

## CHAPTER XI

## INCOME FROM 'OTHER COMMERCE AND TRANSPORT'

The 'other commerce and transport' sector covers all commercial and transport activities other than banks, insurance, co-operative societies and railways. It includes wholesale and retail trade, storage and warehousing, hotels and restaurants, indigenous money lending and all non-railway transport including keepers of transport animals. The 'income approach' was being adopted so far for the estimation of net income generated in this sector.<sup>1</sup> It consisted in (i) estimation of working force by broad groups; (ii) estimation of average net earning per worker under each of these groups; and (iii) calculation of the net income generated in the sector as the sum, over all groups, of the product of the working force and average earnings per worker.

2. Details of the earlier method of estimation of working force in 'other commerce' and in 'other transport' and revisions presently effected therein are given in Chapter I on Working Force. For purposes of estimation, the total number of persons engaged in 'other commerce' was split up into two categories, viz. (i) employees and (ii) employers and independent workers. The 'other commerce'<sup>2</sup> sub-sector did not include organised banking and insurance whereas the 'other transport'<sup>3</sup> sub-sector excluded railways and Posts and Telegraphs. However, porters and coolies employed at railway stations were included in 'other transport'.

2.1. The estimates of the average net earnings (including all factor incomes) per person engaged in other commerce or other transport as his principal occupation were calculated for the year 1948-49 for the two groups separately. The estimates for 'other commerce' were based on 91 earning quotations whereas those for 'other transport' were based on 78 quotations. For later years these average earning figures were adjusted on the basis of indicators of earnings of rural skilled workers and factory workers<sup>4</sup>.

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<sup>1</sup> Details of the method adopted by the NIC for the years 1948-49 to 1950-51 are given in their Final Report, vide paras 2.157 to 2.170.

<sup>2</sup> 'Other commerce' was delimited to the following sub-divisions of the 1951 Population Census economic classification: retail trade unclassified (6.0); retail trade in foodstuffs (6.1); retail trade in fuel (6.2); retail trade in textiles and leather goods (6.3); wholesale trade in foodstuffs (6.4); wholesale trade in other commodities (6.5); real estate (6.6); money lending, banking etc. excluding organised banking (part of 6.8); storage and warehousing (7.5); hotels, restaurants and eating houses (9.4).

<sup>3</sup> 'Other transport' was delimited to the following sub-divisions of the 1951 Population Census economic classification: transport otherwise unspecified (7.0); transport by road (7.1); transport by water (7.2); transport by air (7.3); railway porters (7.42); keepers of transport animals (0.10).

<sup>4</sup> The index of rural skilled workers was specially constructed on the basis of the daily wage rates of cobblers, blacksmiths and carpenters in about sixty villages given in the Agricultural Wages in India, using chain relatives. The index of earnings of factory workers was obtained from Indian Labour Journal (ILJ) and relates to employees drawing less than Rs. 200 per month. For later years the simple average of the two indices was systematically used for adjusting the earnings per worker from year to year.

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2.2. The major limitations in the earlier method of estimation of income from 'other commerce and transport' may be summarised. Per worker earnings in this sector generally relate to the earnings of self-supporting persons from principal occupation whereas figures of working force include earning dependants who are economically only semi-active.<sup>5</sup> The estimates arrived at in this way will be equal to the income generated in this sector only if the income of self-supporting persons from secondary occupations left out of account in preparing these estimates offsets the over-valuation on account of treating earning dependants on par with the self-supporting persons. However, there is not enough data to verify this assumption empirically.

2.3. The second major limitation is that the groups considered for estimation of earnings per worker are heterogeneous. For instance, employees in 'other commerce' include not only employees in other financial institutions and money lenders but also hawkers and street vendors. Similarly transport by road includes both mechanised and non-mechanised transport. In view of this, it would be desirable to weight the earnings quotations in proportion to persons engaged in each homogeneous occupational group. The third limitation is that no adjustment has been made to secure proper rural/urban representation in the earnings quotations, specially when the quotations relate predominantly to urban areas. This adjustment is important in view of the large rural/urban differentials in earnings per worker.

