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Multidimensional Poverty Reduction in India 2005/6 - 2015/16: Still a Long Way to Go but the Poorest are Catching Up

This paper assesses the change in multidimensional poverty in India from 2005/6 to 2015/16 using data from the NFHS-3 and NFHS-4 surveys. Estimates of changes are disaggregated by age cohort, state and by socio-economic group-level, and broken down by indicator; sampling errors are considered throughout. Multidimensional poverty is defined using the global Multidimensional Poverty Index 2018 (Alkire and Jahan 2018). The paper finds a very strong reduction, indeed a statistically significant halving of the MPI during that decade. Furthermore, subnational patterns of poverty reduction are strongly pro-poor, whereas from 1998/9 to 2005/6 they had been regressive. The reductions of MPI are hardly correlated with state level growth in GDP, making this a rich terrain for future research. These explorations confirm that at the end of the decade under study, at least 271 million fewer persons were living in multidimensional poverty – a magnitude of change rivalling the numbers exiting monetary poverty in China.

This paper assesses the change in multidimensional poverty in India from 2005/6 to 2015/16 using data from the NFHS-3 and NFHS-4 surveys. We provide for estimates of changes that we disaggregate by age cohort, state and by socio-economic group-level, and always consider alongside sampling errors. In terms of the different patterns of reduction in deprivations across ten indicators measured for the same household, we explore each case to illustrate how change happened. Data tables accompany this paper. The definition of multidimensional poverty follows the global Multidimensional Poverty Index (2018 specifications) which was jointly designed by the United Nations Development Programme (UNDP) and the Oxford Poverty & Human Development Initiative (OPHI) in the University of Oxford. India's pattern of poverty reduction sub-nationally reflect a significant change in trajectory. In contrast to the period 1998/9–2005/6 during which the poorest groups had the slowest reduction of MPI according to the older MPI specifications, the poorest states and groups had the largest reductions in multidimensional poverty from 2005/6 to 2015/16 (Alkire and Seth 2015). To put these findings into perspective, we overlay the annualized rate of reduction in monetary poverty across states and with state-level growth. As an interim methodological reflection, we find that the patterns and magnitude of reduction of the MPI differ from that of the headcount ratio, and we empirically document the value-added of assessing changes in poverty using the MPI, which provides a sharply distinct and arguably more accurate account. Given that the rate and magnitude of multidimensional poverty reduction was sizable, naturally, the question arises as to the extent to which this is driven by measurement specifications themselves: the indicator definitions, weights and poverty cutoff. To explore this, we provide 20 alternative specifications

of the MPI for comparison. These have alternative weighting structures, indicator construction and poverty cutoffs. Overall, our findings we document that our findings are robust and are conservative estimates. These explorations confirm that at the end of the decade under study, at least 271 million fewer persons were living in multidimensional poverty – a magnitude of change rivalling the numbers exiting monetary poverty in China. Furthermore, subnational patterns of poverty reduction are strongly pro-poor, whereas from 1998/9 to 2005/6 they had been regressive. In particular, our findings demonstrate the value-added of using MPI (which respects dimensional monotonicity) rather than just a headcount ratio: the pro-poor change in MPI is driven by the reduction of intensity among the poor as well as by a reduction in incidence.