INTERNATIONAL POVERTY LINE - ECONOMY

NEWS: The recent revision of the International Poverty Line by the World Bank has reignited the global debate on how poverty should be defined and tracked.

WHAT'S IN THE NEWS?

Global Revision of the Poverty Line

- In 2024, the **World Bank raised the International Poverty Line (IPL)** from **$2.15/day (2017 PPP)** to **$3.00/day (2021 PPP)** to reflect **updated global inflation and cost of basic needs**.
- This revision led to a **global increase of 125 million more people** being classified as extremely poor.
- However, **India stood out** as an exception—**recording a decline in poverty** despite the raised threshold, reflecting improved living standards.

Understanding the Poverty Line

- A **poverty line** is a benchmark income or consumption level used to determine **who is classified as poor**.
- Individuals or households below this threshold are seen as **unable to afford basic human necessities** such as food, shelter, education, healthcare, and clothing.
- It acts as a **policy tool** to:
    - Assess the **scale of poverty**.
    - **Measure the effectiveness** of government policies.
    - **Direct welfare schemes** toward the genuinely needy.

India's Revised Poverty Estimates (2022–23)

- India's latest estimates were based on the **Household Consumption Expenditure Survey (HCES)** and used the **Modified Mixed Recall Period (MMRP)** methodology.
- MMRP is a methodological improvement over the outdated **Uniform Recall Period (URP)**:
    - It uses **shorter recall periods for frequently purchased items**, thus reducing memory-based errors.
    - It provides a **more accurate estimate of actual household consumption** patterns.
- Impact of MMRP on poverty:

- In 2011–12, switching from URP to MMRP **reduced the poverty rate from 22.9% to 16.22%** under the $2.15 line.
- In 2022–23:
    - Poverty under the **new $3.00/day (2021 PPP) line** stood at **5.25%**.
    - Poverty under the **older $2.15/day line** dropped further to just **2.35%**.

Why India Uses the World Bank's Poverty Line

- India last officially revised its poverty line in **2011–12**, based on the **Tendulkar Committee** recommendations.
- Though the **Rangarajan Committee (2014)** proposed more realistic and higher poverty thresholds (₹47 urban, ₹32 rural/day), the government **never adopted its report**.
- In the absence of an updated national benchmark:
    - India increasingly relies on **World Bank estimates** and
    - The **NITI Aayog's Multidimensional Poverty Index (MPI)** for poverty measurement and tracking.
- This also reflects **India's openness to global benchmarks** and transparency in evaluation.

Committees on Poverty Estimation in India

a. Lakdawala Committee (1993)

- Continued using **calorie consumption norms** (2400 kcal rural, 2100 kcal urban) as poverty criteria.
- Suggested using **CPI-IW (urban)** and **CPI-AL (rural)** to update poverty lines across states.
- Recommended **discontinuing adjustments based on National Accounts Statistics (NAS)**, which inflated poverty numbers.
- Assumed that price indices (CPI-IW & CPI-AL) accurately reflected **poor people's consumption patterns**.

b. Tendulkar Committee (2009)

- Introduced a **paradigm shift** away from calorie norms and incorporated **expenditure on health and education**.
- Shifted from **monthly household data to per person per day basis**, setting thresholds at **Rs. 32/day urban and Rs. 26/day rural**.

- Calculated the **national poverty line for 2011–12** at:
    - Rs. 816/month per person in rural areas
    - Rs. 1,000/month per person in urban areas.
- Criticized for setting **very low poverty thresholds**, though it improved methodological consistency.

c. Rangarajan Committee (2014)

- Recommended **separate consumption baskets** for urban and rural populations.
- Proposed a **higher daily expenditure norm**:
    - ₹47/day for urban
    - ₹32/day for rural areas.
- Included **more comprehensive criteria** like clothing, education, shelter, transport, and utilities.
- The report was **not accepted by the government**, and **Tendulkar's line remains the official benchmark**.

Government Schemes for Poverty Alleviation

a. MGNREGS (Mahatma Gandhi National Rural Employment Guarantee Scheme)

- Provides **100 days of guaranteed unskilled employment per household annually**.
- Focuses on building **rural infrastructure and assets** while generating income for the poor.

b. National Food Security Act (NFSA), 2013

- Legally entitles **67% of India's population** (75% rural, 50% urban) to receive **highly subsidized foodgrains**.
- Forms a critical pillar of India's **food-based safety net**.

c. PMUY (Pradhan Mantri Ujjwala Yojana)

- Launched in 2016 to provide **free LPG connections to BPL women**, aiming to replace biomass-based cooking with cleaner fuel.
- Helps reduce **health risks and time poverty**, especially among rural women.

d. DAY-NRLM (Deendayal Antyodaya Yojana – National Rural Livelihood Mission)

- Promotes **self-employment and skill-based jobs** among poor households.

- Supports **formation of women SHGs**, financial literacy, and access to microfinance.

e. Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (PM-JAY)

- Offers **health insurance coverage of ₹5 lakh per family per year** for secondary and tertiary care.
- Reduces the **burden of catastrophic health expenditure**, preventing health-induced poverty.

Conclusion

- India's sharp reduction in poverty, even under a **revised higher global poverty line**, reflects the **power of better data, policy consistency, and economic resilience**.
- The use of **scientifically sound methodologies** like MMRP and openness to **international benchmarks** shows India's commitment to **evidence-based policymaking**.
- As the world recalibrates poverty goals under **SDG 1 (No Poverty)**, India sets a **global precedent** in combining **methodological integrity, targeted welfare schemes, and digital inclusion** to ensure **sustainable poverty reduction**.

Source: https://indianexpress.com/article/explained/explained-economics/explainspeaking-poverty-in-india-world-bank-data-10089567/