**TABLE 4.26: Distribution of Households by Location (% to total)**

Location	ST	SC	OBC	Upper caste	Total
Rural	7.4	12.8	29.8	20.0	70.1
Town III (less than 0.5 million population)	0.5	2.0	6.3	5.4	14.2
Town II (0.5-1.0 million population)	0.1	0.4	1.3	1.4	3.2
Town I (more than 1.0 million population)	0.3	1.4	3.6	7.2	12.5
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004-05), NCAER.

STs who live in rural areas make up 7.4 per cent of the total number of households in the country and account for 4.1 per cent of the total savings of all households (an efficiency factor of 0.56). Of the total number of households, 7.2 per cent are upper caste and live in larger cities. These households account for 20.6 per cent of total savings, resulting in an efficiency factor of 2.88.

**Table 4.27: Distribution of Savings by Location (% to total)**

Location	ST	SC	OBC	Upper caste	Total
Rural	4.1	4.5	21.4	20.7	50.8
Town III (less than 0.5 million population)	0.4	1.8	5.3	9.0	16.5
Town II (0.5–1.0 million population)	0.1	0.3	1.3	2.6	4.3
Town I (more than 1.0 million population)	0.4	1.7	5.7	20.6	28.4
All-India	5.0	8.3	33.7	53.0	100.0

Source: NSHIE (2004–05), NCAER.

Since efficiency levels rise as the size of the city of residence increases, the greatest hike in surplus income can be seen as households move to the 1 million-plus cities. In these cities, the average savings of ST households is roughly half that of upper caste households (Table 4.28).

**TABLE 4.28: Explaining Rise in Household Savings Levels Taking Rural Areas as a Base (Rs/annum)**

Location	ST	SC	OBC	Upper caste	Total
Town I (more than 1 million population) Q5 (top)	17,889	14,305	14,693	31,607	26,692
Town II (0.5–1 million population) Q4	4,887	5,748	4,598	14,046	10,402
Town III (less than 0.5 million population)	4,651	9,419	2,248	10,584	7,527
Rural	9,519	6,022	12,258	17,716	12,382

Source: NSHIE (2004–05), NCAER.

The proportion of surplus income that is invested in financial instruments rises for each category of city as you move across caste groups (Figure 4.24). So, just 14 per cent of the surplus income of ST households in rural areas is invested in financial assets and this rises to 17 per cent in the case of the upper castes.

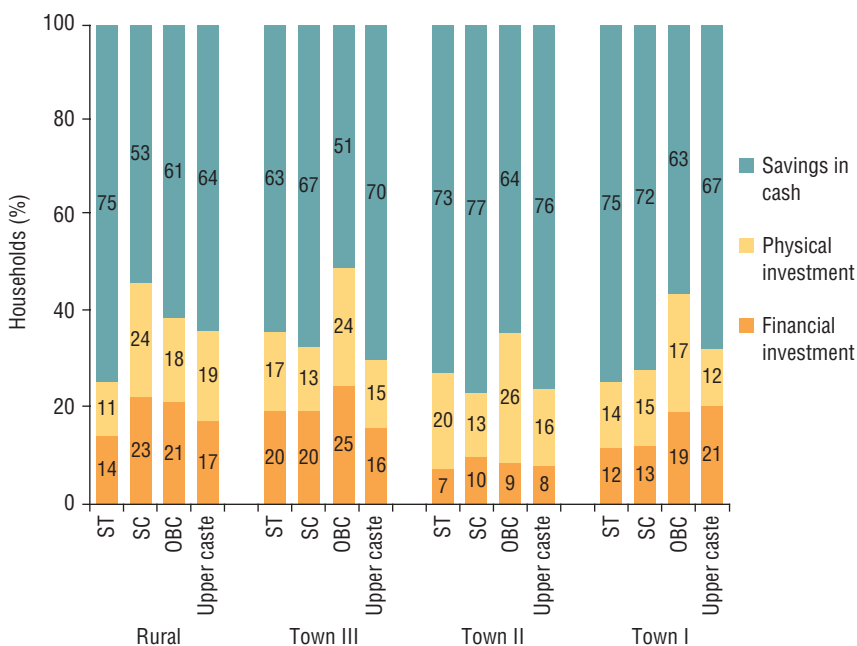
### Regional Disparity<sup>1</sup>

As in the case of income, surplus income also rises quite dramatically across caste groups with a move across state categories (Figure 4.25). So, an ST household's surplus income rises from Rs 5,661 in low income states to Rs 20,608 in high income states; it rises further to Rs 24,506 in the hill states. For upper castes, however, the big jump is seen in the

<sup>1</sup> *Low income states:* Bihar, Uttar Pradesh, Orissa, Madhya Pradesh, Rajasthan, Chhattisgarh and Jharkhand; *Middle income states:* Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and West Bengal; *High income states:* Goa, Gujarat, Haryana, Maharashtra, Punjab, Puducherry, Chandigarh and Delhi; *Hill states:* Assam, Meghalaya, Uttaranchal and Himachal Pradesh

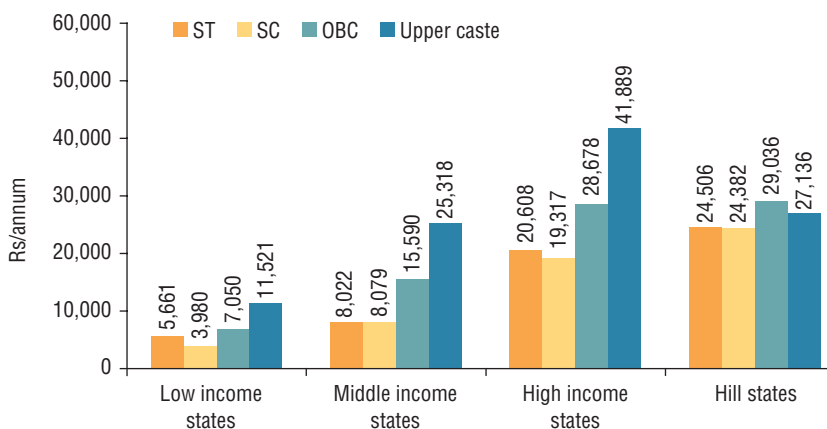
move from low income to middle income states; surplus incomes rise, but by less, while moving to high income states and fall in hill states (Figure 4.25).

**FIGURE 4.24: Distribution of Surplus Income by Location (% to total)**



Source: NSHIE (2004–05), NCAER.

**FIGURE 4.25: Estimates of Household Savings by State of Residence (Rs/annum)**



Source: NSHIE (2004–05), NCAER.

Not surprisingly, high income states have the highest efficiency levels, while in low income states it is just 0.4 (Table 4.29). So the caste group with the most number of persons residing in low income states tends to have the lowest surplus incomes.

Given that there are fewer OBC households in states with high income and the highest efficiency levels, they have the lowest proportion of savings in the country. The 54 per cent of ST households living in low income states (Table 4.30) account for just 29 per cent of the total savings of all STs (Table 4.31). In the case of the 32 per cent of upper caste households that reside in these states, the total savings generated equal just 14 per cent of the total generated by all upper caste households.

Thus, of the total number of households in the country, 4.4 per cent are ST and belong to low income states. These households account for 1.5 per cent of the total savings of all households (an efficiency factor of 0.33; Table 4.29). Of the total number of households, 11.6 per cent are

**TABLE 4.29: Impact of State of Residence on Savings (efficiency factor)**

State of residence	ST	SC	OBC	Upper caste	Total
Low income states	0.33	0.23	0.41	0.67	0.44
Middle income states	0.47	0.47	0.91	1.48	0.99
High income states	1.20	1.13	1.68	2.45	1.98
Hill states	1.43	1.42	1.70	1.59	1.60
All-India	0.61	0.50	0.82	1.56	1.00

Source: NSHIE (2004–05), NCAER.

**TABLE 4.30: Distribution of Households by State of Residence (% to total)**

State of residence	ST	SC	OBC	Upper caste	Total
Low income states	4.4	7.6	18.2	10.9	41.1
Middle income states	1.6	5.8	15.9	10.0	33.2
High income states	1.7	3.0	5.2	11.6	21.5
Hill states	0.5	0.3	1.8	1.6	4.1
All-India	8.2	16.7	41.0	34.1	100.0

Source: NSHIE (2004–05), NCAER.

**TABLE 4.31: Distribution of Savings by State of Residence (% to total)**

State of residence	ST	SC	OBC	Upper caste	Total
Low income states	1.5	1.8	7.5	7.3	18.1
Middle income states	0.7	2.7	14.5	14.8	32.7
High income states	2.1	3.4	8.8	28.4	42.6
Hill states	0.7	0.4	3.0	2.5	6.6
All-India	5.0	8.3	33.7	53.0	100.0

Source: NSHIE (2004–05), NCAER.

upper caste and reside in high income states. These households account for 28.4 per cent of total saving, resulting in an efficiency factor of 2.45.

For SC, ST and OBC households, the big jump in income as well as savings takes place as they move to the hill states—Assam, Meghalaya, Uttaranchal and Himachal Pradesh. For the upper castes, however, the jump in surplus income takes place with the move to high income states—Goa, Gujarat, Haryana, Maharashtra, Punjab, Puducherry, Chandigarh and Delhi. In the case of SC/ST/OBCs, average surplus income levels rise by Rs 20,000 per annum per household, while in the case of the upper castes, the move to high income states leads to a rise in savings by around Rs 30,000 (Table 4.32).

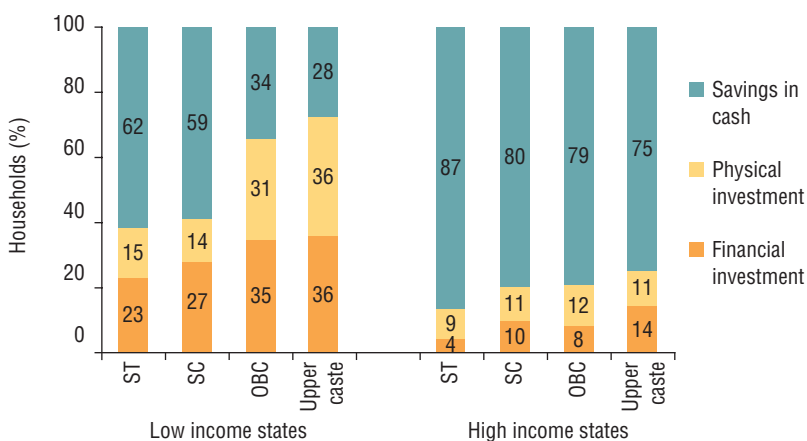
**TABLE 4.32: Explaining the Rise in Household Savings Levels Taking Low Income States as a Base (Rs/annum)**

State of residence	ST	SC	OBC	Upper caste	Total
High income states	14,425	15,337	21,628	30,368	26,288
Hill states	18,709	20,402	21,987	15,615	19,885
Middle income states	2,067	4,099	8,541	13,797	9,328
Low income states	5,835	3,980	7,050	11,521	7,532

Source: NSHIE (2004–05), NCAER.

On average, Indian households tend to invest a greater proportion of their savings in financial assets than they do in physical ones. The proportions saved in financial assets are the highest in low income states (Figure 4.26), but given their low income levels, the amounts are quite small in absolute terms.

**FIGURE 4.26: Distribution of Surplus Income by State of Residence**



Source: NSHIE (2004–05), NCAER.



## 5 STATE PROFILES

As we have seen in the earlier chapters, the state is one of the more important determinants of income levels and all other elements of social status that go along with it. And that applies almost universally across caste categories. So, the average income of an ST household in a low income state is Rs 30,939 (in terms of per capita income, this works out to Rs 6,171), compared to Rs 37,396 for SC households, Rs 49,173 for OBCs and Rs 72,222 for upper caste households. But as the same households move across states to, say, middle income states, their incomes go up dramatically—to Rs 44,533 for the STs, Rs 46,286 for SCs, Rs 64,776 for OBCs and Rs 82,874 for upper caste households (see Figure 2.9 in Chapter 2).

According to the Central Statistical Organisation (CSO) estimates, the top five states in terms of per capita income in 2004-05 were Haryana (Rs 35,044), Maharashtra (Rs 32,979), Punjab (Rs 32,945), Gujarat (Rs 29,468) and Karnataka (Rs 27,864). Though Delhi and Chandigarh had high income levels (Rs 55,215 and Rs 75,181, respectively), they were seen more as cities than states. Maharashtra tops the list in terms of household savings; Gujarat for the ownership of two-wheelers and colour televisions; Karnataka for per capita purchases of life insurance; Tamil Nadu for per capita availing of loans. At 33.5 per cent, Karnataka tops the list of states with the smallest expenditure on food in the household consumption basket (leaving more for other expenditure); and at 9.4 per cent, it also leads other states in the proportion of household income spent on education... the list goes on.

The rankings obviously differ when it comes to total income, savings, etc., since the population of the state also comes into play here. Uttar Pradesh, for instance, would come into the reckoning since it accounts for 16.8 per cent of India's population. Thus, even though its relative income levels are a quarter that of Maharashtra, it accounts for a greater share of the country's income (12.8 per cent versus Maharashtra's 12.2 per cent and Gujarat's 6.4 per cent; Table 5.1).

Karnataka, which is the best state in terms of the efficiency factor, is also the best when it comes to STs, OBCs and the upper castes. In each category, the efficiency in Karnataka is the highest. When it comes to

TABLE 5.1: Economic Profile of Top 10 States (% to total)

States	Share of state to total (%)					Efficiency factor		
	Households	Population	Income	Expenditure	Savings	Income	Expenditure	Savings
1 Uttar Pradesh	13.9	16.8	12.8 (59,935)	16.1 (55,774)	3.4 (4,160)	0.92	1.16	0.24
2 Maharashtra	10.3	10.2	12.2 (77,221)	9.7 (45,418)	19.1 (31,803)	1.19	0.95	1.86
3 West Bengal	8.2	8.0	8.8 (69,593)	8.9 (52,318)	8.3 (17,275)	1.07	1.09	1.01
4 Andhra Pradesh	8.8	7.6	6.4 (47,239)	6.4 (34,742)	6.4 (12,497)	0.73	0.72	0.73
5 Bihar	7.5	7.3	4.9 (42,529)	5.2 (32,896)	4.2 (9,633)	0.65	0.69	0.56
6 Tamil Nadu	7.6	6.4	7.3 (62,795)	7.9 (49,912)	5.7 (12,882)	0.97	1.04	0.75
7 Madhya Pradesh	5.9	6.2	4.5 (50,011)	5.1 (41,548)	2.9 (8,463)	0.77	0.87	0.49
8 Rajasthan	5.1	5.8	4.3 (55,685)	4.6 (43,732)	3.5 (11,953)	0.86	0.91	0.70
9 Karnataka	5.3	5.0	7.6 (92,645)	7.5 (67,295)	7.9 (25,350)	1.42	1.40	1.48
10 Gujarat	5.1	4.7	6.4 (81,799)	5.6 (52,515)	8.7 (29,284)	1.26	1.10	1.71
Other states	22.5	22.0	24.8 (71,863)	23.0 (49,121)	29.9 (22,743)	1.10	1.02	1.33
All-India	100.0	100.0	100.0 (65,041)	100.0 (47,930)	100.0 (17,111)	1.00	1.00	1.00

Source: NSHIE (2004-05), NCAER.

Note: Figures in brackets represent average annual household income in rupees.

SCs, however, Punjab is the best state—4.6 per cent of SC households are located in Punjab and they account for 6.3 per cent of income, expenditure and savings of all SCs in the country.

Income levels shoot up by nearly 30 per cent with a move from low income to middle income states. And, the transition from middle income to high income states pushes income levels up by 35 per cent. As low income states have a higher share of the national population than they do of the national income, they have an impact/efficiency factor of just 0.79. This efficiency rises to 1.02 in middle income states, to 1.37 in high income states, before falling to 1.06 in hill states (Table 5.2). Not surprisingly, among major states, Karnataka ranks the best in overall terms while Bihar is the poorest; Bihar's impact/efficiency factor is a mere 0.67 which means its share in India's population is a third more than its share in the country's income.

**TABLE 5.2: Distribution of Income, Expenditure and Savings by State of Residence (% total)**

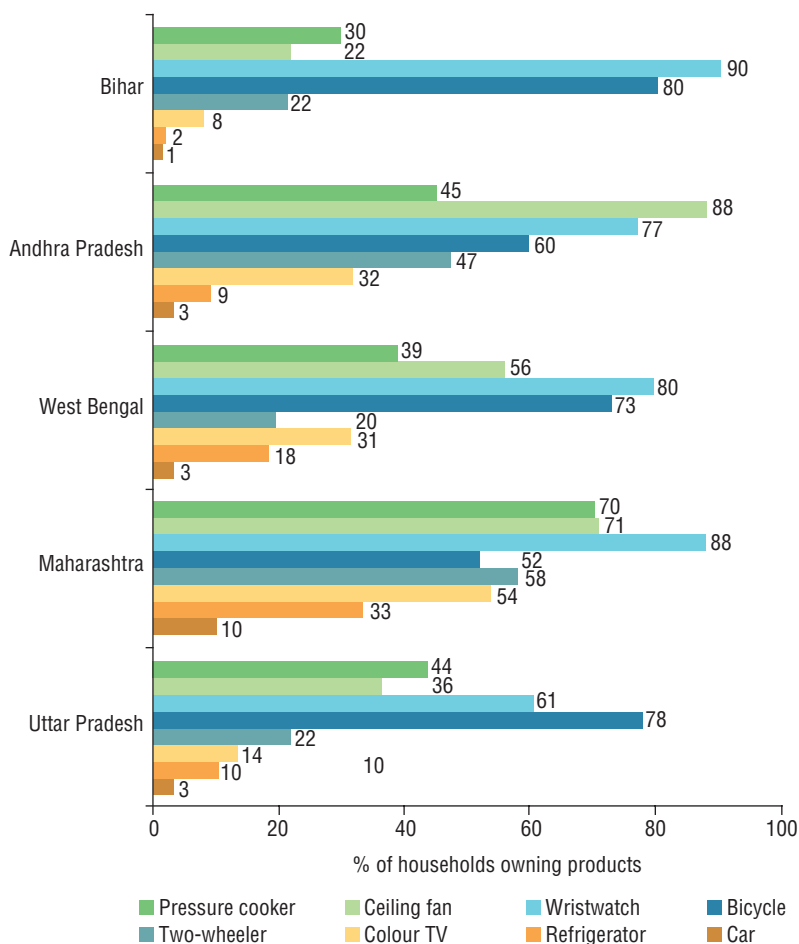
State of residence	Households (%)	Income (%)	Expenditure (%)	Savings (%)	Efficiency factor		
					Income	Expenditure	Savings
Low income states	41.1	32.3 (51,118)	37.4 (43,598)	18.1 (7,519)	0.79	0.91	0.44
Middle income states	33.2	33.7 (66,077)	34.1 (49,217)	32.7 (16,860)	1.02	1.03	0.99
High income states	21.5	29.6 (89,288)	24.9 (55,442)	42.6 (33,846)	1.37	1.16	1.98
Hill states	4.1	4.4 (68,961)	3.6 (41,549)	6.6 (27,412)	1.06	0.87	1.60
All-India	100.0	100.0 (65,041)	100.0 (47,930)	100.0 (17,111)	1.00	1.00	1.00

**Source:** NSHIE (2004–05), NCAER.

**Note:** Figures in brackets represent average annual household income in rupees.

In terms of ownership pattern, among the top five states, Maharashtra has the highest ownership of cars—almost 10 per cent of houses own a car. This falls to between 1–3 per cent for other states. Similarly, ownership of two-wheelers, refrigerators and colour televisions are the highest in Maharashtra; 33 per cent of households in Maharashtra own refrigerators compared to hardly 9 per cent for Andhra Pradesh and 2 per cent for Bihar (Figure 5.1).

