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POVERTY ESTIMATE IN INDIA

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Abstract

This paper examines recent contributions to the analysis of poverty. Poverty was one of the most serious socio-economic problems facing our country. Though lack of adequate financial resources was primarily an economic problem, it had a significant role in the social life of the poverty sticken individuals. Poverty was relatively more prevalent in rural villages as compared to the urban areas. The problem of rural unemployment had worsened after the initiation of the economic reforms in India in the early nineties. As a result of this, the gap between the rich and the poor, in the urban as well as in the rural areas had widened which had worsened the living conditions of the poor and the vulnerable sections of the people in the rural areas. Poverty reduction requires a poor strategy of growth which implies creation of more and more productive employment opportunities in those sectors which help the poor to raise their level of income.

Key Words: Poverty and socio-economic problems,Planning Commission Estimation in India – C Rangarajan and Tendulkar Committee**, Reduction in Poverty.**

Introduction

Poverty was one of the most serious socio-economic problems facing our country. Though lack of adequate financial resources was primarily an economic problem, it had a significant role in the social life of the poverty sticken individuals. Poverty was relatively more prevalent in rural villages as compared to the urban areas. The problem of rural unemployment had worsened after the initiation of the economic reforms in India in the early nineties. As a result of this, the gap between the rich and the poor, in the urban as well as in the rural areas had widened which had worsened the living conditions of the poor and the vulnerable sections of the people in the rural areas.

It is generally agreed in this country that only they who fail to reach a certain minimum consumption standard should be regarded as poor. But the experts who have examined the question of poverty quantitatively find it difficult to agree on the amount of income that will ensure the minimum consumption standard at a point of time. The Planning commissionhas adopted definition of poverty provided by the "Task force on projections of minimum needs and effective consumption demand". Using the income poverty method, the task force had defined the poverty line as the mid-point of the monthly per capita expenditure class having a daily calorie intake of 2,400 per person in rural areas and 2,100 in urban areas.

Two types of standards are common in economic literature: the absolute and the relative. In the absolute standard, minimum physical quantities of cereals, pulses, milk, butter, etc. are determined for a subsistence level and the price quotations convert into monetary terms the physical quantities. Aggregating all the quantities included, a figure expressing per capita consumer expenditure is determined. The population, whose level of income or expenditure is below the figure, is considered to be below the poverty line. According to the relative standard, income distribution of the population in different fractile groups is estimated and a comparison of the levels of living of the top 5 to 10 per cent wit the bottom 5 to 10 per cent of the population reflects the relative standards of poverty. The defect of the later approach is that it indicates the relative position of different segments of the population in the income hierarchy. even in affluent societies. Such pockets of poverty exist. But for underdeveloped countries, it is the existence of mass poverty that is the causes for concern.

Author of the Estimates -1960s

Several economists and organisations have conducted studies on the extent of poverty in India. It would be worthwhile to study some of the important estimates. The estimates of poverty in India provided by Minhas, Ahluwalia, Bardhan, and Dandekar and Rath are quite old and do not indicate exactly the same incidence of poverty. As would be clear from table 1.1 the divergence between the results of these economists is quite large.

Table 1.1 Estimates of Poverty in Rural India (1967-68)

Author of the Estimates	Incidence of poverty
B.S.Minhas	37.1
M.S.Ahuluwalia	56.5
P.K.Bardhan	54.0
V.M.Dandekar and Rath	40.0

Source: Misra and Puri, (2009) "Indian Economy" Himalaya Publishing House.

Planning Commission Estimates of Poverty

The planning commission has accepted the Lakdawala Expert Group estimates for poverty with minor modifications. There is very marginal difference between the estimates of the planning commission and the Expert Group.

Table1.2 Percentage of population below poverty line (1973-2000)

All India	Rural No .of person (%)	Urban No. of person (%)	Combined No. of person (%)
1973-74	56.4	49.0	54.9
1977-78	53.1	45.2	51.3
1983	45.7	40.8	44.5
1987-88	39.1	38.2	38.9
1993-94	37.3	32.4	36.0
1999-2000	27.1	23.6	26.1

Source: Planning Commission, Ninth Five Year Plan (1997-2002), Vol. I, p, 29.