2.4. Yet another limitation of the earnings quotations used is that they relate to a wide span of time beginning with 1936-37 and going up to 1950-51. Although some adjustment has been made, using certain indicators, to convert all figures of earnings to the base year 1948-49, the validity of such adjustment is questionable. The estimates of average earnings per worker engaged in 'other commerce' and 'other transport' are based on a small number of quotations of earnings, viz. 91 for 'other trade' and 78 for 'other transport'.

2.5. The method of projection of figures of earnings per worker in 1948-49 to subsequent years on the basis of the indicators of average earnings of factory employees and wages of rural skilled workers<sup>6</sup> is also questionable.

3. *Revised estimates of net income from 'other commerce' at current prices :* The following principal steps are involved in the revision of the estimates of net income from 'other commerce' at current prices : (i) collection and scrutiny of earnings quotations from diverse sources, (ii) division of the sector on the basis of rate of earnings into three broad income groups in rural and urban areas, viz. high, intermediate and low; preparation of estimates of average earnings in each group on the basis of data collected from different sources, (iii) preparation of weighting diagrams for rural and urban areas and consolidation of the estimates in different income

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<sup>5</sup> This method of estimating net income is discussed in the Final Report of the NIC, para 2.16.  
<sup>6</sup> For details see footnotes to paragraph 3.2 of this chapter.

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groups on the basis of these weighting diagrams; pooling the estimates (from different sources) on the basis of number of quotations, (iv) estimation of rural and urban working force in 'other commerce' in each year and application of per worker earnings calculated in (iii) to obtain net income from the sector (excluding professional and business income subject to tax and wages and salaries of employees of joint-stock trading companies) and (v) addition of the taxable profits from business and professions and the wages and salaries of employees of joint stock trading companies to the estimate under (iv) in order to obtain total net income from 'other commerce'. Details of these different steps are given below.

3.1. The first step involved in the preparation of the revised estimates at current prices is the collection of data on per worker earnings relating to different trading activities. The principal sources of data are (i) the NSS Reports No. 24 and No. 54 (draft) relating to household retail trade, (ii) agro-economic surveys sponsored by the DESAg, (iii) Bulletin of the Bureau of Economics and Statistics, Bombay and (iv) Poona—Re-Survey by Gokhale Institute of Economics and Politics. These data have been further screened keeping clearly in view the concept involved in the procedure of estimation and retaining only those earnings relating to full-time workers from principal occupation. It emerges on examination of the NSS estimates that they are not useful for the purpose in view due to the following reasons: (i) the earnings data given by the NSS fluctuate widely from round to round, (ii) the NSS surveys are confined to household retail trade. However, the level indicated by the NSS surveys has been kept in view. As far as possible the quotations relate to net earnings inclusive of all factor incomes. But they exclude, however, the profits from professions and business liable to tax. The total number of earnings quotations used in the preparation of the revised estimates is 146.

3.2. The trading activities have been put into three broad income groups, viz. high, intermediate and low, on the basis of suitable assumptions<sup>7</sup> about the different census sub-divisions falling under 'other commerce'. The simple averages of per worker earnings have been obtained for these three groups separately in rural and urban areas from each of the sources of data mentioned earlier. Rural and urban weighting diagrams have been prepared for combining the groups, on the basis of data available from the 1951 Census on the number of self-supporting persons in these groups<sup>8</sup>. The estimates for the different groups have been pooled together on the