Expenditure levels, similarly, almost double as you move from low income states to high income states. Impact/efficiency factors are below unity (the share of expenditure in that of the country is lower than the

**FIGURE 5.1: Ownership Pattern of Select Consumer Goods: Top Five States**

**Source:** NSHIE (2004–05), NCAER.

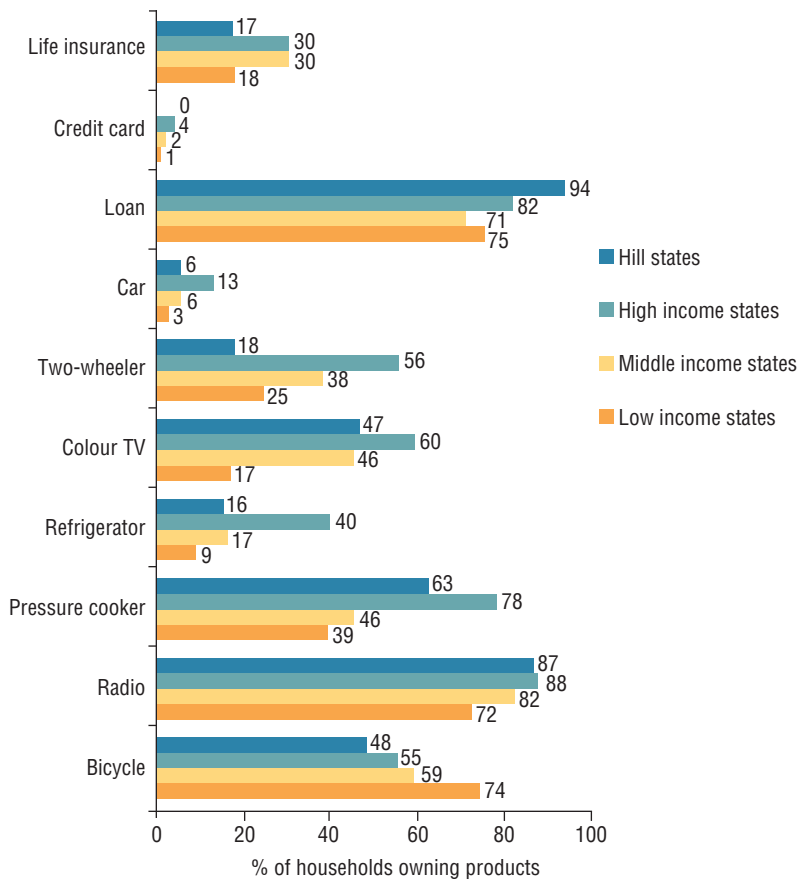
share of the population in that of the country) for both low income and hill states.

Savings also rise with a move from low income to high income states, though not significantly. This is because the increase in expenditure overshadows the increase in savings. Thus, average savings levels do not differ too much across different categories of state, averaging Rs 7,519 in low income states and Rs 33,846 in high income states. In terms of impact/efficiency, low income states have the lowest levels (0.40), as they account for 41 per cent of the country's population and just

18.1 per cent of savings. This jumps to a whopping 1.98 times in high income states and remains a healthy 1.69 for hill states.

Given the pattern of expenditure, the highest ownership of bicycles, not surprisingly, is in low income states, where almost three-fourths of households own a cycle; this falls to under 60 per cent in high income states. However, ownership of two-wheelers, cars, refrigerators and colour televisions are the highest in high income states and the lowest in low income states. For example, 25 per cent of households in low income states have a two-wheeler compared to 56 per cent in high income states; and 3 per cent of households in low income states own a car compared to 13 per cent in high income states (Figure 5.2).

**FIGURE 5.2: Ownership Pattern of Select Consumer Goods and Financial Services, by State Categories**



Source: NSHIE (2004–05), NCAER.

But are things exactly the same for each caste grouping? Unlikely. In anecdotal terms, south India is said to be better for OBCs, but has 15 years of OBC rule in Bihar improved their lot? This chapter seeks to explore such issues in some detail.

### **Profile of Scheduled Tribes**

STs are best situated in Karnataka, followed by Maharashtra and Gujarat; their condition in Orissa happens to be the worst. The average income of an ST household across the country is Rs 40,753, while that of such households in Karnataka is as much as Rs 62,238 (and a mere 24,566 in Orissa; Table 5.3). When it comes to average per household expenditure, there is a slight change in the ordering—Karnataka remains at the top, followed by Gujarat and then Maharashtra. In terms of average per household savings, Maharashtra heads the list, Gujarat comes next and then Karnataka. The proportion of expenditure, though, depends on the number of households in each state—while STs in Karnataka spend double what STs in Madhya Pradesh do, Madhya Pradesh has more than double the ST population.

Around 7 per cent of all ST households in the country reside in Karnataka and they account for nearly 11 per cent of the income of all ST households across the country—that is, these households have an efficiency factor of 1.53. The efficiency factor for all households in Karnataka, irrespective of caste affiliations, is 1.4—which goes to show that, relative to their share in population, ST households in Karnataka are faring better than the average household in the state. Maharashtra has the second-highest impact/efficiency factor of 1.34: 10.4 per cent of ST households in the country reside in Maharashtra and they account for 14 per cent of the income of all ST households across the country. The average impact/efficiency for all households, across caste groups, in Maharashtra is 1.2. At the other end of the spectrum lies Madhya Pradesh with the highest proportion (14.1 per cent) of ST households in the country, but who account for just 10 per cent of the income of all ST households across the country.

Not surprisingly, this difference in income levels results in distinct spending habits across states. In Karnataka, the average ST household spends just 37 per cent of its income on food, a figure that compares favourably with the food spend of upper caste households across the country—on average, the higher the household income levels, the lower the proportion spent on food, and the higher the proportion spent on education and health. Following this pattern, Karnataka has

TABLE 5.3: Economic Profile of STs by Top 10 States (% to total)

States	Households			Share of state to total (%)			Efficiency factor		
	Households	Population	Income	Income	Expenditure	Savings	Income	Expenditure	Savings
1 Madhya Pradesh	14.1	15.5	10.1 (29,010)	11.9 (25,556)	4.7 (3,454)	0.71	0.84	0.33	
2 Maharashtra	10.4	10.7	14.0 (54,633)	10.8 (31,304)	23.4 (23,329)	1.34	1.03	2.24	
3 Rajasthan	9.3	10.6	7.4 (32,509)	8.7 (28,564)	3.5 (3,945)	0.80	0.94	0.38	
4 Orissa	9.4	9.1	5.7 (24,566)	6.1 (19,527)	4.5 (5,039)	0.60	0.64	0.48	
5 Jharkhand	8.2	8.6	7.0 (34,836)	7.1 (26,287)	6.7 (8,549)	0.85	0.87	0.82	
6 Gujarat	9.8	8.5	11.9 (49,481)	10.5 (32,328)	16.2 (17,152)	1.21	1.07	1.65	
7 Chhattisgarh	8.7	8.4	7.2 (33,345)	6.7 (23,347)	8.4 (9,999)	0.82	0.77	0.96	
8 Karnataka	7.1	6.9	10.8 (62,238)	11.8 (50,533)	7.9 (11,705)	1.53	1.67	1.12	
9 Andhra Pradesh	6.8	5.6	4.7 (28,303)	5.2 (23,185)	3.4 (5,117)	0.69	0.76	0.49	
10 West Bengal	3.8	3.8	3.7 (39,418)	4.4 (34,686)	1.7 (4,732)	0.97	1.14	0.45	
Other states	12.2	12.1	17.5 (58,400)	16.8 (41,724)	19.6 (16,677)	1.43	1.38	1.60	
All-India	100.0	100.0	100.0 (40,753)	100.0 (30,328)	100.0 (10,425)	1.00	1.00	1.00	

Source: NSHIE (2004-05), NCAER.

Note: Figures in brackets represent average annual household income in rupees.

the highest spend on education (nearly 10 per cent of all ST household income in the state is spent on education); the figure is around 11 per cent on health.

Orissa, given its status as the worst state of residence as far as STs are concerned, has among the highest proportion of ST household income spent on food, leaving a lot less for other expenditure: the average ST household in the state spends around 57 per cent of its income on food and just 0.9 per cent on durables and 4 per cent on education; matters are not much better in Madhya Pradesh.

Though Karnataka is the best state for STs when it comes to income levels, the same does not apply to ownership of durables; in this case, Maharashtra tops the charts. In other words, the overall characteristics of states appear to be playing a role here. Maharashtra has the highest ownership of cars, 4.4 per cent of ST households in the state own a car and the figure is 32 per cent for two-wheelers. In sharp contrast, less than 1 per cent of ST households in Karnataka own a car, and the figure for two-wheelers is around 23 per cent. When it comes to colour televisions, though, Karnataka has the highest proportion of ST households (40 per cent) that owns such goods (the figure for Maharashtra is 31 per cent and just 4 per cent for Orissa).

In terms of financial products, Karnataka purchases the highest number of life insurance policies: while nearly 50 per cent of ST households in the state have such policies, the figure is 12 per cent for Orissa, 19 per cent in Maharashtra and under 6 per cent in Gujarat. Karnataka, Maharashtra and Gujarat lead in the category of usage of credit cards—around 1 per cent of ST households in Maharashtra and Gujarat use credit cards and the figure is 1.6 per cent in Karnataka.

While the highest proportion of ST households are to be found in low income states, this doesn't apply to average household incomes; for

**TABLE 5.4: Distribution of Income, Expenditure and Savings for STs by State of Residence (% to total)**

State of residence	Households (%)	Income (%)	Expenditure (%)	Savings (%)	Efficiency factor		
					Income	Expenditure	Savings
Low income states	53.9	40.9	44.9	29.3	0.76	0.83	0.54
Middle income states	18.9	20.6	22.7	14.5	1.09	1.20	0.77
High income states	20.9	27.3	22.5	41.4	1.30	1.07	1.98
Hill states	6.3	11.2	9.9	14.8	1.77	1.57	2.35
All-India	100.0	100.0	100.0	100.0	1.00	1.00	1.00

Source: NSHIE (2004–05), NCAER.

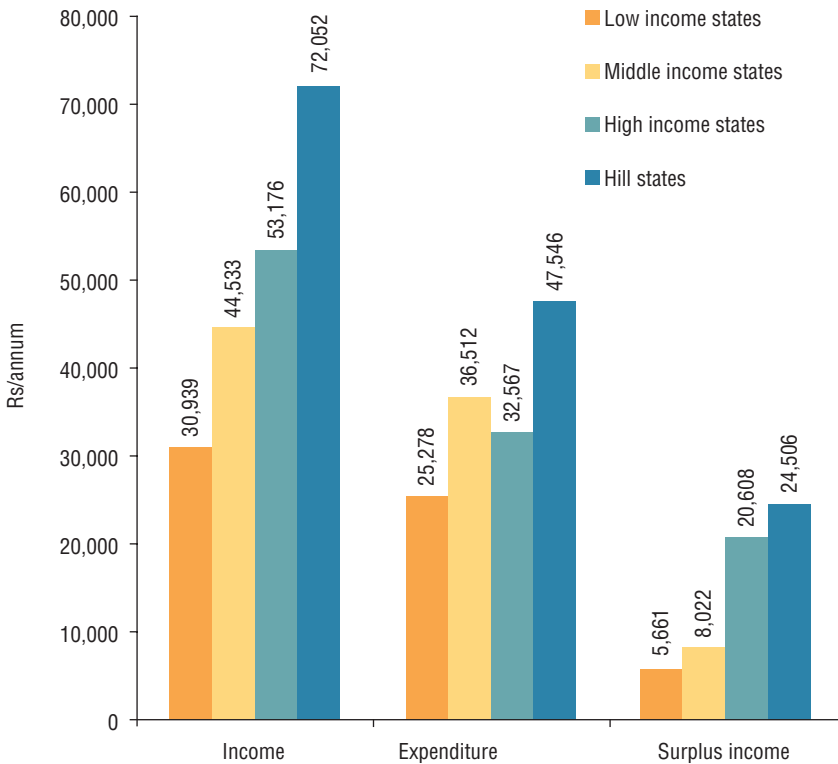


example, the highest per household income for ST households are to be found in hill states (Figure 5.3). The same, with some minor exceptions, also applies to expenditure patterns as well as to household savings. Not surprisingly, the impact/efficiency factors tend to increase for most categories as you move from the low income to hill states.

Madhya Pradesh has the highest population of STs in the country (15.5 per cent) but they probably have among the lowest household incomes in the country (Rs 29,010). Interestingly, both ST and SC households in middle income states have roughly the same income level; high income state STs have a lower household income than middle income OBCs; the top level or hill STs have roughly the same income level as low income upper caste households.

There is a major difference in the consumption habits of ST households across state categories when it comes to the proportion spent on food (54 per cent of expenditure in low income states versus 47 per cent for

**FIGURE 5.3: Estimates of Income, Expenditure and Surplus Income for STs by State of Residence (Rs/annum)**



Source: NSHIE (2004–05), NCAER.

middle income states); in terms of the absolute values, of course, the difference is even larger since income levels are quite different. So, food expenses vary from Rs 13,725 per household in low income states to Rs 17,064 per household in middle income states.

Expenditure on education, however, changes significantly, and rises from 4.6 per cent in low income states to 8.1 in middle income states—in terms of absolute values, this is a rise from Rs 1,162 to Rs 2,984. Expenditure levels on ceremonies, interestingly, reduce quite dramatically, from 6.2 per cent in the low income states to just 2.5 per cent in the hill states. In absolute values, this means a decline from Rs 1,579 per year in low income states to Rs 1,202 in hill states.

In comparison to upper caste households in each category of states, the difference is quite stark, both in relative as well as absolute terms. So, while ST households in low income states spend 54 per cent of their income on food, this is just 39.7 per cent for upper caste households in these states—at the all-India level, it's 50.7 per cent versus 41 per cent, respectively. On average, the differences for education are much more stark—4.6 per cent for the ST families in low income states (5.9 per cent for all-India) versus 7.4 per cent for upper caste households in low income states (7.9 per cent at the all-India level). Differences in health expenditure are not too different, pointing to the non-discretionary nature of such expenses—7.6 per cent for all ST households across the country versus 8.4 for all upper caste households. Expenditure proportions on ceremonies, however, are quite different—6.3 per cent for ST households in low income states versus 11.1 per cent for upper caste households in these states (4.6 per cent for ST households across the country versus 7 per cent for upper caste ones).

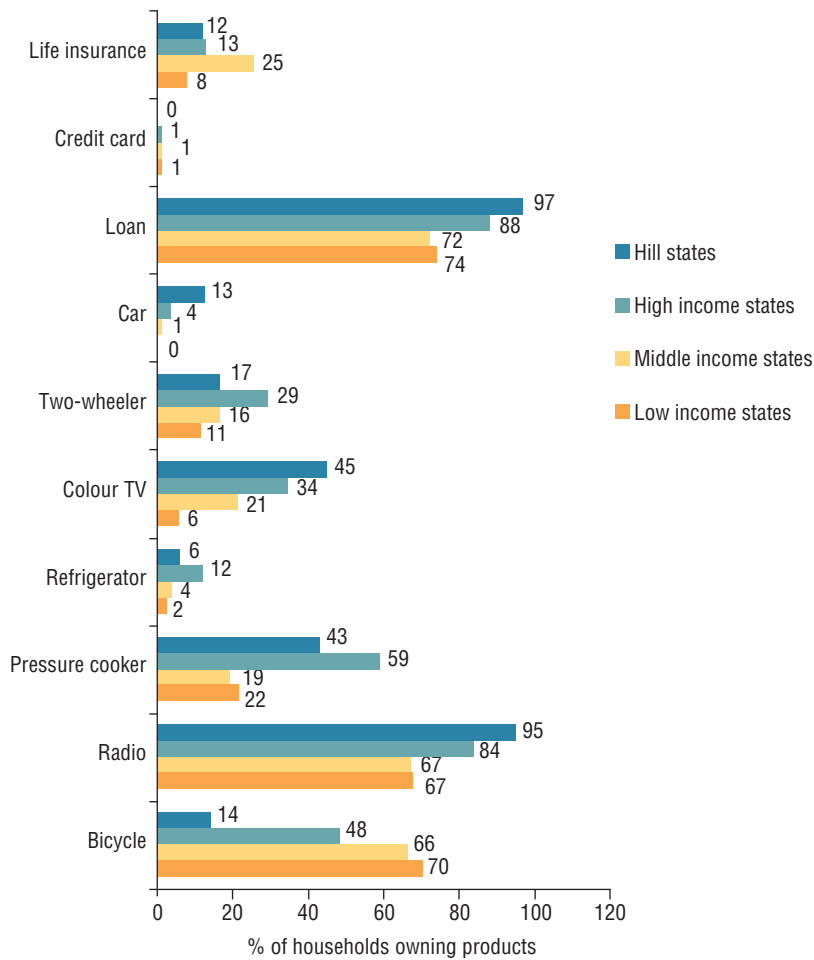
Since STs in hill states are the best off within the group of ST households in the country, both expense and savings levels rise the most with a move to these states. Average expenditure levels rise by around a fifth between low income and high income states, but by almost 100 per cent with a move from low income to hill states (from Rs 25,278 to Rs 47,546 per annum, respectively). Impact/efficiency levels also double. So, while ST households in low income states account for 53.9 per cent of the total ST households in the country and 44.9 per cent of expenditure, this changes to 6.3 per cent and 9.9 per cent, respectively, in hill states. Orissa, the worst state, has an efficiency level of just 0.6.

