1. Poverty Line - Economy

RBI economists have updated the 2014 Rangarajan poverty line using the 2022–23 Household Consumption Expenditure Survey, revealing a sharp decline in poverty across major states like Odisha and Bihar. The shift also reflects India's transition from income-based to multidimensional poverty assessment.

1. Context

Economists from the Reserve Bank of India (RBI) have revised the poverty line originally established by the Rangarajan Committee (2014). The update uses the latest Household Consumption Expenditure Survey (HCES) 2022–23 data. The revision covers 20 major Indian states, providing new insights into the current poverty situation in India.

2. Poverty Line

The poverty line is a threshold level of income or consumption expenditure used to determine whether an individual or household is poor. People living below this threshold are considered unable to afford basic necessities such as -

1. Food
2. Shelter
3. Clothing
4. Education
5. Healthcare

Functions and Significance

It helps the government -

1. To assess the extent of poverty and design targeted welfare policies for the poor.
2. To evaluate policy effectiveness over time in reducing poverty and improving well-being.

3. Rangarajan Committee (2014) on Poverty Estimation

Constitution - Set up in 2012 by the Government of India.

Report Submitted - In 2014.

Key Recommendations -

1. Proposed separate consumption baskets for rural and urban populations.
2. Recommended a broader definition of poverty, considering nutritional, health, and education needs.
3. Used updated consumption expenditure data to estimate the new poverty line.

Poverty Line Estimates (2011–12 base year)

Rural - ₹972 per capita per month (≈ ₹32 per day)

Urban - ₹1,407 per capita per month (≈ ₹47 per day)

Poverty Ratio (2011–12) -

Estimated 29.5% of India's population as poor.

Policy Outcome - The government did not officially adopt the Rangarajan methodology. Poverty in India continues to be measured using the Tendulkar Committee methodology (2009).

4. RBI's Updated Poverty Estimates (2025)

RBI economists updated the 2012 poverty lines using a new price index constructed from the Rangarajan Poverty Line Basket (PLB). The update avoids reliance on the Consumer Price Index (CPI), as CPI's consumption weights differ from the PLB.

Food Expenditure Weights Comparison -

Rural PLB - 57% (CPI-Rural - 54%)

Urban PLB - 47% (CPI-Urban - 36%)

Significance - This adjustment provides a more accurate reflection of poverty based on actual consumption patterns, particularly food expenditure.

5. Tendulkar Committee (2009) on Poverty Estimation

Constitution - Formed in 2005 under the chairmanship of Suresh Tendulkar.

Report Submitted - In 2009.

Key Recommendations -

1. Recommended a shift away from calorie-based poverty estimation.
2. Suggested inclusion of private expenditure on health and education in the poverty estimation.
3. Moved from monthly household consumption to per person per day consumption for clarity and consistency.

Poverty Line Estimates (2011–12) -

Rural - ₹816 per capita per month (≈ ₹26 per day)

Urban - ₹1,000 per capita per month (≈ ₹32 per day)

Contribution - Provided a more comprehensive measure of non-food essentials and living standards beyond mere calorie intake.

6. Key Findings of RBI's Latest Update (Based on HCES 2022–23)

a. Major Improvement States -

Odisha and Bihar recorded the highest reduction in poverty levels over the past decade.

Odisha - Rural poverty dropped from 47.8% to 8.6%.

Bihar - Urban poverty fell from 50.8% to 9.1%.

b. States with Lowest Poverty (2022–23) -

Rural Poverty - Himachal Pradesh – 0.4%

Urban Poverty - Tamil Nadu – 1.9%

c. State with Highest Poverty -

Chhattisgarh recorded the highest poverty levels -

Rural - 25.1%

Urban - 13.3%

7. Shift Toward Multidimensional Poverty Measurement

Concept - India's poverty assessment framework is gradually moving from income-based to multidimensional measures. This approach captures multiple aspects of deprivation — health, education, and living standards.

Institutional Role - NITI Aayog is responsible for constructing the National Multidimensional Poverty Index (MPI). It monitors State and Union Territory performance in reducing multidimensional poverty.

Recent Findings (NITI Aayog, 2023) -

Between 2013–14 and 2022–23 -

Around 24.82 crore people exited multidimensional poverty.

The national poverty rate dropped from 29.17% to 11.28%.

8. Concluding Remarks

India has witnessed a sharp and broad-based decline in poverty, reflecting economic growth and welfare initiatives. States like Odisha and Bihar demonstrate remarkable progress in both rural and urban contexts. However, methodological debates continue over how to define and measure poverty -

1. Whether to use monetary thresholds (income/consumption-based)
2. Or adopt multidimensional indices capturing overall well-being.

The evolving poverty metrics reflect India's broader socio-economic transformation — a shift from measuring "how much people earn" to assessing "how well people live."

Source - https - //indianexpress.com/article/explained/explained-economics/who-is-poor-updated-rangarajan-poverty-line-india-10278352/