<sup>7</sup> Broadly the census sub-divisions included in the 'high' income group are: dealers in drugs, chemicals etc. (6.02), publishers, book-sellers etc. (6.03), vendors of wine, aerated waters etc. (6.12) petroleum distributors (6.21), retail trade in textiles and leather goods (6.3), wholesale trade in foodstuffs (6.4), wholesale trade in other commodities (6.5), real estate (6.6), insurance excluding employees of organised insurance (6.7), money lending etc. excluding employees of organised banks (6.8), hotels, restaurants and eating houses (7.5), storage and warehousing (9.4). Those included in the 'intermediate' income group are: dealers in cattle (6.04), general store keepers, shop keepers and employees (6.00), retail dealers in grain, pulses etc. (6.11), retail dealers in opium, ganja etc. (6.13). Those included in the 'low' income group are: hawkers and street vendors otherwise unclassified (6.01), hawkers and street vendors of drinks and foodstuffs (6.14), retail dealers in pan, bidi, cigarette etc. (6.15), retail dealers including hawkers and street vendors in firewood etc. (6.20).

<sup>8</sup> Census of India, 1951, Vol. I, India, Part II-C, Economic Tables, gives the number of self-supporting persons in rural and urban areas by division and sub-division of the Census economic classification. Census of India, Paper No. 7 (1954), Subsidiary Tables—1951 Census, shows the number of self-supporting persons at all-India level for some more detailed groups of occupations within each sub-division. These data have been used in the preparation of the rural and urban weighting diagrams by making suitable assumptions wherever necessary.

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basis of these weighting diagrams to yield finally the average per worker net earnings in 'other commerce' in rural and urban areas as revealed by each source of data. These estimates, however, relate to different time periods and have been deflated to the year 1950-51. The indicators<sup>9</sup> used for the purpose are: (i) the graduated index of earnings<sup>10</sup> of factory employees drawing less than Rs. 200/- per month; half of this rate of change has been used for urban trading activities and (ii) the graduated index of earnings of rural skilled workers<sup>11</sup>; this rate of change has been used for rural trading activities.

3.3. The estimates according to the different sources have been pooled together on the basis of the number of quotations entering each estimate to obtain average rural and urban income from 'other commerce' in 1950-51. The point estimates of average earnings relating to 1950-51 have then been projected to the entire period 1950-51 to 1959-60 on the basis of the rural and urban indicators of changes in the per worker earnings mentioned above.

3.4. The next step is to estimate the rural and urban income from 'other commerce' on the basis of the rural and urban working force and the per worker net earnings obtained as in the preceding paragraphs. The data used in the preparation of the weighting diagrams have also been utilised for splitting up the revised series<sup>12</sup> of working force in 'other commerce' into the rural and urban components. By adding together the rural and urban contribution of net income in 'other commerce', the all-India income generated in this sector, exclusive of business and professional profits liable to tax and also exclusive of the wages and salaries paid to employees of joint-stock trading companies has been obtained. The latter two components have been estimated separately.

3.5. The total business and professional profits liable to tax are available in All-India Income-Tax Revenue Statistics.<sup>13</sup> These have exclusively been taken to be profits since the imputed value of the wages and salaries of self-employed persons included in it is considered to be negligible. No direct estimates of wages and salaries paid to employees of joint-stock trading companies are available and hence these

<sup>9</sup> In this connection the utility of the following indicators has been studied: (i) index of earnings of factory workers (ILJ); (ii) middle class consumer price index (ILJ); (iii) consumer price index of low paid employees (ILJ); (iv) earnings of rural skilled workers (Agricultural Wages in India); (v) earnings of teachers in recognised schools, colleges etc. (Education in India); (vi) consumer price index of rural population (ILJ); (vii) consumer price index (general and miscellaneous) of factory workers (ILJ); (viii) average basic salary of Central Government employees (CSO) and (ix) wages and salaries of persons other than workers employed by factories (CMI). All these indicators suffer from many limitations of coverage and comprehensiveness. Indicators at (i) and (iv) alone have been actually used.

<sup>10</sup> This index has been compiled from the figures of earnings per person drawing less than Rs. 200/- per month and employed in factories, which are published on calendar year basis in the ILJ. The index has then been graduated by fitting a straight line by the least squares method in order to eliminate extreme fluctuations.

