

Declining poverty ratio: a continuing trend

The release of the fact sheet of the Household Consumption Expenditure Survey for 2022-23 (HCES) by the National Sample Survey Office (NSSO) led to estimations of poverty and inequality trends by many researchers. Some of these studies also discussed comparability of data and measurement issues.

Trends in poverty, inequality
Some argue that in the absence of unit-level data, the estimates based on the fact sheet are provisional. While unit-level data provide more accurate estimates than the averages given by deciles in the fact sheet, the poverty numbers based on the fact sheet data may not differ too much from those of unit-level data. So, we can estimate poverty and inequality with the fact sheet data.

The estimated poverty ratios declined from 29.5% in 2011-12 to 10% in 2022-23 (1.77% points per year) based on the Rangarajan Committee's poverty lines and from 21.9% in 2011-12 to 3% in 2022-23 (1.72% points per year) based on the Tendulkar Committee's poverty lines. If we consider at the earlier period, the poverty estimates based on the Tendulkar Committee's poverty lines declined from 37.2% in 2004-05 to 21.9% in 2011-12 (2.18% points per year).

According to the estimates on inequality provided by Subramanian, between 2011-12 and 2022-23, the Gini coefficient declined from 0.278 to 0.269 for rural areas (0.009-point decline); and from 0.358 to 0.318 for urban areas (0.04-point decline). Bansal et al also show that the Gini coefficient for rural areas declined from 0.284 to 0.266; for urban areas, it declined from 0.363 to 0.315 between 2011-12 to 2022-23.

This means poverty declined significantly between 2011-12 and 2022-23, though the rate of decline was lower compared to the 2004-05 to 2011-12 period. Inequality declined between 2011-12 and 2022-23 particularly in urban areas. It is to be noted that all these estimates depend on



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where the poverty line is drawn.

The NSSO has changed the reference or recall period of data collection over time to improve the reporting of consumption. Three estimates of consumption are available depending upon the recall period of different types of expenditure: uniform reference period (URP); mixed reference period (MRP); and modified mixed reference period (MMRP).

Experts say the varying reference periods for different items underlying the MMRP estimates may be expected to yield estimates that are closer to their true value. The Tendulkar Committee estimated poverty ratios on the basis of MRP for 1993-94 and 2004-05. The Planning Commission used the same methodology and MRP to estimate poverty ratios for 2009-10 and 2011-12. So, the estimates on poverty for 2022-23 (based on MMRP) are not strictly comparable with those of earlier years. However, the Rangarajan Committee used MMRP for estimating poverty ratios for 2009-10 and 2011-12. These estimates are comparable with those of 2022-23. For the sake of comparability, we cannot give up what is considered to be the appropriate mix of the recall periods. We may have to live with this problem if we are comparing periods over a long-time period.

For the 2002-23 data, there were changes in methodology such as coverage of more items, multiple visits, etc. Changes may provide better estimates, but the problem of comparability arises.

Measurement issues

There has also been some discussion on measurement issues relating to poverty lines. Mohanan and Kundu say "the Tendulkar Committee was clear that a calorie norm-based poverty line is no longer appropriate". The Expert Group (Tendulkar) did not construct a poverty line. It adopted the officially measured urban poverty line of 2004-05 based on the Expert Group (Lakdawala) methodology and converted this poverty line, which

is URP-consumption based, into MRP-consumption. It took the urban poverty line as derived from the Lakdawala line as given and derived from it the rural poverty line. The urban poverty line used by the Lakdawala Committee had calorie norms and so, the Tendulkar Committee also indirectly used these norms.

In defining the new consumption basket separating the poor from the rest, the Expert Group (Rangarajan) said that it should contain a food component that addresses the capability to be adequately nourished and some normative level of consumption expenditure for essential non-food item groups besides a residual set of behaviourally determined non-food expenditure. The Group estimated afresh the poverty basket and did not simply update an old basket with new prices.

The poverty line is based on private consumption expenditure. If we take into account public expenditure, the actual well being of the household will be higher than what is indicated by the poverty line. The HCES 2022-23 tried to get imputed values for some items of public expenditure. The value figures for items received free entirely or at low prices by the households have been imputed using an appropriate method. However, a look at the average monthly per capita expenditure (MPCE) shows it captured little of the total public expenditure on subsidised and free items given to the households. The average MPCE with imputation as compared to MPCE without imputation was only 2.3% higher for rural areas and 0.96% for urban. We need to capture these values better as public expenditure on these items is substantial.

Thus, there has been a decline in poverty. The inequality in consumption expenditure has come down a bit. Usually, income inequality is higher than inequality in consumption expenditure. There is no unique way of measuring poverty. The higher the poverty cut off, the more will be the number of poor.