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Issues in Poverty Estimation in India: A Critical Review of Official Methodology

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India is home to nearly one fifth of the global count of those living on less than \$1 a day. As per official estimate 22 per cent of population is below poverty line in India of which 26 per cent live in rural areas and 14 per cent live in urban areas in 2011-12 (GoI, 2018, p.6). There is a constant effort on the part of Government of India to reduce poverty since the beginning of its planned effort for development in 1951. Official estimates show that the poverty rate is gradually declining over the years. Academic researchers, politicians, observers and policy makers largely agree that poverty is declining. However, there is an intense debate about the rate of this decline which mostly originates from the methodology of estimation of poverty at government level.

Measurement of poverty has been attempted in India since a long time ago. Various individuals and institutional experts in addition to the official authorities have defined poverty and attempted measurement of poverty at both all India as well as rural and urban decomposed levels. It is important to note that despite differences of opinion, regarding what constitutes poverty and the manner in which information regarding the parameters that define poverty need to be assessed, the definition of poverty has evolved to encompass multiple dimensions of deprivation. This has been in tune with the widely accepted change of thinking and practice outside India.

Poverty in India is measured as the head-count ratio of the population living below 'poverty line', which is calculated using the methodology prescribed by the Expert Group on Methodology for Estimation of Poverty appointed by the Planning Commission in order arrive at a threshold level of consumption of both food and non-food items. The methodology uses the Consumer Expenditure Surveys conducted by the National Sample Survey Office (NSSO) of India once every five years. The Planning Commission's poverty line, using methodology suggested by the Tendulkar Committee in 2010, is defined as the spending of Rs. 27.20 per capita per day in rural areas and Rs. 33.40 per capita per day in urban areas. Using these poverty lines, the total number of poor people in India was estimated just below 270 million, of which 216 million live in rural India.

However, these figures quoted as official estimates of the Government of India have been under a critical scrutiny from the academia and policy community on several counts of not being able

to reflect the ground realities. The poverty estimates in India have consistently reflected a divergence from the rest of the indicators of well being, especially in the last two decades, which show worsened nutritional situation. Such divergence called for a closer look at the methodology involved in arriving at the threshold 'poverty line' and has been debated since then.

The methodology of poverty used by the Planning Commission has been based on the recommendations made by Working Group/Task Force/Expert Groups consisting of eminent experts in the field. The Planning Commission has constituted these Groups from time to time to revisit the methodological issues related to the measurement of poverty so as to make the estimates more relevant to the contemporary economic situation. After the Working Group of the Planning Commission delineated the methodology of poverty estimation in 1962, it has been intensely debated by the academicians, experts, policy planners, etc over the years. In response, the Planning Commission has constituted Task Force/Expert Groups from time to time to review the methodology. These include the Task Force under the chairmanship of Y.K. Alagh in 1977; the Expert Groups under the chairmanship of D.T. Lakdawala in 1989, S.D. Tendular in 2005 and C. Rangarajan in 2012.

The issues that are central to the debate on poverty in India since the 1990s primarily include: the right way in which to resolve conflicts concerning in particular the adjustment of the estimated household consumption level of NSSO with that pertaining to National Accounts Statistics (NAS), the right choice of recall period in surveys concerning household consumption, the appropriate depiction of poverty line, and the appropriate means for adjusting that poverty line to account for variations in purchasing power over space and time in order to maintain its substantive invariance.

The main objective of the present paper is to critically review the official methodology for measuring poverty in India. The other objective that follows from the main objective is to trace out the lessons that can be drawn from the great Indian poverty debate, for India and other countries. These lessons may be relevant for statistical offices, policy makers as well as for researchers.

The paper is based on data published by the NSSO and poverty data published by Government of India from time to time and data collected from the published works of eminent researchers. Some ideas have been drawn from various published literature on the topic.

The paper is structured as follows: Section I is Introductory. Section II deals with the evolution of the official methodology for measuring poverty in India since independence. Section III makes a critical review of the issues in estimation of poverty through official methodology. Section IV traces out the lessons from the attempts at estimation of poverty in India. Conclusions have been drawn in Section V.

Keywords: poverty line, official methodology, Planning Commission, Expert Group,