<sup>11</sup> This index has been compiled from primary data relating to daily wage rates of blacksmiths, carpenters and cobblers in about sixty rural centres published in Agricultural Wages in India. The index is a chain index based on wage-relatives averaged over the year and over the centres.

<sup>12</sup> Details about the revised series are given in the chapter on working force.

<sup>13</sup> The figures given in Table 4 of this publication, viz. Trade Classification of Business and Professional Income Assessed to Income-tax and Super-tax have been combined suitably to correspond to the sector 'other commerce'.

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have been estimated indirectly using the available data on earnings per employee in banks, the ratio of wages and salaries to paid-up capital as given in the analysis of company finances by the RBI and the total paid-up capital of trading companies as given by the Department of Company Law Administration. This procedure consists in (a) estimation of wages and salaries paid by joint-stock companies engaged in commerce and other financial operations (excluding organised banking and insurance) and in real estate to their staff on the basis of paid-up capital and the ratio of the paid-up capital to wages and salaries as obtained from the RBI analysis of public and private limited joint-stock trading companies; (b) estimation of employment in such joint-stock companies from (a) above on the basis of the average per person earnings of bank employees and (c) adjustment of the total income from urban areas obtained as in the preceding paragraph, to eliminate employees of joint-stock trading companies who have been included in the highest income group. The total net income from 'other commerce' has been obtained by adding together the income of those not paying tax on profits, the business and professional profits liable to tax and the wages and salaries paid by the joint-stock companies. The revised and conventional estimates of net income from 'other commerce' for the years 1955-56 to 1959-60 are given in Table 11.1. The fall in the revised estimates of net income is due to downward revision of per head earnings as a result of weighting of earnings quotations of urban and rural areas.

4. *Revised estimates of income from 'other transport' at current prices:* The procedure adopted for estimating the net income from this sub-sector is similar to the one adopted for 'other commerce' and consists of the following major steps: (i) collection and scrutiny of earnings quotations from diverse sources, (ii) division of the sector into a number of homogeneous groups in rural and urban areas by mode of transport and preparations of estimates of average earnings in each group from different sources of data; (iii) preparation of weighting diagrams for rural and urban areas and splitting up the estimate of working force (excluding air transport) into the component groups on the basis of these weighting diagrams; (iv) application of per worker earnings calculated in (ii) above to estimates of working force as given by (iii), to obtain net income from the sub-sector not paying tax on business and professional income; (v) addition of taxable profits from 'other transport' and wages and salaries of persons engaged in air transport to obtain total net income from 'other transport'.

4.1. The sources of current data on per worker earnings in 'other transport' are agro-economic surveys sponsored by the Directorate of Economics and Statistics, Ministry of Food and Agriculture, Poona Re-survey by Gokhale Institute of Politics and Economics, the ILJ and the NSS Reports No. 13 and No. 31 relating to household transport operation. These data have been further scrutinised and earnings quotations relating to full-time workers from principal occupation have been taken into account. However, the data given in the NSS reports were not used as they revealed wide fluctuation from round to round and related only to the household sector. As far as possible the quotations relate to net earnings inclusive

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of the profits of the self-employed below the taxable limit and all other factor incomes. The total number of quotations used is 177.

4.2. In view of the heterogeneity of the occupations included in 'other transport' it is necessary to weight the quotations relating to each homogeneous occupation sub-group in proportion to the number of persons following it. For purposes of preparing the weighting pattern the following groups have been considered: (a) mechanised road transport, (b) non-mechanised road transport, (c) water transport, (d) transport otherwise unclassified and (e) railway porters. Suitable weighting diagrams have been prepared for rural and urban areas by splitting up the total working force into the different component groups on the basis of data on the number of self-supporting persons in these groups in rural and urban areas as obtained from 1951 Census.

