Poverty Estimation in India

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- If the income or consumption falls below a given minimum level, then the household is said to be **Below the Poverty Line (BPL)**.
- **Poverty Line Calculation:** Carried out by **NITI aayog's** task force based on the data captured by the and the National Sample Survey Office under the **Ministry of Statistics and Programme Implementation (MOSPI)**.
- **Consumption Versus Income Level:** Poverty line estimation in India is based on the consumption expenditure because of the following reasons:
  - Variation in income
  - Additional income
  - Unlike consumption level, tracing the general pattern of income is not possible.

Need for Poverty Estimation

- To trace the impact of welfare schemes.
- For better policy formulation and ensuring socio-economic justice.
- To ensure equitable distribution of benefits of development and growth in the economy.

Measuring Poverty

- **Absolute Measurement of Poverty**
  - **Absolute poverty:** Severe deprivation of basic human needs.
  - **The poverty threshold:** Monetary value of the basket of essential products.
  - **Criticism:** Overlooks deprivation within countries.
- **Relative Measurement of Poverty**
  - **Relative poverty:** When households receive 50% less than average household incomes, so they do have some money but still not enough money to afford anything above the basics.
  - **The poverty threshold:** Economically the population at the bottom-most is always considered below the poverty line.
  - **Criticism:** Ignores the importance of the absolute standard of living.
- **Data Collection Methods**
  - **Uniform Resource Period:** Involves recall of consumption expenditure in the previous **30 days**.
  - **Mixed Reference Period:** From **1999-2000 onwards**, the NSSO switched to a MRP method. Measures consumption of **five low-frequency items** over the previous year, and all other items over the previous 30 days.

Pre-Independence Poverty Estimation

- **Dadabhai Naoroji:** Earliest estimation of poverty line.
- **National Planning Committee's (1938):** Poverty line was based on a **minimum standard of living**.
- **The Bombay Plan (1944):** Poverty line of Rs. 75 per capita per year.

Post-Independence Poverty Estimation

- **Planning Commission Expert Group (1962):** Separate poverty lines for rural and urban areas.
- **VM Dandekar and N Rath (1971):** Made the first systematic assessment of poverty in India, based on National Sample Survey (NSS) data.
- **Alagh Committee (1979):** Based on the nutritional requirements and related consumption expenditure.
- **Lakdawala Committee (1993)**
  - Based on the assumption that Consumer Price Index-Industrial Workers (CPI-IW) and Consumer Price Index- Agricultural Labourers (CPI-AL) reflects the consumption patterns of the poor.
  - Calorie based consumption expenditure.
  - State specific poverty lines using the CPI-IW in urban areas and CPI-AL in rural areas.
  - Discontinuation of scaling of poverty estimates.
- **Tendulkar Committee (2009)**
  - Objective was to overcome shortcomings of previous methods like obsolete consumption pattern, inflation adjustment, health and education expenditure.
  - Shift from calorie consumption based poverty estimation.
  - Uniform poverty line basket for rural and urban areas of each state.
  - Incorporation of private expenditure on health and education in estimation of poverty line.
  - Adjusting for changes in prices and patterns of consumption.
  - Using Mixed Reference Period (MRP) based estimates, as opposed to Uniform Reference Period (URP).
  - Criticism: It risks excluding many worthy beneficiaries from government programs.
- **Rangarajan Committee (2012)**
  - Based on survey of households by **Center for Monitoring Indian Economy** (CMIE).
  - Poverty line should be based on **Normative level** of adequate nutrition and **Behavioral determination** of non-food expenses.
  - Persons spending below Rs 47 a day in cities and Rs. 32 in villages be considered poor.
  - Instead of Mixed reference Period (MRP) it recommended **Modified Mixed Reference Period** (MMRP).

Challenges

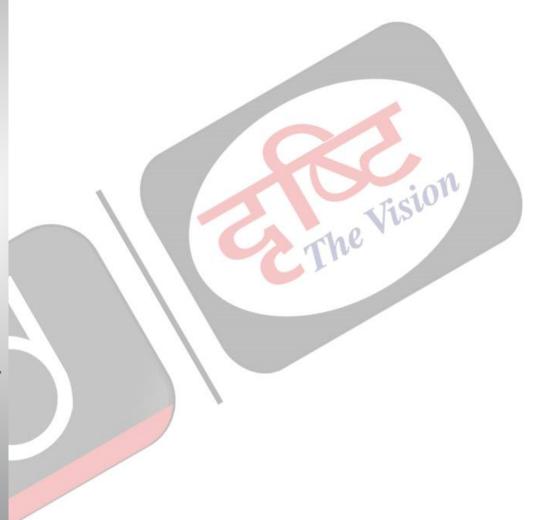- **Components of Poverty Line Basket:** Determining **components of Poverty Line Basket (PLB)** is one of the challenges of poverty line estimation because of the price differentials.
- **Demographic and Economic Dynamics:** Further, consumption patterns, nutritional needs and prices of components keep on changing.
- **Lack of Consensus:** Some states supported the Tendulkar Poverty Line while others supported Rangrajan report.

Way Forward

- **Redefining poverty lines:** Depending on changes in **income, consumption patterns and prices**.
- **Viable Poverty line:** Set the poverty line at a level that allows households to get two square meals a day and other basic necessities of life.
- **Hybrid of absolute and relative measurement of poverty.**
- Poverty estimation should be such that it tries to achieve political economic equilibrium.

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