In terms of savings, the increase in impact/efficiency is even greater. Average household savings increase from Rs 5,661 in low income state households to Rs 24,506 in households in hill states. The impact/efficiency levels rise from 0.5 to as much as 2.3. Households in hill states

account for just 6.5 per cent of all ST households in the country but for almost 15 per cent of the total savings made by ST households across the country.

As mentioned before, ST households in low income states tend to have the highest ownership of cycles (70.2 per cent; Figure 5.4), but this is the lowest among all caste groups—it is 74 per cent for SCs, 76 per cent for OBCs and 74 per cent for upper caste households. When it comes to two-wheelers, ownership levels rise almost 2.5 times as households move from low income—11.5 per cent—to high income

**FIGURE 5.4: ST Households: Ownership Pattern of Select Consumer Goods and Financial Services**



Source: NSHIE (2004–05), NCAER.

states—29.0 per cent. While 3.5 per cent of ST households in high income states own cars, the figures for SC and OBC households in hill states is 3.7 and 3.3 per cent, respectively.

Maharashtra tops the states when it comes to ownership of two-wheelers (32 per cent of ST households have two-wheelers), Orissa is the worst (a little over 5 per cent); Maharashtra also tops the list for cars (4.4 per cent of ST households have cars). Orissa and West Bengal turn out to be the worst states for STs when it comes to automobile ownership. STs in West Bengal hardly have any cars.

Similarly, the highest usage of pressure cookers for ST households is 58.7 per cent in high income states (that is, more than half the ST households in these states own pressure cookers). This is slightly more than the lowest usage of pressure cookers in upper caste households (56.7 per cent in low income states). When it comes to radios, things are much better—67 per cent of ST households in low income states have a radio as compared to 80 per cent for upper caste households in these states; the all-India average for ST households is 72.4 per cent versus 85.6 per cent for upper caste households. Much the same holds for colour televisions.

The difference is quite stark for refrigerators—12 per cent of ST households have a refrigerator in high income states (the highest) and this is nearly half that for upper caste households in low income states (their lowest).

There is not much difference across caste groups when it comes to taking loans (this, of course, is not the same thing as indebtedness levels which pertain to the amount of loan taken as a proportion of the salary earned). So, on average, 78 per cent of ST households have taken loans (from 73 per cent in low income states to 97 per cent in hill states) versus 74 per cent for SCs, 73 per cent for OBCs and 80 per cent for upper castes. When it comes to credit cards or life insurance policies, however, there is a very big difference. So, less than 1 per cent of ST households have a credit card versus over 3 per cent for upper caste households. For life insurance, the figures are 12 per cent versus 32 per cent.

### **Profile of Scheduled Castes**

Punjab is the best state in the country for SCs (but under 5 per cent of India's SCs live in Punjab), followed by Maharashtra (where 7.4 per cent of India's SC households live) and then West Bengal (where 15 per cent of SC households live). As in the case of STs, Orissa is the worst.

Compared to the all-India SC household income of Rs 45,899, the average SC household income in Punjab is Rs 63,055, while that for Orissa is a mere Rs 30,468 (Table 5.5).

Punjab remains the top state when it comes to average household expenditure, followed by West Bengal and then Uttar Pradesh. Maharashtra, for some reason, has very poor spending levels in SC households—which, however, possibly explains why it comes first in terms of savings, followed by Punjab and then Rajasthan.

With 4.6 per cent of SC households in India located in Punjab and accounting for 6.3 per cent of the income of all SC households across the country, these households have an impact/efficiency of 1.37. Maharashtra accounts for 7.4 per cent of all SC households in the country, 9.2 per cent of their income, and an impact/efficiency level of 1.24—roughly equal to the impact/efficiency levels for all households in the state, irrespective of their caste affiliations. Orissa, the worst state as far as SCs are concerned, accounts for just 3.7 per cent of the overall income of all SC households and 5.6 per cent of all SC households are located in this state, giving it an impact/efficiency factor of just 0.66.

Not surprisingly, this difference in income levels ensures the spending habits of SC households are quite distinct across various states. In Punjab, the average SC household spends 46 per cent of its income on food, a figure that is around 10 percentage points less than that for states like Madhya Pradesh. Despite being the richest state as far as SCs are concerned, SCs in Punjab spend a lot less on education as compared to, say, SCs in Tamil Nadu—9.6 per cent of the latter's expenditure is on education as compared to 6.4 per cent in Punjab.

Orissa, given its status as the worst state as far as SCs are concerned, has a surprisingly low share of household income that is spent on food—around 46 per cent of its income on food and just 1.1 per cent on durables (the SC average across India is 4.1 per cent), 3.9 per cent on education (the SC average is around 6.3 per cent) and 8.3 per cent on health (8.6 per cent average across the country).

In terms of ownership, Punjab tops the charts when it comes to cars (7.1 per cent of SC households in the state own a car), colour televisions (49.2 per cent), refrigerators (35.9 per cent) and even pressure cookers (74.7 per cent). As in the case of income, Maharashtra comes second, except in the case of two-wheelers where it beats Punjab by a bit (45.2 per cent of Maharashtra's SC households own a two-wheeler compared to 41.5 per cent in Punjab).

TABLE 5.5: Economic Profile of SCs by Top 10 States (% to total)

States	Households			Share of state to total (%)				Efficiency factor		
	Households	Population	Income	Expenditure	Savings	Income	Expenditure	Savings		
1 Uttar Pradesh	18.1	20.9	15.6 (39,655)	18.7 (38,694)	2.0 (961)	0.86	1.04	0.11		
2 West Bengal	15.3	15.2	15.9 (47,463)	16.5 (40,281)	12.9 (7,182)	1.03	1.08	0.84		
3 Maharashtra	7.4	7.2	9.2 (57,085)	6.9 (34,941)	19.3 (2,2144)	1.24	0.93	2.60		
4 Tamil Nadu	7.9	6.8	7.5 (43,129)	7.7 (36,326)	6.3 (6,803)	0.94	0.97	0.80		
5 Bihar	7.0	6.7	5.0 (33,007)	4.7 (25,355)	6.3 (7,652)	0.72	0.68	0.90		
6 Rajasthan	5.3	5.9	5.4 (46,234)	5.2 (36,759)	5.9 (9,475)	1.01	0.98	1.11		
7 Andhra Pradesh	6.8	5.7	5.4 (36,102)	5.4 (29,671)	5.1 (6,432)	0.79	0.79	0.76		
8 Orissa	5.6	5.2	3.7 (30,468)	4.2 (28,089)	1.6 (2,379)	0.66	0.75	0.28		
9 Madhya Pradesh	5.4	5.2	4.5 (38,281)	4.6 (32,125)	3.9 (6,156)	0.83	0.86	0.72		
10 Punjab	4.6	5.0	6.3 (63,055)	6.3 (51,316)	6.4 (11,739)	1.37	1.37	1.38		
Other States	16.6	16.0	21.6 (59,767)	19.6 (44,215)	30.3 (15,551)	1.30	1.18	1.83		
All-India	100.0	100.0	100.0 (45,889)	100.0 (37,377)	100.0 (8,512)	1.00	1.00	1.00		

Source: NSHIE (2004-5), NCAER.

Note: Figures in brackets represent average annual household income in rupees.

In terms of financial products, however, Punjab is not the leader. Maharashtra's SC households have more life insurance policies (23.8 per cent versus 13.9 per cent for Punjab), Madhya Pradesh's SCs have more credit cards (0.9 per cent versus 0.8 per cent in Punjab) and Tamil Nadu has a lot more households taking loans (41.4 per cent versus 14.7 per cent in Punjab).

Though the highest proportion of SC households (45.7 per cent) reside in low income states, these states account for a lower 37.2 per cent of income—that is an impact/efficiency level of just 0.8. Income levels rise by the largest margin in high income states, where the impact/efficiency level is 1.4 (Table 5.6).

The average incomes of SCs in high income states, Rs 65,373, is marginally higher than that of OBC households in middle income states (Rs 64,776) and way below that of upper castes in even low income states (Rs 72,222).

Unlike in the case of STs, the best states for SCs when it comes to expenditure are the high income ones. Expenditure levels rise by about a third between low income and high income states, from Rs 33,416 to Rs 46,056; these then fall to Rs 35,658 in hill states. In terms of impact/efficiency, efficiency levels rise 50 per cent. So, while SC households in low income states account for 45.7 per cent of the national total and 41 per cent of expenditure, this changes to 17.9 per cent and 22 per cent, respectively, in high income states.

The proportion of expenditure on food across SC households varies from 50.5 per cent in the case of households in low income states to as low as 43.3 per cent in high income states, before rising to 52.2 per cent in hill states. In the case of OBCs, this falls from 47.4 per cent in low income states to 37.8 per cent in high income states and then rises to

**TABLE 5.6: Distribution of Income, Expenditure and Savings for SCs by State of Residence (% to total)**

State categories	Households (%)	Income (%)	Expenditure (%)	Savings (%)	Efficiency factor		
					Income	Expenditure	Savings
Low income states	45.7	37.2	40.9	21.4	0.81	0.89	0.47
Middle income states	34.6	34.9	35.3	32.8	1.01	1.02	0.95
High income states	17.9	25.5	22.1	40.6	1.42	1.23	2.27
Hill states	1.8	2.4	1.7	5.2	1.31	0.95	2.86
All-India	100.0	100.0	100.0	100.0	1.00	1.00	1.00

Source: NSHIE (2004–05), NCAER.

55.1 per cent in hill states; for upper castes, the figures are, respectively, 39.7 per cent, 39.4 per cent and 44.8 per cent.

Expenditure on education rises from 5 per cent in low income states to 7.4 in high income states. Expenditure levels on ceremonies decreases from 8.3 per cent of family expenditure in the low income states to just 4.1 per cent in hill states.

In comparison to upper caste households in each category of states, however, the difference is quite stark, both in relative as well as absolute terms. So, while SC households in low income states spend 50.5 per cent of their income on food, this is just 39.7 per cent for upper caste households in these states; at the all-India level, it is 49.1 per cent versus 41 per cent. The all-India average for education spend is 6.3 per cent for SCs versus 7.9 per cent for upper castes.

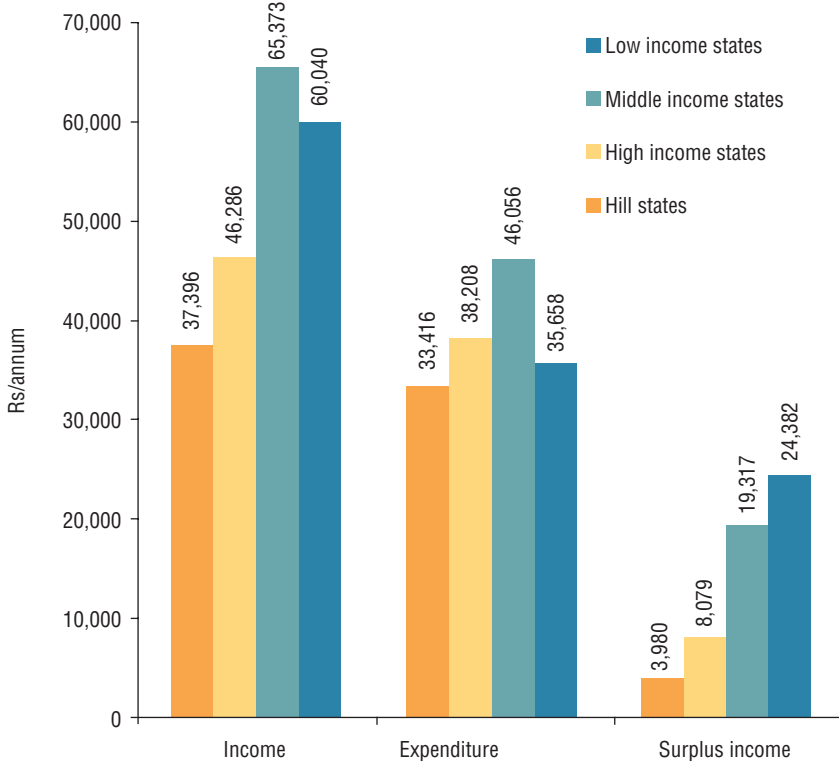
In terms of savings, the increase in impact/efficiency is significantly greater. Average household savings increase from Rs 3,980 in low income state households to Rs 24,382 in households in hill states (Figure 5.5)—the impact/efficiency levels rise from 0.4 to as much as 3 (Table 5.6). Households in hill states account for just 1.8 per cent of all SC households in the country but for almost 5.2 per cent of the total savings.

SC households in low income states tend to have the highest ownership of cycles—73.6 per cent of all such households own a cycle; it is 70.2 per cent for STs, 76.1 per cent for OBCs and 74.0 per cent for upper caste households (Figure 5.6). When it comes to two-wheelers, ownership levels treble as households move from low income to high income states: from 12.7 per cent of SC households in low income states to 39.9 in high income states. Of SC households in high income states, 6.3 per cent have a car as compared to 0.8 per cent in low income states—that's lower than the 6.5 per cent for OBCs in middle income states and 6.6 per cent for hill states in the case of upper castes.

Maharashtra leads the rankings when it comes to ownership of two-wheelers (45.2 per cent of SC households have them). Punjab tops the list for cars (7.1 per cent of SC households). Bihar is the worst state for SCs when it comes to automobile ownership: 8.2 per cent of SC households in Bihar have a two-wheeler and just 0.2 per cent own a car.

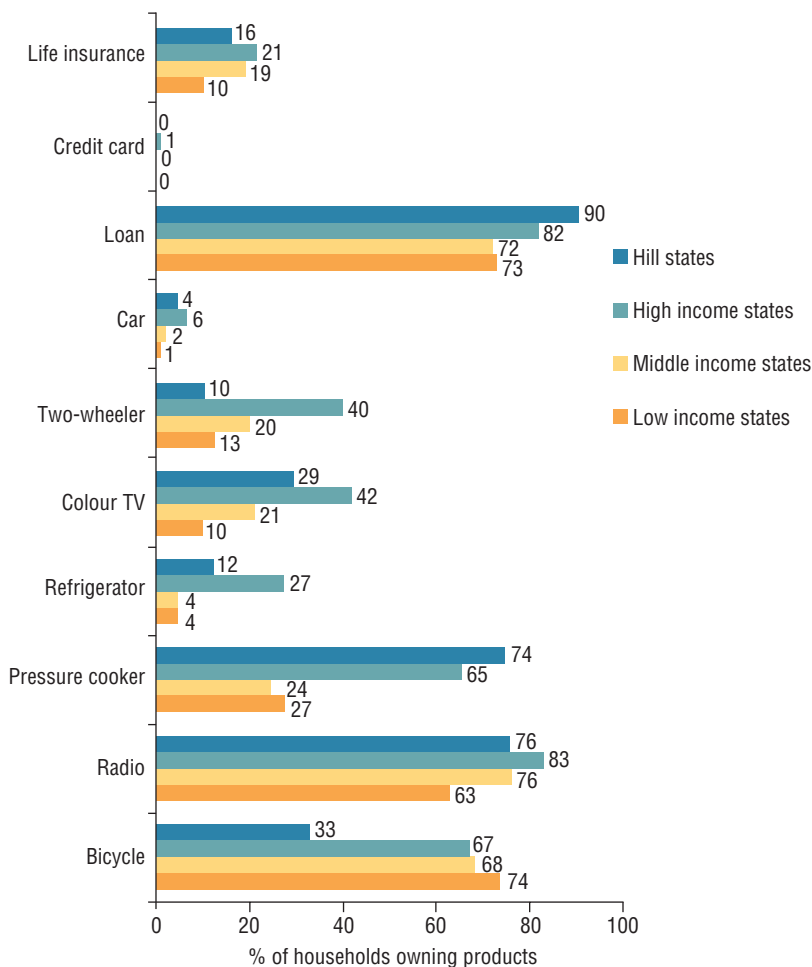
Usage levels of pressure cookers, refrigerators and colour televisions all rise by around 3 times with the move from low income to high income states: for pressure cookers it rises from 27.3 per cent to 74.4 per cent (hill states), from 4.2 per cent for refrigerators in low income states to 27.1 per cent in high income states, from 9.9 per cent for colour televisions in low income states to 41.7 per cent in high income states.



**FIGURE 5.5: Estimates of Income, Expenditure and Surplus Income for SCs by State of Residence (Rs/annum)**

**Source:** NSHIE (2004–05), NCAER.

Differences in ownership patterns are along predictable lines—they are higher than those for ST households, slightly lower than OBCs and much lower than upper castes. In high income states, 41.7 per cent of SCs have colour televisions; this compares with 34.5 in the case of STs, 47.0 in the case of OBCs and 73.6 in the case of upper castes (54 per cent of upper caste households in even middle income states own a colour television). For pressure cookers, it is 65.3 per cent in high income SC households versus 58.7 in ST households, 70.0 per cent in OBC ones and 88.3 per cent in upper caste ones. For refrigerators, it is 27.1 per cent for high income SC households versus 12 for ST households and 31.3 per cent for OBCs—it is 28.3 per cent in middle income states' upper caste households and 51.2 per cent in upper caste households in high income states.

**FIGURE 5.6: SC Households: Ownership of Select Consumer Goods and Financial Services**

**Source:** NSHIE (2004–05), NCAER.

When it comes to taking loans there isn't any significant difference between SC households or those from any other caste grouping (this, of course, is not the same thing as indebtedness levels which pertain to the amount of loan taken as a proportion of the salary earned). So, 82 per cent of SC households in high income states take loans; this is 87.8 for STs, 78.2 for OBCs and 82.5 per cent for upper castes.

For credit cards, the difference is quite large—0.3 per cent of all SC households have a credit card as compared to 3.2 per cent for upper castes. The figures are 0.9 for high income SC households, 0.9 for STs,

2.6 for OBCs and 5.6 per cent for upper castes. For life insurance, similarly, the figures are 21.5 for SCs, 12.8 for STs, 28.1 for OBCs and 35.4 per cent for upper castes in high income states.

### Profile of Other Backward Classes

Income levels of OBC households tend to be the best in the states of south India. With the exception of Andhra Pradesh, OBC households have an impact/efficiency level of more than 1.0—that is, the share of OBC households in other southern states is less than the share of income generated by them. In the case of Karnataka, the impact/efficiency is around 1.54—the state is home to around 7.5 per cent of all OBC households across the country and these households have an income that adds up to over 11.6 per cent of the total income generated by all OBCs across the country. This impact/efficiency of 1.54 for OBC households in Karnataka is higher than the state average for all households (1.4), implying that relative to their population share, OBC households in the state are better off.

