



## EDITORIAL

### **New Estimates of Poverty in India**

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For over a decade now, there has been silence from the Government of India on the extent of poverty as measured by consumption expenditure, a proxy for income. Two issues are of special relevance here. The first concerns the availability and quality of data, and the widespread recognition of decline of standards with respect to official and semi-official statistics in India. Secondly, the government has shifted from measuring and reporting poverty in terms of consumer expenditure to measuring poverty in terms of different aspects of living standards. While the latter is certainly an important addition to our understanding of the nature of poverty, it is not a substitute for the former.

The last official estimate of poverty was provided by the Planning Commission in 2013. It was based on the poverty line recommended by the Expert Group chaired by Professor Suresh Tendulkar and with data from the Consumer Expenditure Survey of 2011–12. The proportion of population that was poor was estimated to be 25.7 per cent in rural India and 13.7 per cent in urban India.

On account of dissatisfaction with the Tendulkar poverty line, the United Progressive Alliance (UPA) government set up another Expert Group under the chairmanship of C. Rangarajan. The poverty line recommended by the new Expert Group was a little higher than the Tendulkar poverty line, as it included expenditure on some essential non-food items in addition to expenditure on the food required for survival. The Expert Group estimated that 30.9 per cent of the rural population and 26.4 per cent of the urban population in 2011–12 fell below the poverty line. These estimates were never officially endorsed.

After 2011–12, no official data on consumer expenditure were released till earlier this year. Data from the 75th round of the National Sample Survey conducted in 2017–18 were not released on grounds of poor quality. After a gap of 12 years, a Consumer Expenditure survey was conducted in August 2022–July 2023, and data were

released in June 2024. Scholars have noted that, for many reasons – including changes in sample design, changes in items in the questionnaire, and changes in methods of data collection – data from the latest round of Household Consumer Expenditure Survey (HCES) are not strictly comparable with data from earlier rounds. Unlike earlier, a sub-sample with the old design was not canvassed; such an exercise would have allowed for testing the effects of changes in method.

In recent years, the NITI Aayog has computed a Multidimensional Poverty Index (MPI) developed by the Oxford Poverty and Human Development Initiative (OPHI), an elaboration of the Human Development Index. The MPI is an index based on 12 indicators that capture deprivations in health, education, and living standards (such as the number of years of schooling, levels of child mortality, access to toilets and electricity), using data from different rounds of the National Family Health Survey (NFHS). The most recent update of the MPI, based on data from NFHS-5 conducted in 2019–21, indicates that the head count ratio of MPI in India has fallen to 14.96 from 24.85 in 2015–16. While improvements in MPI are very welcome, and reflect changes in a range of spheres, it is not a substitute for measuring income poverty.

We now have some startling figures on expenditure poverty in India. Drawing on unit data from the Household Consumer Expenditure Survey (HCES) 2022–23 and recalculating the Rangarajan poverty line for each State and rural-urban area, C. A. Sethu, L. T. Abhinav Surya, and C. A. Ruthu (2024, this issue) estimate that, according to official data, over a quarter of all Indians are below the poverty line (26.4 per cent). This stands in sharp contrast to the claim by B. V. R. Subrahmanyam, the CEO of NITI Aayog, earlier this year that the poverty ratio in India had fallen to below five per cent.

Applying the estimated head count ratio of 27.4 per cent in rural areas and 23.7 per cent in urban areas to the population, there were 246.7 million poor persons in rural India and 114.4 million poor persons in urban India. Altogether, there are 361 million persons that cannot even afford the minimum expenditure norm set by the Rangarajan-led Expert Group. India has more poor people than the entire population of the United States of America. By GDP or national income, India is ranked fifth globally. In terms of the absolute number of people in poverty, India ranks first in the world. A shameful record.

Having an accurate assessment of a problem is the first step to designing action to solve the problem. We cannot afford to be misled by made up numbers or pundits who claim that poverty has almost disappeared in India.