

The Debate on Poverty Measures in India

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There has been an intense debate within the academia and the policy circles on the estimates of poverty in India as provided by the government sources. The consistent decline in the poverty figures in India in the last two decades has been subjected to criticisms related to measurement issues. Going by the Planning Commission's estimates, poverty in India has declined from nearly 60 percent in the late seventies to 22 percent by the latest 2011-12 estimates; however, the methodology underwent revisions over the period. Specifically, in the last two decades the rate of decline, as per the official estimates, has been quite rapid. The percentage of population below poverty line as estimated by the revised methodology of the Tendulkar Committee (discussed later) declined from 45 percent in 1993-94 to 22 percent currently (2011-12) in which the rate of decline has been greater for the rural areas. The Planning Commission's press release on poverty has also claimed a decline in rural poverty at an annual average rate of 0.75 percent between 1993-94 and 2004-05, while the same between 2004-05 and 2011-12 has been around 2.3 percent. Urban poverty on the other hand has declined at a slower rate in the last seven years at 1.7 percent per annum (Press Note on Poverty Estimates, 2011-12, Planning Commission, July 2013).

Poverty in India is measured as the head-count ratio of the population living below the official '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 to arrive at a threshold consumption level of both food and non-food items. The methodology uses the Consumer Expenditure Surveys (CES) conducted by the National Sample Survey Office (NSSO) of India once every five years to attain the poverty line; and, hence, poverty figures in India are obtained once every five years. The Planning Commission's latest poverty line, using methodology suggested by the Tendulkar Committee in 2010, is apparently 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 above-mentioned poverty estimates have been derived. In other words, the total number of poor people in India is now estimated at just below 270 million, of which around 216 million reside in rural India.

However, these figures quoted as official estimates of the Government of India have been under a critical scanner 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 such as under-nutrition among children, underweight children, chronic anaemia among women, malnutrition among women and other consequent health indicators, specifically 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.

In the post-independence period, the first systematic initiative to measure poverty based on a 'poverty line' derived from the NSS data came in 1971 by Dandekar and Rath. The criterion they used to estimate the poverty line was based on average calorie norm of 2250 calories per capita per day for both rural and urban areas. On the basis of NSS data, 1960-61, it was estimated that in rural areas, the households with a monthly per capita expenditure of Rs. 14.20 at the 1960-61 prices, were able to consume on an average food with calorie equivalent of 2250 per capita per day together with some non-food items. According to this threshold, almost 50 percent of the population was living below the poverty line in the sixties. In 1979, the Planning Commission appointed a Task Force under the chairmanship of Y. K. Alagh, for the purpose of poverty estimation based on the NSS-CES of 1973-74. This committee used a minimum calorie norm of 2400 calories for rural India and 2100 calories for urban India to arrive at the poverty line. The committee suggested poverty estimation for subsequent years were to be calculated by adjusting only the price level for inflation. This methodology was used for the next two decades till the Lakdawala Committee was appointed by the Planning Commission in 1993 in order to review the existing methodology for poverty estimation. The recommendations of this committee initiated the major debates regarding the estimation of the 'poverty line' in India.

While the Lakdawala Committee did not provide major changes from the existing methodology in its recommendations and asked to follow the calorie-based methodology for deriving the 'poverty line' without making changes in the existing consumption basket, it suggested a minor change. The committee recommended deriving state specific poverty lines using the Consumer Price Index of Industrial Workers (CPI-IW) in urban areas and Consumer Price Index of Agricultural Labour (CPI-AL) in rural areas. Following this methodology, the poverty lines had increased nominally and the headcount ratios declined, however the nutritional attainment of the population reflected a decline.

Based on such divergence of poverty and nutrition estimates, a major criticism faced by this method was the continued use of the original 1973-74 consumption basket without taking into account the structural changes within the economy which might have had affected the consumption patterns of the population over longer periods. The departure from estimating 'poverty line' by a direct method of looking at consumption patterns to an indirect method of merely updating prices for inflation could not capture the real situation. Scholars have hence critiqued the consumption basket as well as the method used to arrive at the poverty line. Specific research has also shown that in 2004-05, the existing basket provided a calorie intake of 1820 calories per capita per day in rural areas.

Given such problems, another Committee appointed under the chairmanship of Suresh Tendulkar submitted its report in 2009, which attempted at changing the composition of the existing consumption basket in order to take into account the real needs of the poor people. The methodology suggested by this committee recognized the 'structural changes' in consumption patterns and advanced a method of constructing 'cost of living' indices using the household level consumption expenditure for different commodities, which also included expenditure on health and education. However, the methodology moved away from a calorie based norm of calculating a 'poverty line' citing problems with the nutrition data and replaced it with the urban consumption basket for 2004-05, as the base for both urban and rural areas. This method while is an improvement over the previous method in terms of including certain important consumption expenditures like health and education, the method of using the urban consumption basket for 2004-05 for both rural and urban areas is laid with problems as it does not take into account the several socio-economic differences in consumption patterns of rural and urban India.

Added to this, since most countries estimate poverty based on calorie norms, a poverty threshold that is not based on calorie norms provides poverty estimates, which does not follow the Food and Agriculture Organization of the United Nations (FAO) guidelines and would not be acceptable or comparable with poverty figures from the rest of the world. Thus, a new committee has been appointed by the Planning Commission in 2012 under the chairmanship of C. Rangarajan, which is working to arrive at an acceptable 'poverty line' and is expected to submit its report by next year.

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