Kerala and Tamil Nadu follow: these three states account for a little over a fourth of the total OBC households in the country. Bihar, despite being governed by OBC chiefs like Lalu Prasad and his family for over 15 years, remains the worst—9.5 per cent of all OBC households are to be found in this state, accounting for just 6.5 per cent of the income of all OBC households (implying an impact/efficiency factor of just 0.68, a number similar to that for all households across the state, irrespective of their caste affiliation). Uttar Pradesh, another bastion of OBC politics over the years, has an impact/efficiency level of 0.92—it accounts for nearly 20 per cent of the OBC population but just around 15 per cent of all OBC household incomes. In this case as well, the impact/efficiency is similar to that for all households across the state, irrespective of their caste affiliations.

As compared to the average national OBC household income of Rs 59,741, that of OBC households in Karnataka is as much as Rs 92,038 versus just Rs 40,839 in Bihar. Karnataka remains at the top when it comes to average household expenditure levels, followed by Tamil Nadu. In terms of average household savings, however, Maharashtra tops, followed by Karnataka and then Kerala (Table 5.7). The proportion of expenditure, though, depends upon the number of households. The household expenditure of OBCs in Karnataka is a third more than that in Uttar Pradesh, though it has almost 3 times more OBCs than

TABLE 5.7: Economic Profile of OBCs by Top 10 States (% to total)

States	Households			Share of state to total (%)			Efficiency factor		
	Households	Population	Income	Expenditure	Savings	Income	Expenditure	Savings	
1 Uttar Pradesh	16.2	19.9	14.9 (55,102)	18.0 (50,731)	5.0 (4,371)	0.92	1.11	0.31	
2 Tamil Nadu	13.3	11.2	14.6 (65,879)	14.8 (50,966)	14.1 (14,913)	1.10	1.12	1.06	
3 Andhra Pradesh	10.3	9.2	7.8 (45,179)	7.9 (35,140)	7.4 (10,038)	0.76	0.77	0.71	
4 Bihar	9.5	9.2	6.5 (40,839)	6.4 (30,805)	6.8 (10,034)	0.68	0.67	0.71	
5 Maharashtra	7.3	7.4	9.0 (73,223)	7.1 (43,890)	15.3 (29,333)	1.23	0.96	2.09	
6 Karnataka	7.5	7.0	11.6 (92,038)	11.2 (67,875)	12.9 (24,164)	1.54	1.49	1.72	
7 Madhya Pradesh	5.9	6.4	5.0 (50,049)	5.4 (41,679)	3.5 (8,371)	0.84	0.91	0.60	
8 Rajasthan	5.0	5.7	4.4 (53,014)	4.6 (42,484)	3.7 (10,530)	0.89	0.93	0.75	
9 Kerala	4.9	4.3	5.5 (66,785)	5.2 (48,237)	6.5 (18,548)	1.12	1.06	1.32	
10 Orissa	3.8	3.8	2.8 (44,119)	3.5 (42,354)	0.5 (1,765)	0.74	0.93	0.13	
Other states	16.3	15.9	17.9 (65,666)	15.9 (44,757)	24.2 (20,908)	1.10	0.98	1.49	
All-India	100.0	100.0	100.0 (59,741)	100.0 (45,695)	100.0 (14,047)	1.00	1.00	1.00	

Source: NSHIE (2004-05), NCAER.

Note: Figures in brackets represent average annual household income in rupees.

Karnataka—so 18 per cent of expenditure by OBCs across the country is accounted for by those living in Uttar Pradesh versus 11 per cent in Karnataka.

As in the case of other caste groups, the spending habits of OBC households are quite distinct across states. In Karnataka, the average OBC household spends just around a third of its income on food (the figure is a whopping 49 per cent in the case of Bihar), and this figure is almost similar to the upper caste spend on food in Karnataka. Not surprisingly, OBC households in Karnataka have a higher spending in some other areas: as an example, they spend over 10.5 per cent on education (this is the highest proportion for all OBCs across the country). Interestingly, even OBCs in Bihar spend a fairly high proportion of their income on education (8.8 per cent). Spending on education tends to be the smallest in both Uttar Pradesh and Orissa, at 5.7 per cent each—this is despite the average household income in Uttar Pradesh being around 40 per cent higher than that in Bihar.

Though Karnataka is the best state for OBCs in terms of income levels, this does not apply to the ownership of durables. Orissa, for instance, is the topper when it comes to bicycles (86 per cent of Orissa households own a cycle as compared to 53 per cent in Karnataka); Maharashtra for two-wheelers (51.8 per cent of Maharashtra households own a two-wheeler as compared to 43.3 per cent in Karnataka), Kerala for cars (11.8 per cent of Kerala households own a car as compared to 8.3 per cent in Karnataka) and refrigerators (29.5 per cent versus 18.2 per cent, respectively).

Karnataka households lead in the ownership of credit cards and life insurance; over 2.5 per cent of Karnataka households own credit cards as compared to the all-India average of 1.3 per cent for all OBC households across the country. A little under 57 per cent of households in the state have life insurance as compared to the all-India average for OBCs of 24.1 per cent.

As in the case of other caste groups, the highest proportion of OBCs are to be found in low income states, and as in the case of all low income state households, income levels here are quite low. While more than 44 per cent of OBC households are to be found in low income states, these households account for just 37 per cent of the income of all OBC households—that is, their impact/efficiency level is a mere 0.82, a level that is remarkably similar to that for all households, regardless of caste, living in low income states (Table 5.8).

The highest level of impact/efficiency does not rise above 1.3 but it rises to 1.7 in the case of ST households in hill states. Though OBC

**TABLE 5.8: Distribution of Income, Expenditure and Savings for OBCs by State of Residence (% to total)**

State of residence	Households (%)	Income (%)	Expenditure (%)	Savings (%)	Efficiency factor		
					Income	Expenditure	Savings
Low income states	44.3	36.5	40.9	22.2	0.82	0.92	0.50
Middle income states	38.7	41.9	41.6	42.9	1.08	1.08	1.11
High income states	12.7	17.0	14.3	26.0	1.34	1.12	2.04
Hill states	4.3	4.6	3.3	8.8	1.07	0.76	2.07
All-India	100.0	100.0	100.0	100.0	1.00	1.00	1.00

Source: NSHIE (2004–05), NCAER.

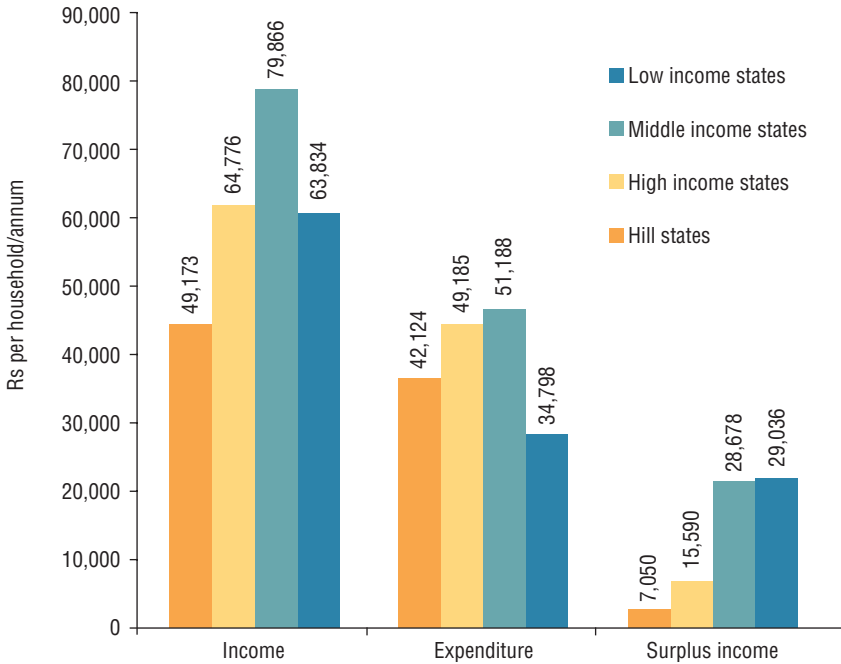
income levels go up quite dramatically with a move from one category of state to another—they rise 32 per cent from low income to middle income states, and 23 per cent from middle income to high income states—expenditure levels do not rise as significantly. They rise 17 per cent between low income and middle income states and then fall marginally as households move to high income states.

So, while OBC households in low income states account for 44.3 per cent of the total OBC households in the country and 40.9 per cent of the expenditure, this changes to 38.7 per cent and 41.6 per cent, respectively, in middle income states (Table 5.8).

Over 80 per cent of all OBC households are to be found in low and middle income states (Table 5.8). Income levels rise by half as households move from low to high income states (Figure 5.7) and savings levels rise 3 times.

There is a substantial difference in the consumption habits of OBC households across state categories when it comes to the proportion spent on food (47 per cent of expenditure in low income states versus 39.1 per cent for middle income states). Expenditure on education rises from 6.4 per cent in low income states to 8.7 in middle income states; in terms of absolute terms, that is a rise from Rs 2,688 to Rs 4,286, respectively. Expenditure levels on ceremonies, interestingly, reduce quite dramatically, from 10.2 per cent in the low income states to 6.3 per cent in middle income states.

Not surprisingly, there is a huge jump when it comes to impact/efficiency levels as households move from low income to middle income states (Table 5.8). OBC households in low income states account for just 22.2 per cent of all savings by OBC households; given that 44 per cent of all OBC households in the country are located in low income states,

**FIGURE 5.7: Estimates of Income, Expenditure and Surplus Income for OBCs by State of Residence (Rs/annum)**

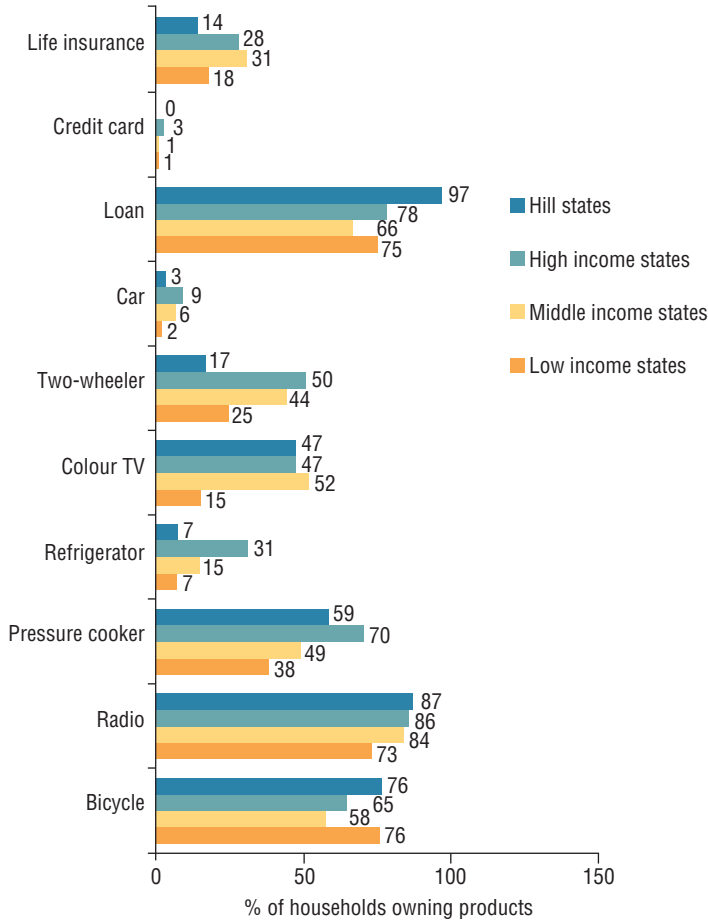
**Source:** NSHIE (2004–05), NCAER.

this means an impact/efficiency factor of just 0.5. Given that income levels rise at double the pace of expenditure from low to middle income states, the impact/efficiency factor rises to 1.08 in the latter—it rises further to 1.34 with a move to high income states.

In keeping with their relative income levels, OBCs have more durables than SC/ST households, though less than what upper castes have. So, in the case of low income states, 11.5 per cent of ST households have a two-wheeler—the figure is 12.7 for SC households, 24.5 for OBCs and 38 per cent for the upper caste households. OBC households in high income states have the highest ownership of two-wheelers among OBCs elsewhere—50.4 per cent. In the case of cars, 9 per cent of OBC households in high income states own a car; it is 18.5 per cent in the case of upper caste households in high income states (Figure 5.8).

Maharashtra tops the states when it comes to ownership of two-wheelers (52 per cent of OBC households have two-wheelers), Uttar Pradesh is the worst (a little over 20 per cent). Kerala tops the list for cars (11.8 per cent of OBC households in the state have cars). Bihar is the

**FIGURE 5.8: OBC Households: Ownership of Select Consumer Goods and Financial Services**



**Source:** NSHIE (2004–05), NCAER.

worst state for OBCs when it comes to automobile ownership—hardly 1 per cent of OBC households in the state own a car.

Similarly, the highest ownership of refrigerators for OBC households is 29.5 per cent in Kerala and the worst is Bihar (1.4 per cent); the figures for colour televisions are 78.4 per cent for Kerala and under 10 per cent for Bihar.

When it comes to taking loans, there isn't too much of a difference among various caste groups—the bigger difference happens across state categories. So, in low income states, 75 per cent of OBC households



take loans as compared to 73.9 per cent for STs, 72.6 per cent for SCs and 78.3 per cent for upper castes. Once you move to high income states, however, this rises dramatically—87.8 per cent for STs, 82.0 per cent for SCs, 78.2 per cent in the case of OBCs and 82.5 per cent in the case of upper castes.

When it comes to credit cards or life insurance policies, however, there is a very big difference: 1.3 per cent of OBC households have a credit card compared to 3.2 per cent for upper caste households. For life insurance, the figures are 24 per cent versus 32 per cent.

### Profile of Upper Castes

Karnataka is the best state in the country when it comes to upper caste households (and, as mentioned earlier, it is the best for ST and OBC households as well), followed by Punjab and Gujarat; Bihar, once again, happens to be the worst. Compared to the average upper caste household income of Rs 86,690 per annum in the country, that of upper caste households in Karnataka is as high as Rs 120,771 while that in Bihar is just Rs 51,187 (Table 5.9). When it comes to average household expenditure, Karnataka remains at the top, followed by Punjab. In terms of average household savings, Karnataka tops, Maharashtra comes next and then Gujarat.

Around 3.5 per cent of all upper caste households in the country reside in Karnataka and account for nearly 5 per cent of the income of all upper caste households across the country—that is, these households have an impact/efficiency factor of 1.4, a number similar to that for all households in the state, irrespective of their caste affiliation. Punjab has the second-highest impact/efficiency factor of 1.13—with 3.1 per cent of all upper caste households in the country, and accounting for 3.6 per cent of the income. Maharashtra has the highest proportion (15.1 per cent) of upper caste households in the country, accounting for about the same proportion (15.4 per cent) of income.

Not surprisingly, this difference in income levels translates into distinct spending habits of upper caste households across states. In Karnataka, the average upper caste household spends less than a third of its income on food, a figure that's comparable with the best in even the upper caste households across states. Normally, the higher the household income levels, the lower the proportion spent on food, and the higher the proportion on education and health.

TABLE 5.9: Economic Profile of Upper Castes by Top 10 States (% to total)

States	Households			Share of state to total (%)			Efficiency factor		
	Households	Population	Income	Expenditure	Savings	Income	Expenditure	Savings	
1 Maharashtra	15.1	14.9	15.4 (88,156)	12.9 (51,180)	21.0 (36,977)	1.02	0.85	1.39	
2 Uttar Pradesh	11.9	14.5	11.5 (83,588)	15.3 (77,380)	2.8 (6,208)	0.96	1.29	0.23	
3 West Bengal	12.4	11.9	12.8 (89,050)	13.1 (63,094)	12.1 (25,956)	1.03	1.05	0.97	
4 Gujarat	9.1	8.7	9.8 (92,801)	8.8 (57,998)	11.9 (34,803)	1.07	0.97	1.31	
5 Andhra Pradesh	8.3	7.0	5.6 (58,560)	5.3 (38,481)	6.3 (20,080)	0.68	0.64	0.75	
6 Bihar	6.7	6.6	4.0 (51,187)	4.6 (41,006)	2.6 (10,181)	0.59	0.68	0.38	
7 Rajasthan	4.1	4.7	3.7 (78,540)	3.9 (58,459)	3.1 (20,081)	0.91	0.97	0.75	
8 Madhya Pradesh	4.0	4.3	3.5 (75,846)	4.1 (61,365)	2.2 (14,481)	0.87	1.02	0.54	
9 Punjab	3.1	3.3	3.6 (98,211)	4.2 (79,978)	2.1 (18,233)	1.13	1.33	0.68	
10 Karnataka	3.4	3.2	4.8 (120,771)	4.6 (80,505)	5.2 (40,266)	1.39	1.34	1.51	
Other states	21.8	20.9	25.5 (101,592)	23.2 (63,956)	30.8 (37,636)	1.17	1.06	1.41	
All-India	100.0	100.0	100.0 (86,690)	100.0 (60,054)	100.0 (26,636)	1.00	1.00	1.00	

Source: NSHIE (2004-05), NCAER.

Note: Figures in brackets represent average annual household income in rupees.

Surprisingly, in terms of the proportion of expenditure, the education spend in Karnataka is not very high and is just about the same as the national average for all upper caste households across the country, that is, around 8 per cent. But given the higher income of upper caste households in Karnataka, this translates to more spending in rupees.

Bihar, surprisingly, does not have the highest proportion of household income that is spent on food. The average upper caste household in the state spends around 41 per cent of its expenditure on food in comparison to 52 per cent in a state like West Bengal.

Though Karnataka may be the best state for upper caste households in terms of income levels, it does not head the rankings when it comes to possession of durables. A little over 55 per cent of upper caste households in the state own a two-wheeler, a figure that is considerably lower than Gujarat's 71.6, Maharashtra's 69.2, Punjab's 65.4 or even Andhra Pradesh's 57.4 per cent. Around 11 per cent of Karnataka's upper caste households own a car, again a figure much lower than Punjab's 23 per cent, Gujarat's 16 per cent or Maharashtra's 14.6 per cent. The same applies to refrigerators (26 per cent for Karnataka as compared to 58 per cent for Punjab and 45 per cent for Maharashtra) and colour televisions (59 per cent for Karnataka, 75 for Punjab and 69 for Maharashtra).

However, it is a different scenario in the case of financial products. With nearly 55 per cent of its upper caste households owning a life insurance policy, Karnataka heads the rankings in this category. This compares with 37 per cent for Gujarat, 35 per cent for Maharashtra and under 26 per cent for Punjab. When it comes to credit/debit cards, Gujarat tops with 12 per cent of its upper caste households owning them, but Karnataka's 7 per cent is quite respectable, especially considering the national average for upper caste households is less than half this.

