

WORLD BANK RAISED POVERTY LINE: ECONOMY

NEWS: At World Bank's raised poverty line of \$3 a day, extreme poverty rate falls to 5.3% in 2022-23 from 27.1% in 2011-12

WHAT'S IN THE NEWS?

The World Bank revised the global extreme poverty line to \$3/day (2021 prices), reflecting global inflation. India has seen a sharp decline in extreme and multidimensional poverty over the past decade.

World Bank's Revised International Poverty Line (2021 prices)

New International Poverty Line

- The World Bank revised the international poverty line (IPL) in 2021 to account for global inflation.
- The new IPL is set at \$3.00 per day using 2021 international dollars.
- Anyone living on less than \$3.00 a day is now considered to be living in extreme poverty.

About Poverty Line

- The poverty line is a threshold used globally and nationally to identify and measure poverty.
- It defines the minimum level of income or consumption required to meet basic human needs such as food, clothing, shelter, etc.

Types of Poverty Lines

- **Absolute Poverty Line:** Based on the cost of a fixed basket of essential goods and services.
- **Relative Poverty Line:** Defines poverty relative to the average income or consumption level of a society.

Setting of Poverty Line

- **International Poverty Line:** Set by the World Bank, regularly updated based on Purchasing Power Parities (PPPs).
- **National Poverty Lines:** Defined individually by each country using various methodologies (e.g., calorie-based norms in India).

Reasons for Periodic Updation

- The IPL is regularly revised to reflect changes in global prices and inflation.
- Updates ensure that the line continues to represent the real cost of basic needs (food, shelter, clothing, etc.) in low-income and developing countries.

Key Points from the World Bank's Poverty Line Revision

Latest Revision of Poverty Line

- The World Bank raised the global poverty line to \$3/day, up from the earlier level of \$2.15/day.

India and Poverty Line Revision

- Even with the new higher poverty line, the number of poor people in India has decreased.
- Indicates significant progress in poverty reduction.

Sharp Decline in Extreme Poverty in India

- Extreme poverty rate dropped from 27.1% in 2011-12 to 5.3% in 2022-23 (based on the \$3/day benchmark).
- In absolute numbers, the number of people in extreme poverty reduced from 344.47 million to 75.24 million.

Improvement in Poverty in India

- In 2011-12, 27 out of every 100 people in India were living in extreme poverty.
- By 2022-23, only 5 out of every 100 people were classified as very poor under the \$3/day standard.
- Shows significant reduction in poverty over a decade.

Lower-Middle-Income Poverty

- The revised lower-middle-income category (LMIC) poverty line is now \$4.20/day (up from \$3.65 in 2017 prices).
- The share of Indians below the LMIC poverty line reduced from 57.7% in 2011-12 to 23.9% in 2022-23.
- In absolute terms, the number dropped from 732.48 million to 342.32 million over 11 years.

Rural vs Urban Poverty Trends

- Poverty is still higher in rural areas compared to urban areas, but both have seen improvement:
 - Rural poverty reduced from 69% to 32.5%.
 - Urban poverty reduced from 43.5% to 17.2%.

Other Signs of Improvement in Poverty

- Increased monthly per-person spending, reflecting better living standards:
 - In rural areas: ₹2,079/month per person (up from ₹1,430).

- In urban areas: ₹3,632/month per person (up from ₹2,630).

Multidimensional Poverty Index (MPI)

- According to the World Bank's MPI, non-monetary poverty in India has sharply declined:
 - MPI reduced from 53.8% in 2005-06 to 15.5% in 2022-23.
- The MPI includes six indicators:
 - Consumption or income
 - Educational attainment
 - Educational enrollment
 - Drinking water access
 - Sanitation facilities
 - Electricity access

About Purchasing Power Parities (PPPs)

- PPPs are currency conversion rates that equalize the purchasing power of different currencies by adjusting for price level differences between countries.
- Used to convert macroeconomic aggregates like GDP into a comparable international measure.
- PPPs reflect how much a standard basket of goods and services costs in each country relative to a base economy.

Computation of PPPs

- PPPs are calculated by the International Comparison Program (ICP).
- ICP is an independent global statistical initiative.
- The Global Office of ICP is located within the World Bank's Development Data Group.
- The program functions under the United Nations Statistical Commission (UNSC).

Conclusion

- The full data for 2023–24 is expected to be published in October 2025 via the World Bank's Poverty and Inequality Platform (PIP).
- The upcoming report will provide deeper insights into India's poverty trends in the post-pandemic period.

Source: <https://indianexpress.com/article/business/world-bank-poverty-line-rate-falls-2022-23-10051890/>