In the year 1973-74 and 1987-88, there was a decline in poverty from 54.9 to 38.9% a fall of 16 percent in 14 years. The average rate of decline was 1.14 per cent annum. But in the subsequent, 6 year period (1987-88 to 1993 -94), poverty ratio declined from 38.9% to 36.0% a fall of 2.9 percent in 6 years. The average rate of decline was barely 0.48per cent annum. During this period,(1987-88—1993-94), urban poverty declined from 38.2% to 32.4% - a fall of 5.8 percent (average rate of reduction of 0.97%), but rural poverty declined by 1.8 per cent only from 39.1 % to 37.3% (average rate of reduction by 0.3%). The NSSO completed the 55th round, which has a large sample covering the period July 1999 to June 2000. According to figures published in Economic Survey (2000-01), NSSO 55th round shows a significant decline in poverty to 26 percent. The slowdown in the reduction of poverty, particularly in the rural sector, is a matter of serious concern for the country.

Poverty Estimation in India – C Rangarajan and Tendulkar Committee.

- **Poverty in India** is big issues for Government.
- To Measures Exact numbers of Poor People And Per capita expenditure various methods had been adopted by Government of India.
- The official measure of Indian government, before 2005, was based on food security and it was defined from per capita expenditure for a person to consume enough calories and be able to pay for associated essentials to survive.

- Since 2005, Indian government adopted the Tendulkar Methodology which moved away from calorie anchor to a basket of goods and used rural, urban and regional minimum expenditure per capita necessary to survive.
- The Planning Commission has been estimating the number of people below the poverty line (BPL) at both the state and national level based on consumer expenditure information collected as part of the National Sample Survey Organization (NSSO) since the Sixth Five Year Plan.
- The latest available data from such surveys is from NSSO conducted in 2004-05.

Government of India formed various Committees for Poverty Estimation in India.

1. **Alagh Committee (1977)**
2. **Lakdawala Committee (1989)**
3. **Tendulkar Committee (2005)**
4. **Saxena committee**
5. **Hashim Committee**
6. **C. Rangarajan Committee (2012)**

Tendulkar committee report on poverty

In 2005, another expert group to review methodology for poverty estimation, chaired by Suresh Tendulkar, was constituted by the Planning Commission to address the following three shortcomings of the previous methods:

1. consumption patterns were linked to the 1973-74 poverty line baskets (PLBs) of goods and services, whereas there were significant changes in the consumption patterns of the poor since that time, which were not reflected in the poverty estimates;
2. there were issues with the adjustment of prices for inflation, both spatially (across regions) and temporally (across time); and
3. earlier poverty lines assumed that health and education would be provided by the State and formulated poverty lines accordingly.

It recommended four major changes:

1. A shift away from calorie consumption based poverty estimation;
2. A uniform poverty line basket (PLB) across rural and urban India;
3. A change in the price adjustment procedure to correct spatial and temporal issues with price adjustment; and
4. Incorporation of private expenditure on health and education while estimating poverty.

The Committee recommended using Mixed Reference Period (MRP) based estimates, as opposed to Uniform Reference Period (URP) based estimates that were used in earlier methods for estimating poverty.

It based its calculations on the consumption of the following items: cereal, pulses, milk, edible oil, non-vegetarian items, vegetables, fresh fruits, dry fruits, sugar, salt & spices, other food, intoxicants, fuel, clothing, footwear, education, medical (non-institutional and institutional), entertainment, personal & toilet goods, other goods, other services and durables.

The Committee computed new poverty lines for rural and urban areas of each state. To do this, it used data on value and quantity consumed of the items mentioned above by the population that was classified as poor by the previous urban poverty line.

It concluded that the all India poverty line was Rs 446.68 per capita per month in rural areas and Rs 578.80 per capita per month in urban areas in 2004-05. The following table outlines the manner in which the percentage of population below the poverty line changed after the application of the Tendulkar Committee's methodology.

Poverty Line Estimation in India Comparison Given below

Committees	Tendulkar	C Rangarajana
Set Up By	Planning Commission	Planning Commission
Set Up In	2005	2012
Submitted Report	2009	2014
Poverty Estimation Method	Per capita Expenditure Monthly	Monthly Expenditure of family of five.
Urban Poverty Line Per Day per Person	33	47
Urban Poverty Line Per Month per Person	1000	1407
Urban Poverty Line Per Month, Family of Five Members	5000	7035
Rural poverty line Per Day Per Person	27	32
Rural poverty line (Rs) per Month Per Person	816	972
Rural poverty line (Rs) Per month Family Of Five Members	4080	4860
BPL (Below Poverty Line) In crore	27 crore	37 crore
Calorie Expenditure	only calorific value in Expenditure	Calorie +Protein + fat
Calories In Rural Areas	2400	2155
Calories In Urban areas	2100	2090
Main Focus Areas	Only counts Expenditure on food, health, education, clothing.	1-food 2- nonfood items such as education, 3-healthcare, 4-clothing, 5-transport 6-rent. 7- non-food items that meet nutritional requirements.