An equal proportion of upper castes are to be found in low income states (32.0 per cent) as well as in the high income states (34.1 per cent). Following the general pattern in other caste groups, the impact/efficiency levels rise as households move from low to high income states, and then fall in hill states (Table 5.10).

The impact/efficiency factors for upper caste households across various state categories are not dramatically different from that of all caste groups as a whole. So, while the impact/efficiency factor for upper caste households in low income states is 0.8 in the context of income levels, this is 0.79 for all caste groups taken together. It is 1.0 for upper caste households in middle income states, a figure that is similar to that for households of all caste groups in these states; it is 1.2 for upper caste households in high income states versus 1.37 for all caste groups.

**TABLE 5.10: Distribution of Income, Expenditure and Savings for Upper Caste by State of Residence (% to total)**

State of residence	Households (%)	Income (%)	Expenditure (%)	Savings (%)	Efficiency factor		
					Income	Expenditure	Savings
Low income states	32.0	26.6	32.3	13.8	0.83	1.01	0.43
Middle income states	29.4	28.1	28.2	28.0	0.96	0.96	0.95
High income states	34.1	41.3	35.8	53.6	1.21	1.05	1.57
Hill states	4.6	4.0	3.7	4.6	0.87	0.80	1.02
All-India	100.0	100.0	100.0	100.0	1.00	1.00	1.00

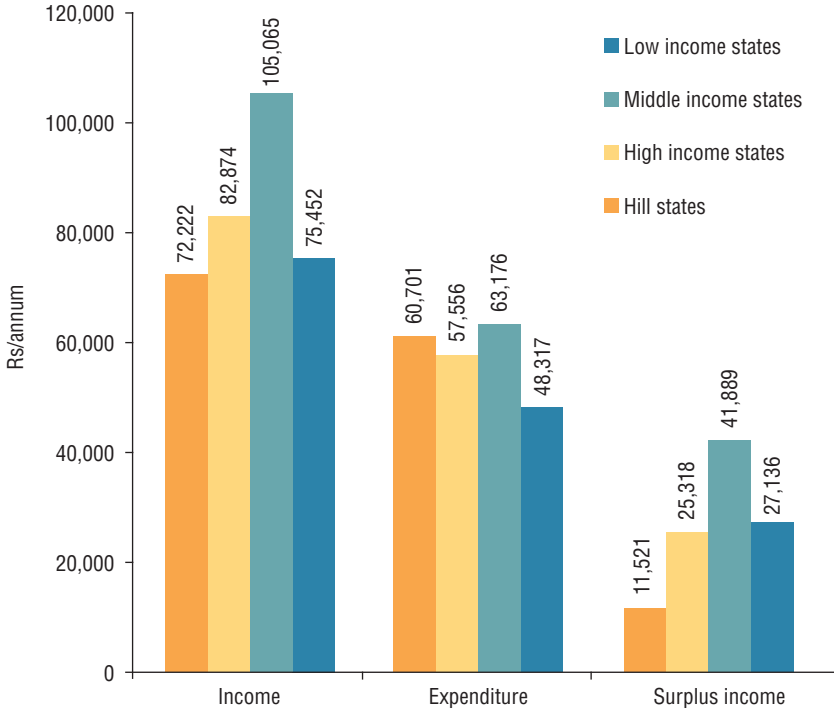
Source: NSHIE (2004–05), NCAER.

Except for upper caste households in hill states, there isn't too much of a difference in expenditure levels across state categories—it ranges from Rs 57,566 per annum in middle income states to Rs 63,176 in high income states (Figure 5.9). Not surprisingly, the impact/efficiency factors don't vary as much either. They rise from 1.0 in low income states—these states account for 32.0 per cent of the population of upper caste people in the country and 32.3 per cent of their expenditure—to 1.1 in middle income states and then fall to 0.8 in hill states (Table 5.10), in keeping with the reduction in income levels (income levels of upper caste households fall to Rs 48,317 per annum in hill states).

Not surprisingly, given their different income levels, upper caste households tend to spend a lot less on food relative to other caste groups. So, while ST households in low income states spend around 54 per cent of their income on food, this falls to 51 per cent in the case of SC households, 47 per cent in the case of OBCs and to just 40 per cent in the case of upper caste households. Similar differences apply to other categories of states as well.

Expenditure levels on education, similarly, differ significantly. ST households in low income states spend around 4.6 per cent of their annual expenditure on education—this rises to 5 per cent for SCs, 6.4 per cent for OBCs and to 7.4 per cent in the case of upper caste households. Given the relative difference in income levels, the difference in absolute values becomes even more stark—it rises from Rs 1,162 in the case of ST households to Rs 1,665 for SCs, Rs 2,688 for OBCs and Rs 4,507 for upper caste households. In high income states, ST households continue to spend just around 6 per cent of their annual budget on education and this rises to nearly 8 per cent in the case of upper caste households. In absolute terms, this rises from Rs 1,850 for ST households, to Rs 3,391

**FIGURE 5.9: Estimates of Income, Expenditure and Surplus Income for Upper Castes by State of Residence (Rs/annum)**



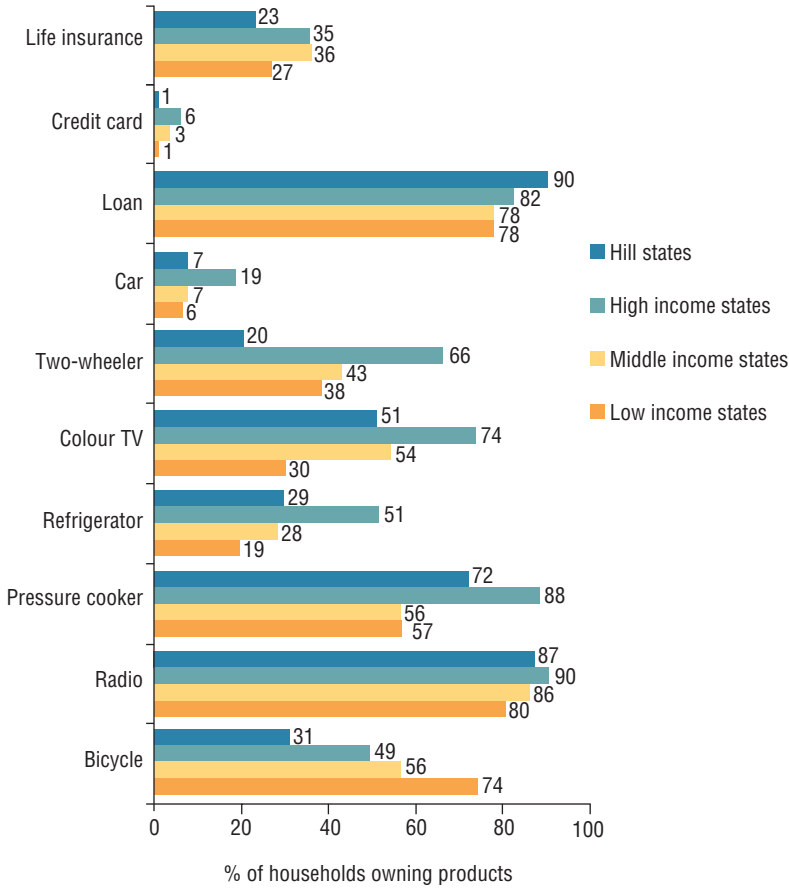
Source: NSHIE (2004–05), NCAER.

for SC households, Rs 3,540 for OBCs and Rs 5,168 for upper caste households.

In terms of savings, however, the increase in the impact/efficiency factor for upper castes is greater as they move across caste groups. Average household savings increase from Rs 11,521 in households residing in low income states to Rs 25,318 in those in middle income states, and up to as much as Rs 41,889 in high income states—the impact/efficiency levels rise from 0.4 in low income states to as much as 1.6 in high income states.

Among upper caste households, the ownership of bicycles is the highest in the low income states—nearly three-fourths of all upper caste households own a cycle in these states and this falls to around 50 per cent in high income states (Figure 5.10). When it comes to the more expensive two-wheelers and cars, refrigerators and televisions, however, it is the other way around and ownership rises as households move into higher income states.

**FIGURE 5.10: Upper Caste Households: Ownership of Select Consumer Goods and Financial Services**



**Source:** NSHIE (2004–05), NCAER.

Around 43 per cent of upper caste households in middle income states own a two-wheeler—this is not too different from the ownership pattern of OBCs in high income states (47 per cent). About 7 per cent of upper caste households in middle income states owned cars—the figure was 9 per cent for OBCs in the high income states.

Across states, Gujarat has the maximum ownership of two-wheelers, and over 70 per cent upper caste households in the state own one. West Bengal is the worst, with less than 28 per cent of the population owning a two-wheeler. Punjab tops the list when it comes to cars, with nearly one-fourth of upper caste households owning a car; at 2.8 per cent, Bihar

is the worst. It's the same for refrigerators—Punjab tops with a 58 per cent ownership and Bihar brings up the rear with 3.8 per cent. For colour televisions, it is Gujarat (79 per cent) and Bihar (12.6 per cent).

There isn't too much of a difference across castes when it comes to taking loans. On average, 78 per cent of ST households have taken loans (from 74 per cent in low income states to 97 per cent in hill states) versus 74 per cent for SCs, 73 per cent for OBCs and 80 per cent for upper castes.

When it comes to credit cards or life insurance policies, however, there is a very big difference. Less than 1 per cent of ST households have a credit card versus over 3 per cent for upper caste households. Within the upper caste households, just a little over 1 per cent have credit cards in low income states; this rises to 3 per cent in middle income states and to 6 per cent in high income states, before plunging to under 1 per cent in hill states.

In the case of life insurance, it rises from 27 per cent for upper caste households in low income states (this is almost similar to the figure for OBCs in the high income states) to around 35 per cent in middle income states, before falling to 23 per cent in hill states.

# ANNEXURE 1: CONCEPTS, DEFINITIONS AND SURVEY METHODOLOGY

## Concepts and Definitions

The household is the basic unit of analysis in this book. Most of the quantitative classificatory factors such as income, expenditure, investment, surplus income, amount of life insurance payments, etc., refer to the household as a whole. Certain other characteristics used for the analysis, such as occupation, age, education and source of income, however, pertain only to the chief earner of the household. The main concepts and measures used in this study are now defined.

**Household:** A group of persons living together and using a common kitchen constitutes a household. Members of a household may or may not be related by blood or marriage. Servants, permanent labourers and unrelated members are considered members of the household in case they share the common kitchen. If a person was out of the house for more than six months during the reference period (2004–05), he/she was not treated as a member of the household. Those entering the household on account of marriage or other alliances and new-born babies are counted as members of the household, even if they lived with the household for less than six months.

**Household size:** The number of resident members of a household is its size. It includes temporary stay-away members, but excludes temporary visitors and guests.

**Head of the household:** The head is the main decision maker in the family and the person best informed about the family's finances. Usually, he/she is the chief earner or the oldest member in the household. Household members were expected to inform the interviewer who they regarded as their 'head/chief earner'.

**Rural and urban areas:** The rural and urban areas of the country are taken from the 2001 census, for which the required information is available with the Survey Design and Research Division of the National



Sample Survey Organisation (NSSO). The lists of census villages as published in the Primary Census Abstracts (PCA) constitute the rural areas. The lists of cities, towns, cantonments, non-municipal urban areas and notified areas constitute urban areas. The definition of urban areas adopted for this book is the same as that used in the 2001 census. Accordingly, urban areas include:

- All places with a municipality/corporation, cantonment board or a notified town area committee;
- All other places satisfying the following criteria:
  - Minimum population of 5,000
  - At least 75 per cent of the male workforce is engaged in non-agricultural pursuits
  - A population density of over 400 per square kilometre (1,000 per square mile).

**Household income:** In broad terms, income refers to regular receipts, such as wages and salaries, income from self-employment, interest and dividends from invested funds, pensions or other benefits from social insurance and other current transfers receivable. Income represents a partial view of economic well-being and comprises the regular or recurring receipts of household economic accounts. It provides a measure of resources available to the household for consumption and savings.

- *Regular salaries and wages:* These are the earnings that a person working in another's farm or non-farm enterprises (both household and non-household) gets in return on a regular basis (and not on the basis of daily or periodic renewal of work contract).
- *Self-employed in non-agriculture:* Persons/households engaged in their own non-farm enterprises are defined as self-employed in non-agriculture (craft/business/professionals, etc).
- *Agricultural labour:* An individual undertaking one or more of the following agricultural operations in the capacity of labourer or hire or in exchange, whether paid wholly in cash or kind or partly in cash and partly in kind.
- *Casual wage labour:* A person casually engaged in non-farm enterprises (both household and non-household) and getting in return wages according to the terms of daily or periodic work contract.
- *Self-employed in agriculture:* Persons/households engaged in their own farm activity are defined as being self-employed in agriculture.

- *Income from other sources*: such as rent from land; rent from providing accommodation and capital for production; net interest received (income from bonds, deposits and savings); dividend (income received from stock holdings and mutual fund shares); employer-based private pension (payments received from companies/government after retirement); government social insurance and social assistance benefits, etc.

**Major source of household income (major occupation)**: In the event that the household is pursuing two or more economic activities, the principal occupation is considered to be the economic activity that contributes the most to the household income.

**Routine consumption expenditure**: Household consumption that includes the value of all goods and services provided in kind by the employer or as a result of home production (including the value of imputed rent for owner-occupied dwellings). Consumption expenditure is classified into eight groups:

- *Food*: While recording consumption, care should be taken to include consumption on ceremonies, parties, etc. If the household makes any transfer payment in terms of commodities (like cereals, beverages, fruits, vegetables, pulses, etc.), the quantity of such commodities should not be shown under domestic consumption of the payer household. For this book, the portion out of that receipt consumed by the recipient household during the reference period was shown against the consumption of the recipient household.
- *Housing*: For the reference period, information was collected on expenditure such as rent, taxes, maintenance, other household services and water bills. The actual expenditure incurred for purchase of these items, used for non-productive purposes, was considered as the consumption expenditure of the household. Expenditure in both cash and kind was taken into account. Consumption was recorded in terms of an average per month.
- *Health expenses (fee on medical facilities/medical labs/medicines)*: These items include expenditure on medicines and medical goods, payments made to doctors, nurses, etc., on account of professional fees and those made to hospitals, nursing homes, etc., for medical treatment.
- *Transport (road/air/fuel/repair/insurance/licence)*: Expenditure incurred on account of journeys undertaken and/or transportation of goods made by airways, railways, bus, tram, steamer, motor car (or taxi), motorcycle, auto-rickshaw, bicycle, rickshaw (hand-drawn and

cycle) horse-cab, bullock cart, hand-cart, porter or any other means of conveyance. In case of personally owned conveyance, the cost of fuel and other oils (petrol, diesel, engine oil, etc.) for power-driven transport and animal feed for animal-drawn carriage were also taken into account.

- *Education:* Expenses incurred in the purchase of books/stationery, school transportation, etc., were considered under this head. It also included fees paid to educational institutions (for example, schools, colleges, universities, etc.) on account of tuition (inclusive of minor items like games fees, library fees, etc.) and payment to private tutors.
- *Clothing and footwear:* Information on the value of consumption of all items of clothing and footwear were collected in (whole number of) rupees.
- *Consumer durable goods:* Expenditure incurred on the purchase of consumer durables and cost of raw materials and services for construction and repair of durable goods for domestic use were collected against this item. Expenditure included both cash and kind. Expenditure incurred on the purchase of durables gifting was also included.

***Unusual household expenditure:*** This is categorised as occasional but large annual expenditures on social ceremonies (marriage, birth and other social events), health/medical, higher education, leisure and holiday travel, jewellery, etc.

***Surplus income:*** Surplus income refers to current income less current routine consumption expenditure and unusual expenditure.

***Investment:*** The annual investment made by all members of the household in stock markets (shares/debentures/bonds), small savings, insurance and others.

***Reference period:*** The information was collected primarily for the year April 2004–March 2005. In cases where the reference period was mentioned as ‘last month’, it was defined as 30 days preceding the date of enquiry.

***Period of survey:*** Primary data was collected between 1 October 2005 and 28 February 2006.

## Coverage

The primary survey of households was undertaken in 24 major states/union territories (UTs) of India covering both rural and urban areas of Andhra Pradesh, Assam, Bihar, Chandigarh, Chhattisgarh, Delhi, Goa,

Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Orissa, Puducherry, Punjab, Rajasthan, Tamil Nadu, Uttaranchal, Uttar Pradesh, and West Bengal. Territories excluded were Jammu & Kashmir, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Andaman & Nicobar Islands, Daman & Diu, Dadra & Nagar Haveli and Lakshadweep. Remaining states were left out due to operational difficulty. These states account for only 3–4 per cent of the country's total population.

### **Sample Design**

A three-stage stratified sample design was adopted for the survey to generate representative samples. Sample districts, villages and households formed the first, second and third stage sample units respectively for the selection of the rural sample, while cities/towns, urban wards and households were the three stages of selection for the urban sample. Sampling was done independently within each state/UT and estimates were generated at the state/UT level. All-India estimates were arrived at through an aggregation of estimates for all states/UTs. The sample sizes at the first, second and third stages in rural and urban areas were determined on the basis of available resources and the derived level of precision for key estimates from the survey, taking into account the experience of NCAER in conducting earlier surveys.<sup>1</sup>

Within a state there are variations with respect to social and economic characteristics—the bigger a state, the larger the variation. In the National Sample Survey (NSS), within a state, regions are formed considering the homogeneity of crop pattern, vegetation, climate, physical features, rainfall pattern, etc. An NSS region is a group of districts within a state similar to each other in respect of agro-climatic features. In the present survey, NSS regions formed the strata for both rural and urban sampling.

#### **Selection of the Rural Sample**

In the rural sample design, a sample size of 250 districts was allocated to the 64 NSS regions within the 24 covered states/UTs in proportion to the total number of districts in an NSS region. The allocated number of districts was selected from each of the NSS regions as the first-stage

<sup>1</sup> All-India Rural Household Survey on Saving, Income and Investment (1962); Survey on Urban Income and Saving (1962); Market Information Survey of Households (1985–2001); Micro-Impact of Macro and Adjustment Policies (1994–95); Rural Economic and Demographic Survey (1970, 1980 and 1999).

sample units, with probability proportional to size and replacement, where the rural population of each district as per the census of 2001 was used as size measure.

Villages formed the second stage of the selection procedure. District-wise lists of villages are available from census records (2001) along with the population. A total sample of 1,976 villages (second-stage sampling units) was allocated to the selected 250 districts, approximately in proportion to the rural population of each selected district. The allocated number of sample villages in a selected district was chosen with the equal probability sampling approach.

