Credibility of the Indian Statistical System

What is the issue?

- The government has decided to scrap the consumer expenditure survey, conducted by the National Statistical Office (NSO) during 2017-18, because of data quality issues.
- So, the credibility of the Indian statistical system has come under scrutiny yet again.

What does the survey reveal?

- According to the survey, compared with 2011-12, **monthly per capita consumer expenditure fell** by 3.7% in 2017-18.
- This is the first decline in at least four decades.
- While **spending in urban areas went up** by just 2%, it registered a massive 8.8% **decline in rural areas**.
- The government's decision to reject the report means India will not have a new poverty estimate until the next survey is undertaken.
- The revision in the gross domestic product (GDP) base year would also have to wait.
- The government had also withheld the periodic labour force survey, which showed the unemployment rate at 6.1%, a 45-year high.

What are the findings of the survey?

- Since **overall economic growth has slowed** significantly since 2017-18, it is likely that **consumption expenditure** in rural areas might have **slipped** further.
- This is worrying and indicates a reversal in poverty reduction.
- The government seems to have **no faith in the data presented** by the NSO.
- Simply rejecting the survey has raised questions over whether the decision was prompted by the government's unwillingness to accept data that doesn't suit its narrative.
- It is possible that the results were significantly affected by demonetisation and the introduction of the goods and services tax.
- There is a significant **difference between the estimates of consumption** by the Central Statistics Office and NSO.
- While the difference itself is not new and unique, the widening divergence

deserves attention.

- Since the CSO and NSO data on consumption presents a completely different picture, it is bound to raise questions about the efficiency of the statistical system.
- Therefore, it is time to revamp India's statistical system and enable it to collect, process, and disseminate information with speed and accuracy.
- The GDP data comes with a significant lag and is subject to large revisions, which affects decision making.

What is the view at broader level?

- At a broader level, the importance of credible and timely data cannot be overstated.
- Decision making in both the government and the private sector depends on the state of the economy.
- It is important to note that the GDP data is already under a cloud because it doesn't match high-frequency indicators.
- Withholding data and rejecting official survey results will further damage the credibility of the system.
- Non-availability or the unwillingness of the government to accept survey findings will hurt its ability to make policy decisions.
- Further, the private sector would be reluctant to invest if it doesn't have a clear picture of the economy and suspects official data.
- The government would be well advised to address the problems in both the economy and the statistical system.
- Being in denial mode is no solution.

Source: Business Standard

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