Source: *Poverty Estimation in India –C Rangarajan and Tendulkar Committee, October 11th, 2016.*

- C Rangarajan Committee Was Set up By Planning commission In 2012 And Submitted Report In 2014.
- The Planning commission had set up the five-member expert group under Rangarajan to review the methodology for measurement of poverty.
- The committee was set up in the backdrop of national outrage over the Planning Commission's suggested poverty line of Rs 22 a day for rural areas.
- The Rangarajan committee estimation is based on an independent large survey of households by Center for Monitoring Indian Economy (CMIE).

- It has also used different methodology wherein a household is considered poor if it is unable to save.
- The methods also include on certain normative levels of adequate nourishment, clothing, house rent, conveyance, education and also behavioral determination of non-food expenses.
- It also considered average requirements of calories, protein and fats based on ICMR norms differentiated by age and gender.
- Based on this methodology, Rangarajan committee estimated the number of poor were 19 per cent higher in rural areas and 41 per cent more in urban areas than what was estimated using Tendulkar committee formula.
- Tendulkar, an economist, had devised the formula to assess poverty line in 2005, which the Planning Commission had used to estimate poverty in 2009-10 and 2011.

Reduction in Poverty

Since the 1950s, the Indian government and non-governmental organisations have initiated several programs to alleviate poverty, including subsidizing food and other necessities, increased access to loans, improving agricultural techniques and price supports, promoting education and family planning. These measures have helped eliminate famines, cut absolute poverty levels by more than half, and reduced illiteracy and malnutrition.

Although the Indian economy has grown steadily over the last two decades, its growth has been uneven when comparing social groups, economic groups, geographic regions, and rural and urban areas. Between 1999 and 2008, the annualized growth rates for Gujara, Haryana, or Delhi were higher than for Bihar, Uttar Pradesh, or Madhya Pradesh.

Despite significant economic progress, one quarter of the nation's population earns less than the government-specified poverty threshold of ₹32 per day (approximately US$ 0.6).According to the 2001 census, 35.5% of Indian households used banking services, 35.1% owned a radio or transistor, 31.6% a television, 9.1% a phone, 43.7% a bicycle, 11.7% a scooter, motorcycle or a moped , and 2.5% a car, jeep or van; 34.5% of the households had none of these assets. According to Department of Telecommunications of India the phone density reached 73.34% by December 2012 and as an annual growth decreased by −4.58%. This tallies with the fact that a family of four with an annual income of ₹137,000 (US$2,000) could afford some of these luxury items.

The World Bank's Global Monitoring Report for 2014-15 on the Millennium Development Goals says India has been the biggest contributor to poverty reduction between 2008 and 2011, with around 140 million or so lifted out of absolute poverty. Since the early 1950s, Indian government initiated various schemes to help the poor attain self-sufficiency in food production. These have included ration cards and price controls over the supply of basic commodities, particularly food at controlled prices, available throughout the country. These efforts prevented famines, but did little to eliminate or reduce poverty in rural or urban areas between 1950 and 1980.One of the main reasons for record decline in Poverty is India's rapid economic growth rate since 1991. Another reason proposed is India's launch of social welfare programs such as Mahatma Gandhi National Rural Emploment Act (MGNREGA) and Midday Meal Scheme in Government Schools. Klonner and Oldiges, in a 2012 study, conclude that MGNREGA helps reduce rural poverty gap (intensity of rural poverty), seasonal poverty, but not overall poverty.

Conclusions:

Thegeneral lesson of successful economies is that government are wise to stick mainly to general kinds of investment –schools, clinics, roads and basic researchand basic research and to leave highly specialized business investment to the private sector. The government is able to successfully discharge its general functions, it sets a process in motion which shall lead to elimination of poverty. Poverty reduction requires a pro-poor strategy of growth which implies creation of more and more productive employment opportunities in those sectors which help the poor to raise their level of income.

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