In each of the selected villages, approximately 100 households were selected following the equal probability sampling approach for listing purposes and preliminary survey. During this preliminary survey, information on land possessed and principal source of income of the listed households was collected for use in stratifying the listed households into the following eight strata:

- *Stratum 1*: Principal source of income was self-employment in agriculture and land possessed was 0–2 acres;
- *Stratum 2*: Principal source of income was self-employment in agriculture and land possessed was 2–10 acres;
- *Stratum 3*: Principal source of income was self-employment in agriculture and land possessed was above 10 acres;
- *Stratum 4*: Principal source of income was labour (agricultural/other casual);
- *Stratum 5*: Principal source of income was self-employment in non-agriculture and land possessed was 0–2 acres;
- *Stratum 6*: Principal source of income was self-employment in non-agriculture and land possessed was above 2 acres;
- *Stratum 7*: Principal source of income was regular salary/wages and other sources and land possessed was 0–2 acres; and
- *Stratum 8*: Principal source of income was regular salary/wages and other sources and land possessed was above 2 acres.

From each of the above eight strata, two households were selected by following the equal probability sampling approach. In case any of the strata was found to be missing (no household), then households from the previous stratum, where additional households were available, were selected so as to get 16 sample households in a selected village.

Following this sampling design in rural areas, the realised sample of 31,446 households (out of the preliminary listed sample of 211,979 households) was spread over 1,976 villages in 250 districts and 64 NSS regions covering the 24 states/UTs (Table A1.1).

#### Selection of the Urban Sample

According to the 2001 census, there are about 4,850 cities/towns in the states/UTs (excluding Jammu & Kashmir). The population of cities/towns in India varies from less than 5,000 to over a crore. In the urban sample design, within the 24 covered states/UTs, the 64 NSS regions were again treated as strata. In each NSS region, towns were categorised into five groups based on their population, namely, big towns and small towns. There are 170 cities with a population exceeding 200,000. All the cities were selected with a probability of one. The remaining cities/towns were grouped into four strata on the basis of their population size, and from each stratum a sample of towns was selected independently.

A progressively increasing sampling fraction with increasing town population class was used to determine the number of towns to be selected from each stratum. From each NSS region, the allocated number of small towns was selected by following an equal probability sampling procedure. The sampling fraction was used at the state level (Table A1.2).

A total sample size of 2,255 urban wards was allocated among the selected small/big towns in proportion to the number of wards in the respective towns. The allocated number of wards was selected from each sample town following the equal probability sampling approach. Thus, towns and wards formed the first and second-stage sample units in the urban sample design.

As in the rural sample design, a sample of about 100 households was selected within a selected ward for listing and preliminary survey, following the equal probability sampling approach. In the preliminary survey, at the time of listing of the sample households, information on household size, household consumption expenditure for the last month (MPCE), and the principal source of household income were collected for use in stratifying the listed households into the following seven strata:

- *Stratum 1*: Principal source of income was regular salary/wage earnings and sources like remittances, pension, etc., and MPCE of Rs 800 or less;
- *Stratum 2*: Principal source of income was the same as in stratum 1, and MPCE was between Rs 801 and Rs 2,500;

TABLE A1.1: Profile of the Rural Sample

State	Number of NSS regions	Stage I		Stage II		Stage III	
		Total districts	Sample districts	Total villages	Sample villages	Listed households	Sample households
Himachal Pradesh	1	12	6	17,495	32	2,736	512
Punjab	2	17	8	12,278	48	4,983	768
Chandigarh	1	1	1	23	5	500	78
Uttaranchal	1	13	6	15,761	30	3,044	480
Haryana	2	19	9	6,764	47	4,862	752
Delhi	1	9	1	158	6	668	88
Rajasthan	4	32	16	39,753	118	12,036	1,888
Uttar Pradesh	4	70	29	97,942	274	30,356	4,384
Bihar	2	37	18	39,018	196	21,721	3,136
Meghalaya	1	7	5	—	10	991	160
Assam	3	23	11	25,124	67	6,419	1,072
West Bengal	4	17	9	37,955	123	12,438	1,968
Jharkhand	1	18	9	29,354	59	5,930	944
Orissa	3	30	14	47,529	86	9,958	1,376
Chhattisgarh	1	15	7	19,744	49	4,924	784
Madhya Pradesh	6	45	22	52,117	132	14,092	2,112
Gujarat	5	25	12	18,066	90	10,659	1,440
Maharashtra	6	33	16	41,095	157	18,057	2,512
Andhra Pradesh	4	22	12	26,614	160	16,619	2,560
Karnataka	4	27	14	27,481	103	11,969	1,648
Goa	1	2	2	347	10	1,166	160
Kerala	2	14	7	1,364	63	6,368	848
Tamil Nadu	4	30	14	15,400	101	10,443	1,616
Puducherry	1	4	2	92	10	1,040	160
All-India	64	522	250	571,474	1,976	211,979	31,446

Source: NSHIE (2004-05), NCAER

**TABLE A1.2: Sampling Fraction for City/Town Groups**

Town class	Town population ('000)	Total towns	Sample towns	Sampling fraction
I	> 10,000	3	3	1.00
II	5,000–10,000	3	3	1.00
III	1,000–5,000	29	29	1.00
IV	500–1,000	37	37	1.00
V	200–500	98	98	1.00
VI	100–200	219	56	0.26
VII	50–100	396	44	0.11
VIII	20–50	1,135	28	0.02
IX	< 20	2,270	44	0.02
Total		4,190	342	0.08

Source: NSHIE (2004–05), NCAER.

- *Stratum 3*: Principal source of income was the same as stratum 1, and MPCE was above Rs 2,500;
- *Stratum 4*: Principal source of income was self-employment, and MPCE was less than Rs 800;
- *Stratum 5*: Principal source of income was self-employment, and MPCE was between Rs 801 and Rs 2,500;
- *Stratum 6*: Principal source of income was self-employment, and MPCE was above Rs 2,500;
- *Stratum 7*: Principal source of income was casual labour (agricultural or non-agricultural).

From each of these strata, two households were selected at random using the equal probability of selection. If there was no household in any of the strata, the shortfall was compensated from the previous stratum, where additional households were available, so as to get 14 sample households from each selected ward in the urban sector for detailed survey (Table A1.3).

Following the sampling design in urban areas, the realised sample of 31,570 households, out of the preliminary listed sample of 238,813 households, was spread over 2,255 urban wards in 342 towns and 64 NSS regions covering the 24 states/UTs.



TABLE A1.3: Profile of the Urban Sample

State	Number of NSS regions	Stage I		Stage II		Stage III	
		Total towns	Sample towns	Total blocks	Sample blocks	Listed households	Sample households
Himachal Pradesh	1	56	2	22	5	502	70
Punjab	2	157	12	472	74	7,596	1,036
Chandigarh	1	1	1	21	10	1,000	140
Uttaranchal	1	76	3	129	18	1,881	252
Haryana	2	97	13	596	74	7,543	1,036
Delhi	1	4	1	289	60	7,197	840
Rajasthan	4	216	19	851	114	11,568	1,596
Uttar Pradesh	4	670	51	2,036	316	31,975	4,424
Bihar	2	120	14	444	75	7,973	1,050
Meghalaya	1	10	1	6	6	600	84
Assam	3	110	5	100	20	1,940	280
West Bengal	4	239	18	—	142	14,620	1,988
Jharkhand	1	95	10	860	68	6,896	952
Orissa	3	132	8	322	45	4,501	630
Chhattisgarh	1	84	8	473	44	4,412	616
Madhya Pradesh	6	368	19	799	114	11,516	1,596
Gujarat	5	190	19	572	146	14,615	2,044
Maharashtra	6	347	35	2,220	273	31,553	3,822
Andhra Pradesh	4	173	27	1,172	195	20,426	2,730
Karnataka	4	237	22	905	153	18,819	2,142
Goa	1	38	2	12	4	440	56
Kerala	2	98	13	1,019	79	8,030	1,106
Tamil Nadu	4	68	37	2,272	207	21,937	2,898
Puducherry	1	4	2	23	13	1,273	182
All-India	64	4,190	342	15,615	2,255	238,813	31,570

Source: NSHIE (2004-05), NCAER.

**TABLE A1.4: Number of Persons Surveyed, by Location**

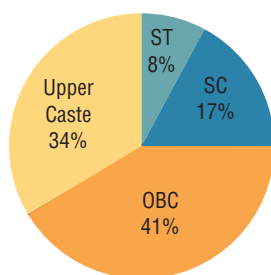
State	Rural	Urban	All-India
Himachal Pradesh	2,744	322	3,066
Punjab	4,044	5,285	9,329
Chandigarh	434	661	1,095
Uttaranchal	2,506	1,257	3,763
Haryana	4,612	5,453	10,065
Delhi	475	3,960	4,435
Rajasthan	10,744	8,635	19,379
Uttar Pradesh	28,819	23,462	52,281
Bihar	15,607	5,272	20,879
Meghalaya	866	308	1,174
Assam	4,803	1,107	5,910
West Bengal	10,185	8,885	19,070
Jharkhand	4,999	4,823	9,822
Orissa	7,046	3,040	10,086
Chattisgarh	3,998	2,948	6,946
Madhya Pradesh	11,609	8,090	19,699
Gujarat	6,760	9,700	16,460
Maharashtra	13,091	18,158	31,249
Andhra Pradesh	11,314	11,245	22,559
Karnataka	8,134	9,608	17,742
Goa	772	281	1,053
Kerala	3,635	4,539	8,174
Tamil Nadu	7,033	12,163	19,196
Puducherry	740	777	1,517
Total	164,970	149,979	314,949

**Source:** NSHIE (2004–05), NCAER.

## ANNEXURE 2: DEMOGRAPHIC PROFILE OF INDIAN HOUSEHOLDS

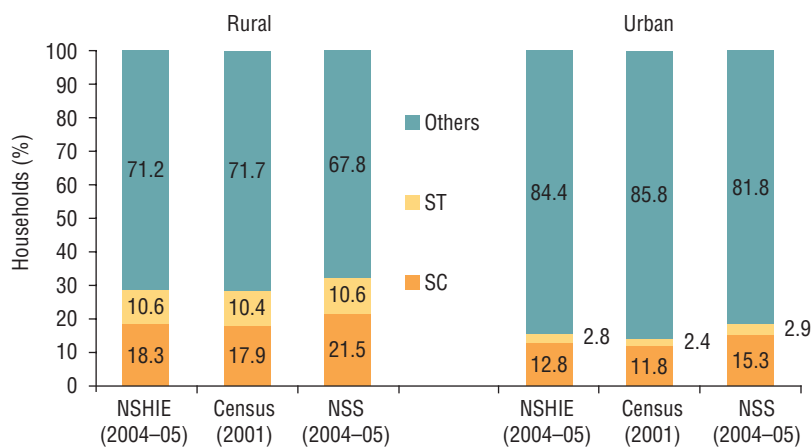
The results of the National Survey of Household Income and Expenditure (NSHIE) show that out of 205.6 million households in India, OBCs formed the first largest group comprising 84.3 million households (41 per cent of the total); upper castes formed the second largest group with 70 million households (34 per cent); SCs made up 17 per cent of the total households (34.3 million households); and STs formed the smallest group of the remaining households (Figure A2.1). The average household size was the lowest for ST households (4.82) and highest for SC households (5.04), while OBC and upper caste households had the same average size of 5.01. The average number of earners per household was the lowest among the upper castes (1.35) and highest among SC households (1.50).

**FIGURE A2.1: Distribution of Households by Social Group (% to total)**



**Source:** NSHIE (2004–05), NCAER.

Figure A2.2 shows the percentage distribution of households by social classes from three different sources, namely, NSHIE (2004–05), census (2001–02) and National Sample Survey (NSS; 2004–05). The comparison reveals that NSHIE estimates are much closer to the census figures as compared to NSS estimates. This validates the estimates of the number of households of various social classes obtained from NSHIE.

**FIGURE A2.2: Distribution of Households by Social Group: A Comparison (% to total)**

**Source:** NSHIE (2004-05), NCAER; NSS (2004-05); and Census (2001).

The level of education of the chief earner, main source of household income and size of landholding in rural areas are some important household characteristics that determine its level of income, consumption and savings. In addition to these, town size and category of state also influence the economic behaviour of households. Therefore, before presenting the results on how Indian households of various social classes earn, spend and save and invest, we study the distribution of households of various social classes against each of the characteristics. The characteristics considered are:

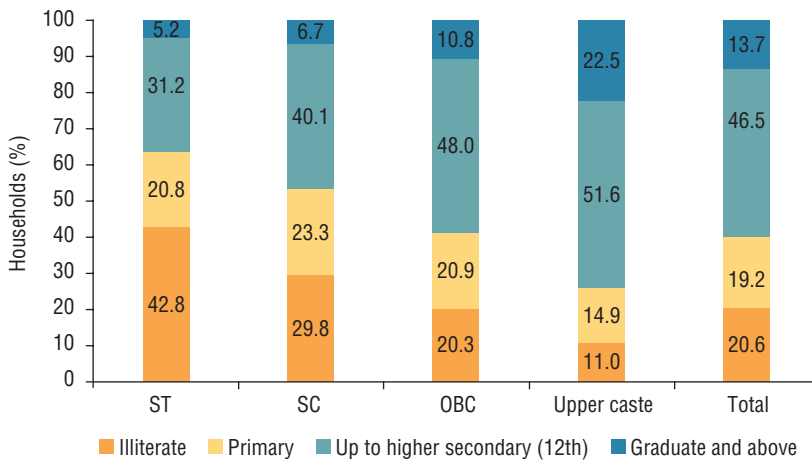
- Education level of the chief earner: (a) illiterate, (b) primary, (c) higher secondary, and (d) graduate and above;
- Major source of household income: (a) regular salary/wages, (b) self-employment in non-agriculture, (c) labour, (d) self-employment in agriculture, and (e) others;
- Size of landholding: (a) landless, (b) marginal (having land up to 1 hectare), (c) small (1–2 hectares), (d) semi-medium (2–4 hectares), (e) medium (4–10 hectares), and (f) large (above 10 hectares);
- State of residence: (a) low income states: Bihar, Uttar Pradesh, Orissa, Madhya Pradesh, Rajasthan, Chhattisgarh, Jharkhand, (b) middle income states: Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and West Bengal, (c) high income states: Goa, Gujarat, Haryana, Maharashtra, Punjab, Puducherry, Chandigarh and Delhi, and (d) hill states: Assam, Meghalaya, Uttaranchal and Himachal Pradesh

- Location: (a) rural, (b) town-III (less than 0.5 million population), (c) town-II (0.5–1.0 million population) and (d) town-I (more than 1.0 million population)
- Per capita income quintiles: (a) Q1 bottom quintile (0–20%), (b) Q2 second quintile (21–40%), (c) Q3 middle quintile (41–60%), (d) Q4 fourth quintile (61–80%) and (e) Q5 top quintile (81–100%)

### By Education Level of Chief Earners

In Indian society, views of the chief earner of the household prevail to a considerable extent. In most cases, the chief earner is also the head of the household. Therefore, the education level of the chief earner is a major determinant of the social and economic activities of the household. Figure A2.3 shows the distribution of households across social groups by the education level of the chief earners. One-fifth of all chief earners had no formal education and a little less than one-fifth had primary level education. Higher secondary was observed to be the education level of the highest percentage (46.5 per cent), and graduates formed the lowest proportion (13.7 per cent).

**FIGURE A2.3: Distribution of Households across Social Groups (% to total)**



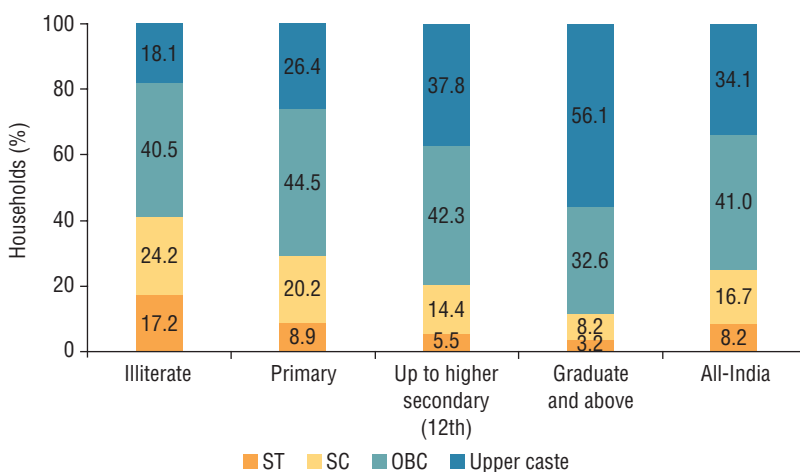
**Source:** NSHIE (2004-05), NCAER.

The highest illiteracy level (42.8 per cent) and the lowest percentage of higher education (graduate and above) were recorded amongst the chief earners of ST households. The percentage of illiteracy declined while that of higher education increased as one moves across ST, SC,

OBC and upper caste households, in that order. Higher secondary was noticed to be the highest level of education for most of the social classes followed by the primary level of education.

Viewed from another angle, Figure A2.4 shows that of the total households whose chief earners did not have any formal education, about one-fourth were SC households; ST and upper caste households were nearly in equal proportion, each being a little less than one-fifth. With rising levels of education amongst chief earners, the proportion of both ST and SC households declined while that of the upper castes increased. Amongst the households whose chief earners were graduates and above, the proportion of the upper castes was more than half (56.1 per cent) whereas that of the SCs was less than one-tenth (8.2 per cent) and STs an insignificant (3.2 per cent).

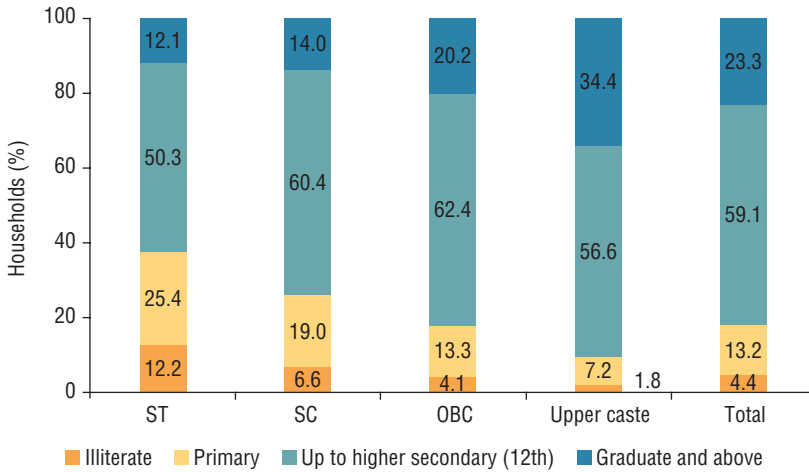
**FIGURE A2.4: Distribution of Households across Education Level of the Chief Earner (% to total)**



Source: NSHIE (2004–05), NCAER.

