Reduction of Poverty in India

***Mains**: (GS-II) Issues relating to poverty and hunger*

Why in news?

Recently, World Bank updated its extreme poverty threshold to $3/day (2021 prices) from $2.15/day (2017 prices) to account for global inflation and released a revised estimate on India's poverty rate.

What is the World Bank's International Poverty Line (IPL)?

- **International Poverty Line (IPL)** – The World Bank introduced the International Poverty Line (IPL) in 1990 to enable cross-country comparisons using Purchasing Power Parity (PPP).
- According to world bank the poverty line is defined as the minimum level of spending required to meet basic needs like food, clothing, and shelter.
- **Purpose of the IPL –** The IPL adjusts for price level differences between countries using PPP.
- Initially IPL was set at $1/day (1985 PPP), revised over the years with inflation and updated PPPs.

What changes were made in poverty line?

- **Updated IPL** – It **improved measurement of consumption**, particularly food and non-food items.
- The integration of **2021 purchasing power parity (PPP) estimates.**
- The poverty rates were categorized into three based on income levels.
- **Extreme Poverty (Low-Income Countries) –** Raised from $2.15 to $3/day).
- **Lower-Middle-Income Countries (LMIC) –** Raised from $3.65 to $4.20/day.
- **Upper-Middle-Income Countries (UMIC) –** Raised from $6.85 to $8.40/day.
- **Reason for revision** – It reflects updated price data, improved consumption surveys, and changes in national poverty lines.
- It also provides a more accurate and stringent measure of poverty.
- **Impact of revision globally** – The global poverty rate for 2022 **increased from 9% to 10.5%.**
- Additional 125 million people worldwide classified as poor under the new threshold.

How has India's poverty rate changed under new methodology?

- **Reduction of extreme poverty** ($3/day) – India's extreme poverty fell from **27.1%** in 2011–12 to **5.3%** in 2022–23.
- The absolute number of people in extreme poverty dropped from 344.47 million to

75.24 million during this period.

- This implies nearly 270 million Indians were lifted out of extreme poverty in the past decade.
- **LMIC category ($4.20/day) –** India's poverty rate fell to **23.9% in 2022–23**, down from 57.7% in 2011–12.
- In absolute numbers, those below LMIC poverty line dropped from 732.48 million to 342.32 million.
- **Rural and Urban Poverty Gap –** LMIC poverty in Rural areas fell from 69% to 32.5%, urban from 43.5% to 17.2%.
- The gap declined from 25 to 15 percentage points, with a 7% annual fall.

World Bank's multidimensional poverty index (MPI), non-monetary poverty in India declined from 53.8 percent in 2005-06 to 15.5 per cent in 2022-23.

The NITI Aayog has estimated that India's population living in multidimensional poverty fell to 11.28 per cent in 2022-23 from 29.17 per cent in 2013-14.

Year	Poverty Line (PPP/day)	Poverty Rate	People Below Poverty Line
2011–12	$2.15 (2017)	16.22%	~205.9 million
2011-12	$3.00 (2021)	27.12%	~344.47 million
2022–23	$2.15 (2017)	2.35%	~33.6 million
2022–23	**$3.00 (2021)**	**5.25%**	**~75.2 million**

What led to the significant drop in poverty in India?

- **Improved household consumption data –** Recent Household Consumption Expenditure Survey (HCES) 2023–24 showed higher household spending due to better design and inclusion of subsidised items.
- **Welfare and subsidy schemes –** Free foodgrains and government welfare schemes boosted basic consumption and reduced poverty.
- **Strong rural consumption –** Rural poverty fell sharply, and the rural-urban poverty gap narrowed due to targeted rural programs.
- **Economic growth over the decade –** Steady GDP growth improved incomes and created opportunities, helping people rise above poverty lines.
- **Methodological updates and adjustments –** New PPP-based global poverty lines provided more accurate and favourable comparisons for India.
- **Frequent and transparent data publication –** Regular surveys post-COVID improved tracking and reliability of poverty estimates.

What lies ahead?

- The data affirms India's success in reducing extreme poverty by effective implementation of welfare schemes and inclusive growth policies.

- Updated metrics support better-targeted poverty alleviation programs.
- It Can aid in refining the National Multidimensional Poverty Index.
- India's poverty reduction achievements may bolster global development narratives.

Quick facts
The Household Consumption Expenditure Survey (HCES) 2023–24 • **HCES** – It is designed to collect information on consumption and expenditure of the households on goods and services. • **Nodal Ministry** - Ministry of Statistics & Programme Implementation. • In the latest Household Consumption Expenditure Survey India adopted **Modified Mixed Recall Period (MMRP)** method, replacing the outdated Uniform Reference Period (URP). • In 2011–12, applying MMRP the poverty rate fell from **22.9% to 16.22%**, even under the **older $2.15 poverty line**. • In 2022–23, poverty under the **new $3.00 line** stood at **5.25%**, while under the older $2.15 line it dropped further to **2.35%**. To know more about this, click here

Reference

1. The Indian express| World Bank’s raised poverty line
2. PIB| India’s Poverty Story Transformed

SHANKAR IAS PARLIAMENT
Information is Empowering