

Support Us**ANALYSIS ECONOMY**

Did India's Per Capita Income Really Double Since 2014-15? And Is It a Reliable Indicator of Growth?

'Per capita income is only an indicator of an average. But the average hides the disbursement. And India has extreme inequality. So, it's not a good indicator of what's happening at the bottom 60-70% of the population,' economist Arun Kumar said.

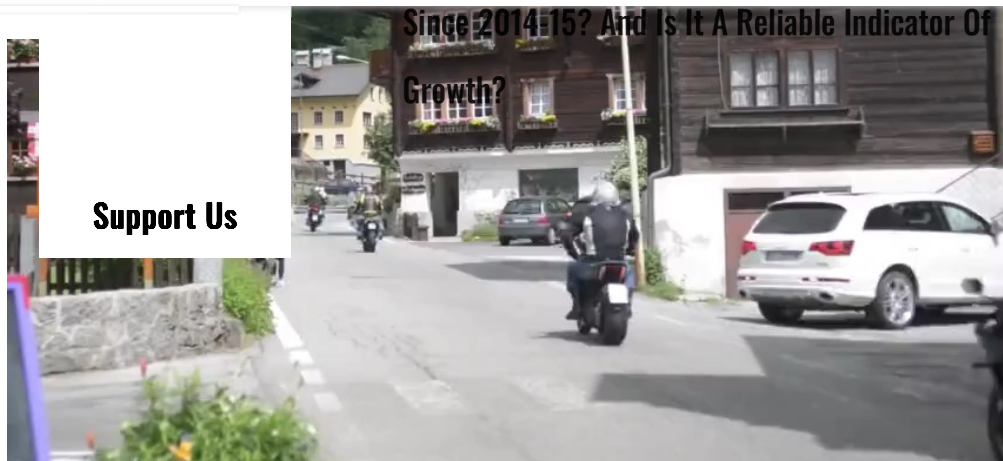


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India's per capita national income (at current prices) was Rs 86,647 in 2014-15. It is now Rs 172,000. This is an increase of 98.5%. Credit: Wikimedia Commons

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New Delhi: In terms of just the absolute numbers, India's per capita income has nearly doubled since 2014-15, but it is still much lower than the growth seen in earlier years.



Business Standard reported that the per capita national income (at current prices) was Rs 86,647 in 2014-15. It is now Rs 172,000. This is an increase of 98.5%.

The newspaper said it is still lower than the 157% growth seen during the eight years leading up to 2014-15. The per capita net national income rose from Rs 33,717 in 2006-07 to Rs 86,647 in 2014-15.

Per capita income is a measure of the average income earned per person in a given area in a specified year. It is calculated by dividing the area's total income by its total population.

It's important to note that if the per capita population of a country has increased, it doesn't mean the income of the

Doesn't a **Since 2014-15? And Is It A Reliable Indicator Of Growth?**

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The National Statistical Office (NSO), which falls under the Ministry of Statistics and Programme Implementation (MSP), released the second advance estimates of national income and expenditure components of GDP, 2022-23, on February 28. It had also released the third quarter (October–December), 2022-23, gross domestic product (GDP) data.

At constant prices, which takes the base year as 2011-12, the per capita income was Rs 72,805 in 2014-15, which has increased by about 35% to Rs 98,118 in 2022-23.

On the doubling of per capita income, economist Jayati Ghosh told PTI, “You are looking at GDP in current prices, but if you account for inflation, the increase is much less.”

She added, “Most of this increase has accrued to the top 10% of the population. By contrast, median wages are falling, and possibly even lower in real terms.” And this distribution, she said, is critical.

Moreover, the NSO data doesn't show how the wealth was distributed over these years. This is with respect to the findings that show the widening gap between the rich and

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Oxfam India's report **said** that the top 1% of the population in India owned more than 40.5% of the total wealth in 2021, while the bottom 50%, or 700 million people, had around 3% of the total wealth. Additionally, the **rich got richer** during the pandemic, and saw their wealth surge by 121%, or Rs 3,608 crore per day in real terms.

So, as mentioned earlier, if the per capita income of a country has increased, it doesn't mean that the income of the entire population has also increased.

Take **for example**, a city that has a total population of 50 people who are earning Rs 500,000 per year, and 1,000 people earning Rs 25,000 per year. We calculate the per capita income as $(Rs\ 500,000 * 50) + (1,000 * Rs\ 25,000)$ to arrive at Rs 50,000,000 in total income. When we divide Rs 50,000,000/1,050 (total population), the per capita income is Rs 47,619 for the city.

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When asked whether this data is a reliable indicator for the growth of the economy, retired JNU professor Arun Kumar told *The Wire*: “Your income levels indicate the level of welfare of society. Because there are so many things in welfare of society such as education, health, nutrition, and what kind of nutrition, and so many other factors are there. Broadly, the human development indicator goes along with the national income indicator. And the national income indicator shows how much is the per capita income. But that hides the fact that rich are gaining most of the benefits, and the poor are not getting much.”

“So per capita income is only an indicator of an average. But the average hides the disbursement. And India has extreme inequality. Therefore, per capita income is not a good indicator of what's happening at the bottom 60-70% of the population. So, we can't say the bottom 60-70% welfare is going at the same rate as the per capita income increase.”

He also spoke about another perspective to look at such data saying that the women (homemakers), who don't get paid, or who do free labour, are not included in the national income. “Therefore, per capita income doesn't quite measure the welfare of the lower segment. It may reflect the welfare of the upper segment – the top 5%, or 1%,” he said.

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“So, the incomes in the upper brackets have been rising. The corporate sector is doing very well. Those who have invested in the stock markets, their wealth may have increased. But that’s not the same thing as the bottom 90%. Because the bottom 90% hardly saves,” Kumar said.

A report by **Motilal Oswal Securities**, released in January, **said** that the net financial savings of households is estimated to have fallen to a three-decade low in the first half of fiscal 2022-23. The report also indicated that people may have borrowed to spend on basic needs.

While explaining that the organised sector is growing, and the unorganised sector is not, he said that “our GDP data is not correct, because we are not calculating the decline in the unorganised sector.”

“So, therefore, the GDP data itself is incorrect, and therefore, the per capita income is incorrect,” he said.

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According to the first advance estimates released on February 28, the GDP growth **was pegged** at 7% for the financial year 2022-23.

Explaining why the data is inaccurate, he said that “India’s unorganised sector is huge, which has around 110 million farmers, micro sectors that employ 97.5% of the MSME sector, so out of a workforce of about 450 million, about 37 million are in the organised sector, and the rest are in the unorganised sector, working at low wages. Our data captures only the organised sector.”

He added that India’s unorganised sector is declining as the demand is shifting to the organised sector. For instance, during and after the COVID-19 pandemic, people from the middle and upper-middle class have started ordering from e-commerce platforms instead of going to the kirana stores.

And we are not capturing the unorganised sector, he reiterated.

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Separately, Nagesh Kumar, director, Institute for Studies in Industrial Development, told PTI that per capita incomes have increased in real terms and they do reflect rising prosperity.

“However, the point to be noted is that per capita income is an average income of Indians. The averages mask the rising inequalities. Rising concentration of incomes at the high end means incomes of those at the lower rung of the income ladder may not be changing much,” he said.

He added that India continues to be the bright spot in the world economy.

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