### By Highest Level of Education in the Household

The percentage distribution of households according to the highest level of education in the household has been shown in Figure A2.5. The majority of households in each category had higher secondary as the highest level of education. Primary education was the next highest level of education for ST and SC households (for one-fourth of ST and one-fifth of SC), followed by graduation and above (for 12.1 per cent of ST and 14 per cent of SC). Graduation and above was seen to be the

**FIGURE A2.5: Distribution of Households across Social Groups (% to total)**

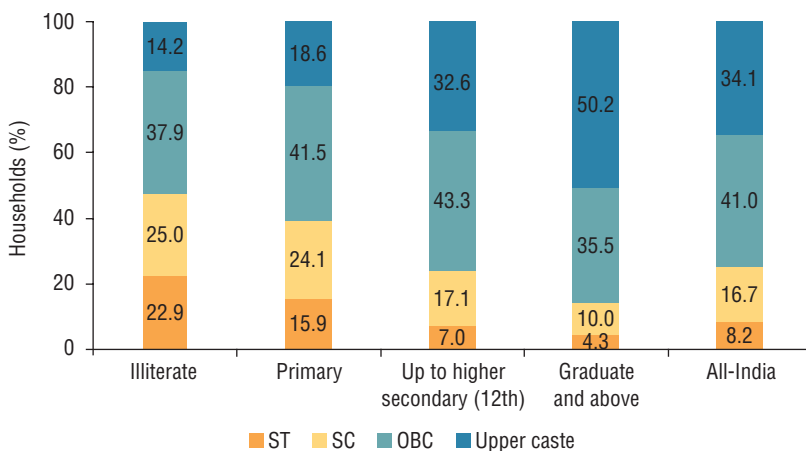
**Source:** NSHIE (2004–05), NCAER.

second highest education level for OBC and upper caste households (for one-fifth of OBC and one-third of upper caste) followed by primary education (for 13.3 per cent of OBC and 7.2 per cent of upper caste). ST households had the largest percentage of illiterates (12.2 per cent), followed by SC (6.6 per cent), OBC (4.1 per cent) and upper caste (1.8 per cent). Within each social class, the percentage of households with members with higher secondary education was significantly higher than the corresponding percentage of households in education level of the chief earners. The same was the case when the level of education was graduation and above.

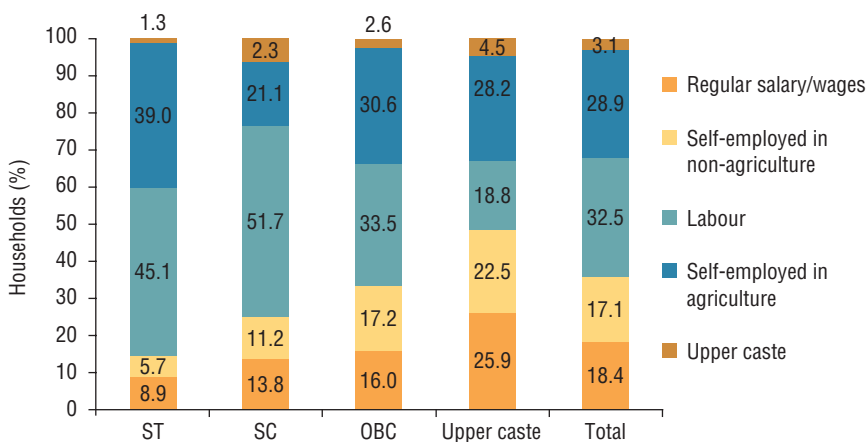
In an alternative way, Figure A2.6 shows that the share of upper caste households was the lowest amongst illiterates (14.2 per cent) and increased with each successive higher level of education; the highest share of one-half was recorded amongst graduates and above. Just the reverse was true of ST and SC households: SC households formed one-fourth of the illiterates and one-tenth of graduates and above. The corresponding percentages for ST households were 22.9 and 4.3 per cent, respectively.

### By Major Source of Household Income

The percentage distribution of households of various groups according to the major source of income has been shown in Figure A2.7. The

**FIGURE A2.6: Distribution of Households across Highest Level of Education (% to total)**

Source: NSHIE (2004–05), NCAER.

**FIGURE A2.7: Distribution of Households across Social Groups (% to total)**

Source: NSHIE (2004–05), NCAER.

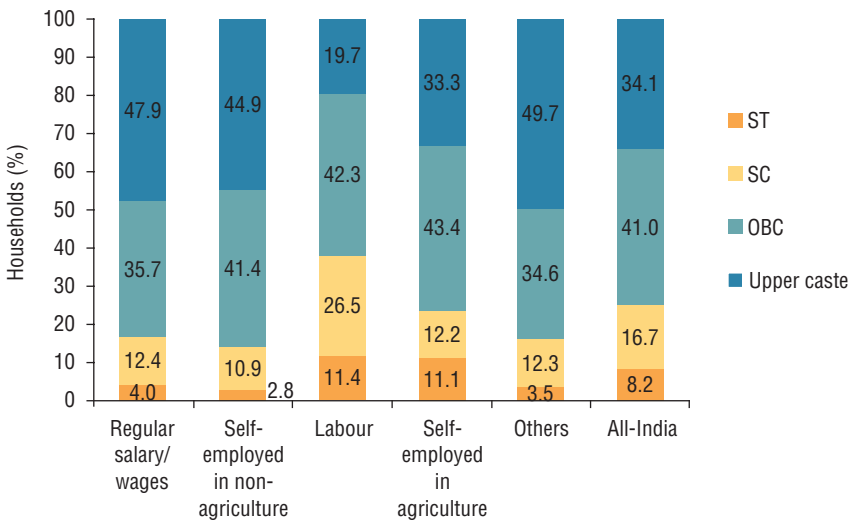
figure shows that at the all-India level, labour was the source of income of the highest percentage of households (nearly one-third). We deduce this to be a result of a high incidence of illiteracy. As 70 per cent of the households lived in rural areas, farming constituted the second major occupation after labour, with more than one-fourth of the households engaged in it. Regular salary/wages (18.4) and self-employment in non-agriculture (17.1) formed the third and fourth major sources of income.



Because of the prevalence of illiteracy amongst the chief earners of ST households, a high percentage of these worked as labourers (45.1 per cent). Nearly two-thirds of ST households were engaged in farming and about one-tenth had regular salary/wages as their source of income. An insignificant fraction of these were self-employed in non-agricultural activities. The percentage of regular salary/wage earners and the self-employed in non-agriculture was recorded to be the highest in upper caste households, followed by OBC, SC and ST in that order. Upper caste households had the lowest percentage of labourers (about one-fifth households) and more than one-fourth were employed in farming.

From an alternate angle, Figure A2.8 shows that among all households whose major source of income was regular salary/wages, upper caste households had the largest share (little less than half), followed by OBC (more than one-third), SC (more than one-tenth) and ST households, negligible. A more or less similar pattern of households' distribution existed for those self-employed in non-agriculture—the only change was that the share of OBC households increased whereas those of other social classes declined. Little more than two-fifths of OBC households, one-fourth of SC, one-fifth of upper caste and one-tenth of ST constituted the total of all households whose main source of income was labour; this pattern was quite similar to that of illiterate chief earners.

**FIGURE A2.8: Distribution of Households across Major Source of Household Income (% to total)**

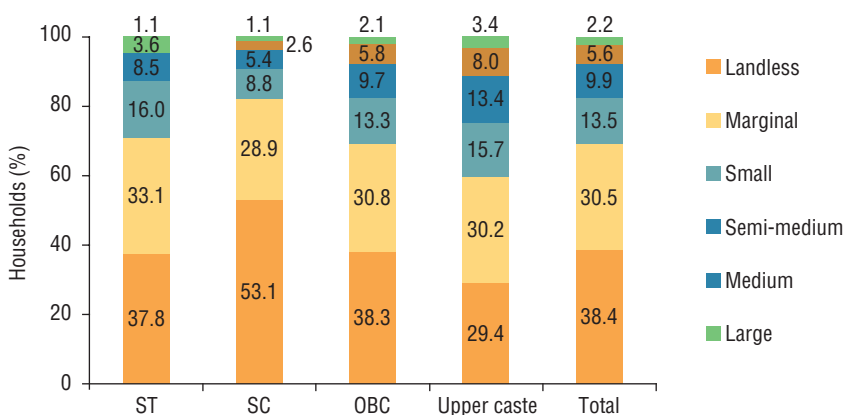


Source: NSHIE (2004–05), NCAER.

### By Size of Landholding

The quantum of cultivable land owned by a household is an important indicator of the economic condition of the household in rural areas. Figure A2.9 depicts the percentage distribution of rural households according to different sizes of landholdings. The figure shows that at the all-India level, little less than two-fifths of the rural households did not have farmland and that the highest percentage (30.5 per cent) of farming households had only marginal landholdings (less than 1 hectare). The percentage of households declined with increase in the size of landholding and only 2.2 per cent of households held large tracts of land (10 hectares and over).

**FIGURE A2.9: Distribution of Rural Households across Social Groups (% to total)**

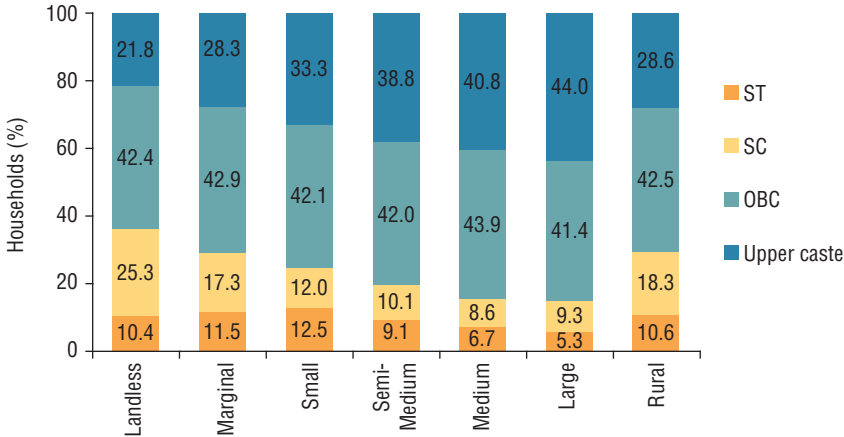


Source: NSHIE (2004–05), NCAER.

More than half of the SC households were landless followed by 38.3 per cent of OBCs, 37.8 per cent of STs and 29.4 per cent of the upper caste. Marginal landholdings constituted the largest percentage in each social class, varying from 28.9 per cent among the SCs to 33.1 per cent among the STs. Within each social class the percentage of households declined continuously with increase in the landholding size—3.4 per cent of upper caste households, 2.1 per cent of OBC and 1.1 per cent each of SC and ST households owned large holdings.

Looked at from a different angle, Figure A2.10 shows that in rural areas, over two-fifths of OBC households are without farmland, one-fourth SC, one-fifth upper caste and one-tenth ST households. The proportion of OBC households did not vary much across landholding

**FIGURE A2.10: Distribution of Rural Households across Size of Landholding (% to total)**



**Source:** NSHIE (2004–05), NCAER.

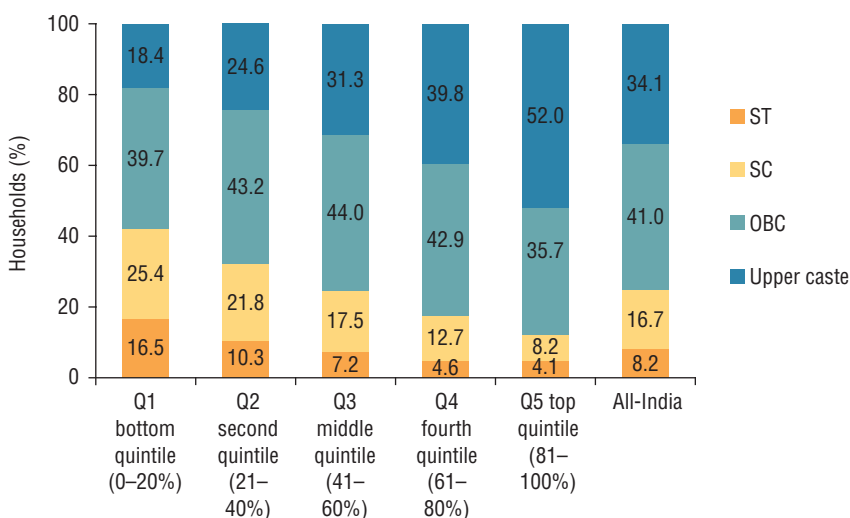
sizes (remained in the range 41–44 per cent). While the share of ST households was highest in the small landholdings and declined as the landholding size grew larger, just the opposite was true for the upper castes. Among large landholdings, the share of SC and ST households declined to 9.3 and 5.3 per cent, respectively, and that of upper caste households increased to 44 per cent.

### Per Capita Income Quintiles

Figure A2.11 shows that the lowest income quintile comprises two-fifths OBC households, one-fourth SC households, nearly one-fifth of upper caste households, with the balance being made up by ST households. The percentage of ST/SC households declined while that of upper caste households increased as one moved up the income quintile ladder. Over half of the top income quintile consisted of upper caste households, with over one-third being OBC, one-twelfth SC and the rest ST. In a nutshell, the top income quintile was dominated by the upper caste households whereas the lowest income quintile consisted more of SC and ST households.

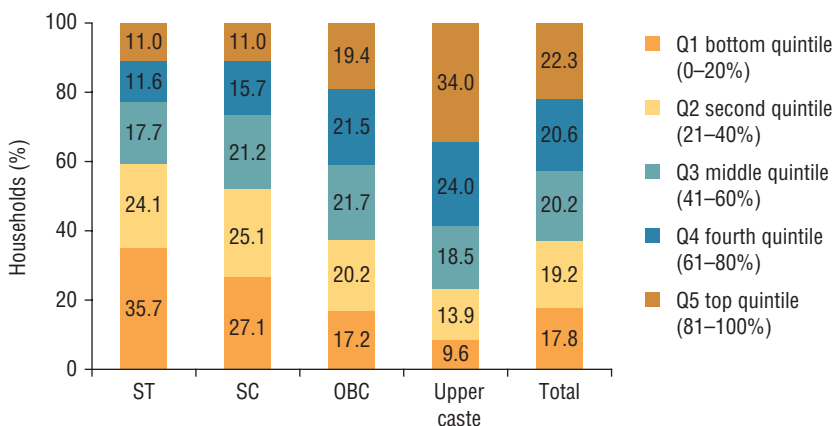
From another viewpoint, Figure A2.12 shows that 17.8 per cent of all households belonged to the lowest income quintile whereas 22.3 per cent belonged to the top quintile. Besides, the highest percentage of each category of ST and SC households (35.7 and 27.1 per cent, respectively)

**FIGURE A2.11: Distribution of Households across Social Groups (% to total)**



Source: NSHIE (2004–05), NCAER.

**FIGURE A2.12: Distribution of Households across Per Capita Income Quintiles (% to total)**



Source: NSHIE (2004–05), NCAER.

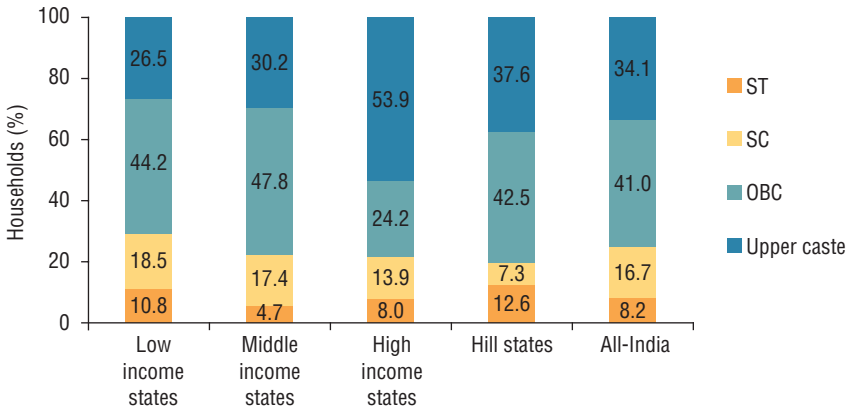
was noticed in the lowest income quintile, and this decreased with each higher quintile; not only that, but the lowest percentage (11 per cent of each) formed the top income quintile. A contrary trend was seen in the case of the upper castes, with one-tenth of the households in the lowest income quintile and one-third in the top.

## Regional Disparity

There is wide disparity in per capita income across states. For example, according to the Central Statistical Organisation estimates, the per capita income of Delhi during 2004–05 at current prices was estimated at Rs 29,137 whereas it was Rs. 6,277 for Bihar, only one-fifth that of Delhi.

Figure A2.13 shows that the percentage of each class of ST, SC and OBC households was higher in low income states as compared to that in high income states. In fact, the proportion of upper caste households in low income states was only 26.5 per cent as against 53.9 per cent in high income states.

**FIGURE A2.13: Distribution of Households across Social Groups (% to total)**



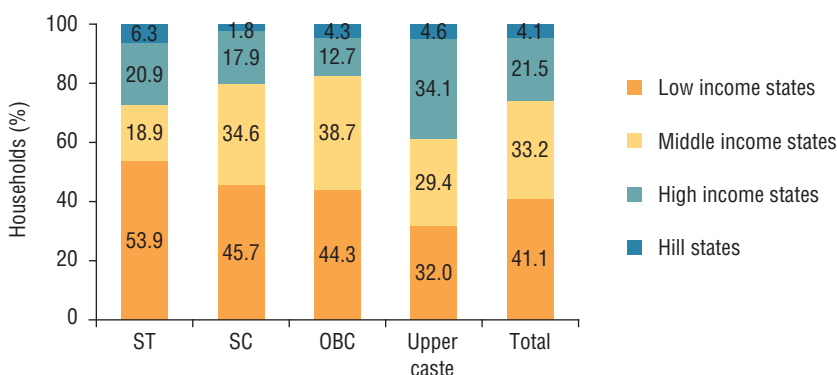
**Source:** NSHIE (2004–05), NCAER.

Viewed from a different angle, Figure A2.14 shows that the majority of households of each category lived in low income states. However, the relative proportion of upper caste households in these states was somewhat low (32.0 per cent). While one-third of upper caste households lived in high income states, the proportion of SC and OBC households was lower in these states varying from over one-tenth for OBC to nearly one-fifth for ST households.