4.3. The simple averages of earnings per worker have been estimated separately for the different groups for rural and urban areas from each source of data. These estimates relate to different time periods and have been deflated to the year 1950-51 on the basis of the indicators,<sup>14</sup> (i) graduated index of earnings of factory employees drawing less than Rs. 200 per month—half the rate of change used for urban transport; (ii) graduated index of earnings of rural skilled workers—used for rural transport. The point estimates of average earnings have been projected to the entire period 1950-51 to 1959-60 on the basis of rural and urban indicators of average earnings mentioned above.

4.4. The revised series of working force in other transport has been split up into rural and urban figures by mode of transport on the basis of weighting patterns as mentioned already. The working force engaged in road transport in urban areas has further been divided into mechanised and non-mechanised transport by estimating the number of persons employed in mechanised road transport on the basis of the number of registrations of mechanised vehicles of different types.<sup>15</sup> By multiplying the average earnings per person employed in different modes of transport in rural and urban areas as calculated in the preceding paragraphs and the corresponding figures of working force, the net contribution from 'other transport' has been estimated. To this has been added the profits of business and professional income liable to tax which have not been accounted for in the estimates given earlier. Also the wages and salaries of persons<sup>16</sup> employed in air transport have been added.

4.5. The business and professional income liable to tax, which is taken to be mainly in the form of profits, has been obtained from income-tax statistics.

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<sup>14</sup> Further details given in footnotes to paragraph 3.2.

<sup>15</sup> The numbers of different types of motor vehicles on roads in India is given in Basic Road Statistics of India. Assuming that the number of persons employed per auto-rickshaw, cab, other public service vehicles, goods vehicles, jeeps and miscellaneous vehicles are respectively 1,1,3,3,1 and 2, the total employment in mechanised road transport has been estimated.

<sup>16</sup> The profits of these companies are included in 'professional and business income liable to tax' and other factor payments are considered to be negligible.

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Per worker earnings in air transport have been estimated on the basis of employment and corresponding figures of pay and allowances in Air India International and Indian Airlines Corporation for the years 1953-54 to 1958-59. The employment in air transport in different years has been estimated on the basis of the census data for 1951 and the rate of increase in employment shown by the Indian Airlines Corporation and the Air India International in the period 1955-56 to 1958-59. By adding together the total rural and urban income from 'other transport', the business and professional profits liable to tax and the wages and salaries of employees in air transport, the net income from 'other transport' has been obtained. The revised and conventional estimates of net income from 'other transport' for the years 1955-56 to 1959-60 are given in Table 11.2.

5. *Comparison of the revised with the conventional series* : The revised and conventional series of net income from 'other commerce' are given in Table 11.1, whereas corresponding figures for 'other transport' are given in Table 11.2. The working force and earnings per worker are also shown therein. The revised estimate of net income in 1950-51 from 'other commerce' is much lower than the conventional estimate whereas the corresponding figures for 'other transport' are quite close. However, the revised series shows a more rapid increase in net income over the period 1950-51 to 1959-60 than the conventional one. The revised estimates of net income from 'other commerce' nearly catch up in 1959-60 with the conventional estimate while the revised estimate for 'other transport' significantly exceeds the corresponding figure of the conventional series. The more rapid rate of increase of the revised series of net income compared to the conventional one is accounted for by the higher rate of increase in both the working force and per worker earnings.

5.1. Tables 11.3 and 11.4 show the levels of net income in 'other commerce' and 'other transport' in 1950-51 according to the revised and earlier procedures. In 'other commerce' the figures of working force according to the revised and the conventional procedures are fairly close and the difference in the levels of net income is due mainly to the difference in the average earnings per worker. The NIC figure of average earnings per worker is closer to the revised figure for the urban areas than to the all-India estimate. The substantial difference between the two figures of all-India per worker earnings arises from the fact that in the preparation of the revised estimates a proper weighting diagram has been adopted to secure adequate representation of occupations with lower incomes and of persons working in the rural areas. Similar observations apply for the sub-sector 'other transport'. However, the difference in the all-India per worker earnings between the revised and conventional estimates for 1950-51 is not as marked as for 'other commerce', since the proportion of working force engaged in 'other transport' in rural areas is not large.