## By Location

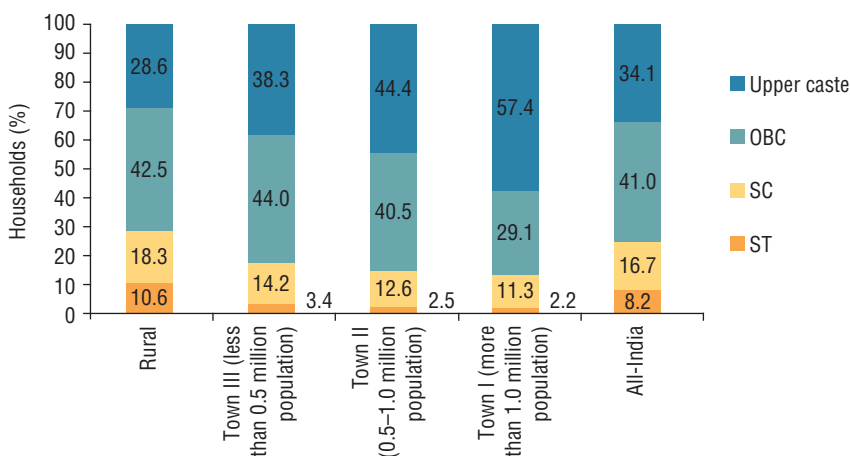
Figure A2.15 shows that the percentage of ST, SC and OBC households declined, while that of the upper castes increased, with an increase in the population size of towns. A relatively high percentage of OBC

**FIGURE A2.14: Distribution of Households across State of Residence (% to total)**



Source: NSHIE (2004–05), NCAER.

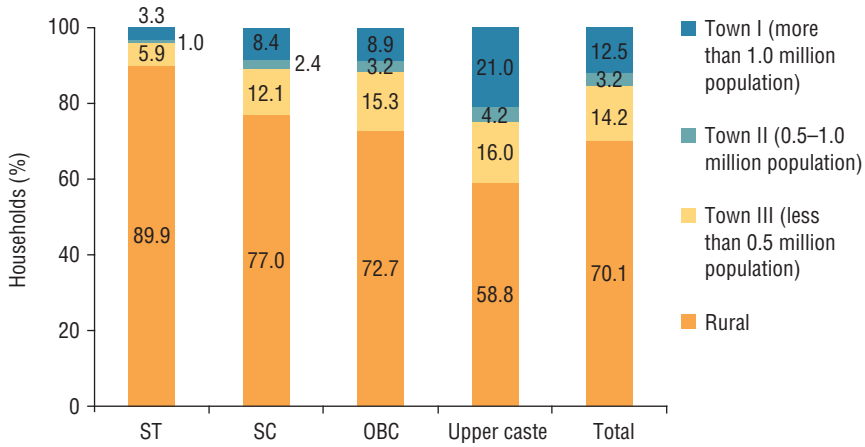
**FIGURE A2.15: Distribution of Households across Location (% to total)**



Source: NSHIE (2004–05), NCAER.

households were observed in the small (44.0 per cent) and medium sized towns (40.5 per cent) as compared to the large towns.

Looked at from another angle, Figure A2.16 shows that the highest percentage of ST households (89.9 per cent) lived in rural areas and an insignificant fraction (nearly 5.9 per cent) in large towns with a population of more than 1 million. The percentage of SC, OBC and upper caste households in rural areas were found to be 77, 72.7 and 58.8 per cent, respectively, whereas the respective percentages in large towns

**FIGURE A2.16: Distribution of Households across Social Groups (% to total)**

**Source:** NSHIE (2004-05), NCAER.

were 8.4, 9 and 21 per cent. The small towns with population less than 0.5 million had a higher percentage of ST, SC and OBC households as compared to the large towns; the opposite was the case of upper caste households.

## ANNEXURE 3: VALIDATION OF CHOICES AND RELIABILITY OF ESTIMATES

The Introduction to this book states that most of the data collected in the National Survey of Household Income and Expenditure (NSHIE), on which the book is based, are reasonably accurate and free from reporting errors. This Annexure is intended to adduce in support of this claim.

Income and expenditure surveys often tend to bring to the fore certain stark trends and statistics. And, invariably, doubts are raised over the reliability of such data. It should be admitted that there is no foolproof method by which one can establish the reliability or otherwise of all survey results. There are, however, certain procedures by which it would be possible to assess the degree of confidence that can be placed on the findings of the survey. The most widely used procedure is to compare survey estimates with estimates generated by other reliable sources, despite the difficulty in obtaining estimates which are comparable from the points of view of concepts, coverage of population and period to which data refer.

**Demographic characteristics:** NSHIE data relating to the key demographic characteristics of Indian households can be compared to the 61st round of the National Sample Survey (NSS)<sup>1</sup> and the 2001 census<sup>2</sup> (Table A3.1). According to the NSHIE, there are 205.9 million households in the covered states of the country, of which 30 per cent (61.4 million) live in urban areas and the rest (144.5 million) in rural areas. The estimate of average household size from NSHIE (5.0 members) appears consistent with the NSS estimates (4.9 members) and that of the 2001 census (5.4 members). A similar pattern is also observed in the case of the sex ratio—from NSHIE we get a sex ratio at 927 against 950 by the NSS and 933 by the 2001 census.

<sup>1</sup> Consumption Expenditure Survey (NSS), 61st round (2004–05).

<sup>2</sup> Census of India, 2001.



TABLE A3.1: Demographic Profile of Indian Households

Characteristics	Rural			Urban		
	NSHIE (2004-05)	Census (2001)	NSS (2004-05)	NSHIE (2004-05)	Census (2001)	NSS (2004-05)
Estimated households (million)	145	138	148	61	56	56
Estimated population (million)	732	742	721	295	286	245
Household size	5.1	5.4	4.9	4.8	5.1	4.4
<i>Distribution of households by social groups (%)</i>						
Scheduled castes	18.3	17.9	21.5	12.8	11.8	15.3
Scheduled tribes	10.6	10.4	10.6	2.8	2.4	2.9
Others	71.2	71.7	67.8	84.4	85.8	81.8
All	100.0	100.0	100.0	100.0	100.0	100.0
<i>Distribution of households by religion (%)</i>						
Hindu	88.3	82.3	85.1	83.7	75.6	80.6
Muslim	8.1	12.0	10.1	10.6	17.3	13.4
Christian	1.6	2.1	2.1	2.6	2.9	2.6
Sikh	1.6	1.9	1.8	2.2	1.8	1.6
Others	0.3	1.7	0.9	0.9	2.5	1.8
All	100.0	100.0	100.0	100.0	100.0	100.0

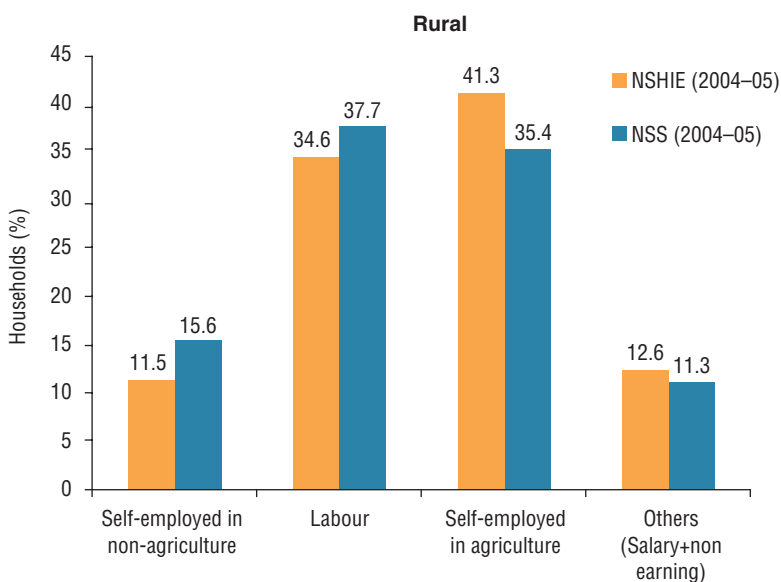
Sources: NSHIE (2004-05), Census (2001) and NSS (2004-05).

All three data sources are also fairly comparable along some other parameters, such as the distribution of households by socio-religious groups. The distribution of population for different religious groups in NSHIE appears to be slightly different compared to the NSS and census estimates. This is largely due to the state (Jammu & Kashmir) and union territories excluded from NSHIE.

**Sources of household income:** Labourers constitute the largest segment of the population, heading a little over 31 per cent of the country's households; self-employed agriculturists are the next largest segment (30.3 per cent), salaried households account for a little over 18 per cent and the self-employed in non-agricultural activities account for 17.5 per cent of the country's households. The figures differ for rural and urban areas—while the salaried account for just 10.5 per cent of rural households, in urban areas they account for 36.9 per cent (Figure A3.1).

Similarly, the value of land owned by a rural household is perhaps an important indicator of the economic status of the household, and certainly more relevant in the context of rural versus urban India. Nearly 40 per cent of rural households in India do not possess any land while 30 per cent own between 0.1–2 acres of land (Figure A3.2). The NSHIE distribution of households by major sources of household income and

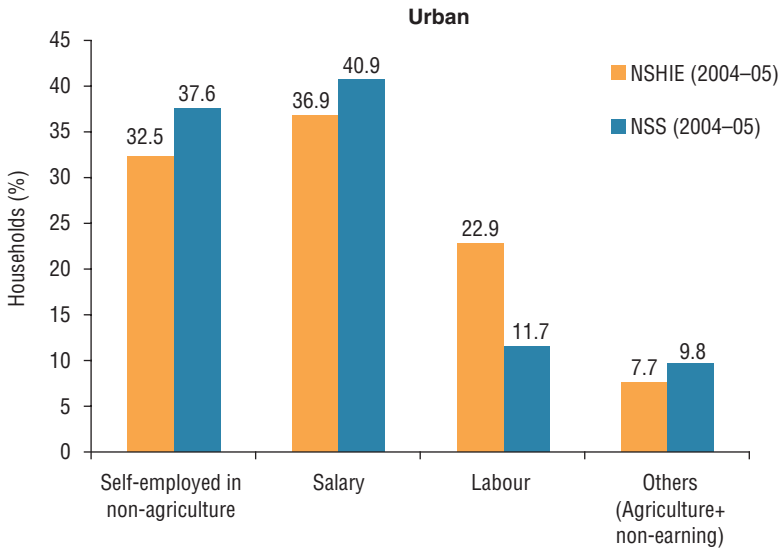
**FIGURE A3.1: Distribution of Households by Major Source of Income**



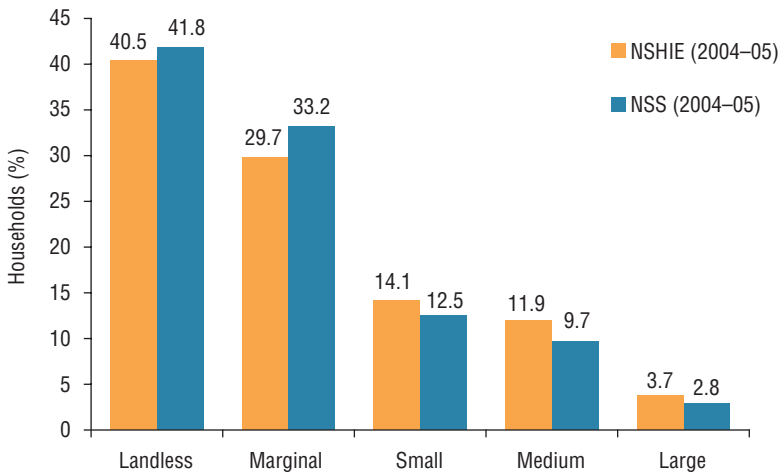
Sources: NSHIE (2004–05), NCAER, and NSS (2004–05).

(Figure A3.1 contd)

(Figure A3.1 contd)



Sources: NSHIE (2004-05), NCAER, and NSS (2004-05).

**FIGURE A3.2: Distribution of Households by Size of Landholding, Rural**

Sources: NSHIE (2004-05), NCAER, and NSS (2004-05).

size of landholding appears consistent and fairly comparable with the estimates obtained from NSS (61st round).

**Estimates of income, expenditure and savings:** The average household in India had an annual income of Rs 65,041 in 2004-05, and an

expenditure of Rs 48,902, leaving it with a surplus income of Rs 16,139 to save and invest. Urban income levels are around 85 per cent more than rural ones (Rs 95,827 per annum versus Rs 51,922 per annum). Since expenses in urban areas are substantially higher (Rs 69,065 per annum in urban areas versus Rs 40,309 per annum in rural areas), the differences in surplus income (of urban and rural areas) that can be saved or invested is not all that huge. As a result, the average urban household saves nearly double that of a rural household (Rs 26,762 per annum in urban areas versus Rs 11,613 for rural areas).

Household income estimated from NSHIE is compared with another income survey, the Indian Household Development Survey (IHDS), carried out by NCAER with the same reference period. The mean per household income from the two surveys is quite close; the difference is about 0.5 per cent (Table A3.2). However, the urban mean household income is significantly different in the two surveys. This could be due to the differences in survey design, the coverage of the two surveys and smaller sample size in the IHDS. However, rural–urban differences are far less pronounced when we compare per capita incomes.

**TABLE A3.2: Estimates of Per Capita Income (Rs/annum)**

Location	IHDS 2004–05	NSHIE 2004–05
Rural	8,413	10,227
Urban	15,915	19,935
All-India	10,366	13,018

**Sources:** NSHIE (2004–05) and the NCAER Indian Human Development Survey (2004–05).

A common problem faced by such surveys is the understatement of economic data (income, expenditure and savings) by respondents. The adopted concept of income in NSHIE includes wages, salaries, bonus, business, profession, farm income and other forms of labour income, pensions, rent, interest, and dividend. The aggregate income of Indian households is estimated to be Rs 13,390 billion for the 12-month period between April 2004 and March 2005, which is around 53 per cent of the total personal disposable income provided by the National Accounts Statistics (NAS) for the entire country (Table A3.3). An estimate of surplus income (as an indicator of savings) is arrived at by subtracting the total household expenditure from the total household income. Through this method, this survey found estimates of savings as a proportion of disposable income to be 25 per cent, as against the official estimate of

27.1 per cent for 2004–05. It is important to note that the degree of under-coverage of income, expenditure and saving in the NSHIE in comparison to official estimates gives a fair degree of confidence for studying the distributional properties for all practical purposes.

**TABLE A3.3: Estimates of Income, Expenditure and Savings**

Characteristics	NSHIE (2004–05) (24 states)	CSO (2004–05) (All-India)	Ratio of NSHIE/ CSO (%)
Estimated population (million)	1,027	1,090	94.2
Estimated households (million)	205.4	230.1	89.3
Personal disposable income (Rs billion)	13,390	25,330	52.9
Private final consumption expenditure (Rs billion)	10,044	18,900	53.1
Household saving (Rs billion)	3,346	6,870	48.7
Savings rate (%)	25.0	27.1	

**Sources:** NSHIE (2004–05) and CSO (2004–05).

These differences in estimates can be attributed to the following factors. One, this survey did not cover some of the smaller states and union territories which account for about 4 per cent of the population. Two, according to the Central Statistical Organisation (CSO), the household sector, by definition, comprises individuals, non-government non-corporate agricultural and non-agricultural enterprises like sole proprietorships and partnerships, and non-profit institutions. This survey, on the other hand, covers only households. Three, certain components of income are not perceived as income by the respondents and hence they get excluded from incomes reported in income surveys. Items like reimbursements for travel, medical and other such expenses are not reported correctly in this survey.

**Estimates of sampling error:** To check data reliability, a variety of methods are used. The most common amongst them are evaluation of sampling and non-sampling errors. Sampling errors are measurable within the framework of the sample design and are also controllable by varying the size of the sample. For instance, the average income per household is Rs 65,041 and its standard error is Rs 4; the average amount of life insurance payments made per household is Rs 1,227 and its sampling error is negligible at Re 1. Nearly 6.2 per cent of all urban households reported payments towards life insurance and their (average) insurance payment amounts to Rs 2,528. This estimate is subject to a standard error of Rs 2.

The standard error and coefficient of variation of the estimated average household income for various income quintiles is consistent and within permissible limits. This generates a fair degree of confidence in the estimates presented in this book (Table A3.4).

**TABLE A3.4: Estimates of Standard Errors**

Per capita income quintile	Share in households (%)	Share in total income (%)	Per capita income (Rs per annum)	Standard error of mean	Standard error (%)	Coefficient of variation (%)
Q1 bottom quintile (0–20%)	18.0	6.3	3,692	1.40	0.0072	45.9
Q2 second quintile (21–40%)	18.8	10.1	6,205	2.00	0.0063	40.7
Q3 middle quintile (41–60%)	20.4	14.4	8,905	2.90	0.0066	42.4
Q4 fourth quintile (61–80%)	20.7	21.3	13,311	4.50	0.0067	43.2
Q5 top quintile (81–100%)	22.1	48.0	33,020	9.60	0.0059	37.9
All-India	100.0	100	13,018	3.60	0.0055	79.5

**Source:** NSHIE (2004–05), NCAER.

Another important source of error, which can vitiate the estimates, is the non-response rate. In the case of this survey, it was around 3 per cent and largely due to unanticipated reasons such as the psychology of the respondent. Non-sampling errors arise mainly from three sources. One, respondents refuse to cooperate and deny information; they supply partial information that may not be usable; or they deliberately provide false information. Two, interviewers are also prone to some preconceived notions whereby some biases creep into the schedules. Three, respondents may not remember all relevant numbers sought by the interviewers. And this tends to considerably increase the margin of error in the data collected. There is no satisfactory procedure for a precise measurement of non-sampling errors. A team of trained interviewers (250), supervisors (50) and NCAER professionals (14) from different language groups were engaged for about four months to undertake the task of primary data collection. The field team was thoroughly trained through all phases of the surveys. All care was taken to implement maximum possible quality control in recording the answers of the respondents.

## Conclusion

What light does this survey throw for the conduct of similar surveys in the future? It has demonstrated that it is not impossible to collect reasonable data on income, expenditure and savings which are needed for

an understanding of the economic process and also for policy purposes. It is true that all data collected in any survey do not possess the same degree of accuracy, and certain estimates are likely to be subject to large non-sampling errors. This, however, is likely to result in an underestimation of financial assets rather than overestimation. Finally, the only method of reducing non-sampling errors and increasing efficiency of survey estimates is to limit the scale of the survey operation and invest more time and energy in better training the field staff in substantive matters and interviewing techniques and improving survey instruments, the most important of which is the questionnaire.

Thus, all estimates—income, expenditure, savings, etc.—presented in this book are based on two factors: the population covered by this survey and what was reported by the respondents. It is important to keep these limitations in mind while drawing any conclusion from the results presented in this book.

## ABOUT THE AUTHORS

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