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TABLE 11.1: COMPARISON OF REVISED AND CONVENTIONAL ESTIMATES FOR THE SUB-SECTOR 'OTHER COMMERCE': 1955-56 TO 1959-60

(at current prices)

	revised estimates			conventional estimates		
	working force (000)	earnings per worker (Rs.)*	net income at current prices (Rs. crores)	working force (000)	earnings per worker (Rs.)	net income at current prices (Rs. crores)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1955-56	9331	1095	1024	8486	1568	1331
1956-57	9596	1161	1114	8563	1589	1361
1957-58	9641	1204	1185	8642	1632	1411
1958-59	10091	1257	1268	8723	1672	1459
1959-60**	10346	1291	1336	8803	1672	1471

\* Calculated on the basis of cols. (2) and (4)

\*\* Preliminary.

TABLE 11.2: COMPARISON OF REVISED AND CONVENTIONAL ESTIMATES FOR THE SUB-SECTOR 'OTHER TRANSPORT' FOR 1955-56 TO 1959-60

(at current prices)

	revised estimates			conventional estimates		
	working force (000)	earnings per worker (Rs.)*	net income at current prices (Rs. crores)	working force (000)	earnings per worker (Rs.)	net income at current prices (Rs. crores)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1955-56	1909	1067	193	1546	1004	155
1956-57	1913	1098	210	1577	1015	160
1957-58	2016	1126	227	1609	1047	168
1958-59	2105	1150	242	1639	1074	176
1959-60**	2153	1166	251	1671	1074	179

\* Calculated on the basis of cols. (2) and (4).

\*\* Preliminary.



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TABLE 11.3: COMPARISON OF THE REVISED AND CONVENTIONAL ESTIMATES  
FOR THE SUB-SECTOR 'OTHER COMMERCE' FOR THE YEAR 1950-51  
(at current prices)

	rural	urban	all-India
(1)	(2)	(3)	(4)
<i>revised estimate</i>			
1. estimated net income excluding profits liable to tax and wages and salaries of joint-stock companies (Rs. crores)	224	401	625
2. profits liable to tax (Rs. crores)	—	175	175
3. wages and salaries paid by joint-stock companies (Rs. crores)	—	19	19
4. total estimated net income from 'other commerce' (Rs. crores) [(1)+(2)+(3)]	224	595	819
5. estimated working force (000)	3354	4965	8319
6. earnings per worker* (Rs.)	668	1198	984
<i>conventional estimate**</i>			
1. total estimated income from 'other commerce' (Rs. crores)	—	—	1252
2. estimated working force (000)	—	—	8122
3. earnings per worker (Rs.)	—	—	1542

\* Calculated on the basis of items (4) and (5)

\*\* Source: Final Report of the NIC, p. 82.

TABLE 11.4: COMPARISON OF THE REVISED AND CONVENTIONAL ESTIMATES  
FOR THE SUB-SECTOR 'OTHER TRANSPORT' FOR THE YEAR 1950-51  
(at current prices)

	rural	urban	all-India
(1)	(2)	(3)	(4)
<i>revised estimate</i>			
estimated net income excluding profits liable to tax from (in Rs. crores)			
1. transport by road—mechanised	—	42	42
2. transport by road—non—mechanised	22	32	54
3. transport by water	6	21	27
4. railway porters	2	3	5
5. total	30	98	128
6. profits liable to tax (Rs. crores)	—	7	7
7. contribution from air transport (Rs. crores)	—	3	3
8. net income from 'other transport' [(5)+(6)+(7)]	30	108	138
9. estimated working force (000)	434	1015	1449
10. earnings per worker (Rs.)*	691	1064	952
<i>conventional estimate**</i>			
1. total net income from 'other trans- port' (Rs. crores)	—	—	146
2. estimated working force (000)	—	—	1411
3. earnings per worker (Rs.)	—	—	1034

\* Calculated on the basis of items (8) and (9)

\*\* Source: Final Report of the NIC, (p. 82).