

Extreme Poverty in India

Posted at: 27/06/2025

Extreme Poverty in India: Measuring the Decline

Context:

India's poverty data has recently gained attention. In **April 2025**, the government cited a **World Bank report** claiming that **171 million people** were lifted out of extreme poverty over the last decade.

Later, the **World Bank updated its estimates**, stating that only **5.75%** of Indians now live in extreme poverty—down from **27% in 2011-12**.

Understanding the Poverty Line

- A **poverty line** is an income threshold used to identify who is poor.
 - It **varies by time and place**, as living costs and standards change.
 - There is **no universal benchmark**—different definitions are used depending on the purpose.
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Why India Uses the World Bank's Poverty Line

- India's last official poverty line was based on the **Tendulkar Committee (2009)** using **2011-12 data**.
- The **Rangarajan Committee (2014)** suggested a new method, but it was **never adopted**.
- In the absence of updated national data, India now relies on:
 - **NITI Aayog's Multidimensional Poverty Index**, and

- The **World Bank's poverty line** for tracking poverty trends.
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World Bank's \$3/Day Poverty Line (PPP)

- Introduced in **1990** as **\$1/day**, the World Bank has since updated it to **\$3/day (PPP-adjusted)** in **June 2025**.
 - At India's **PPP rate of ₹20.6/USD**, this equals about **₹62/day**.
 - This benchmark reflects **what \$3 can buy in India**, not a direct cash value.
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Key Findings from World Bank Data

- **Poverty in 1977-78** was earlier overestimated at **64%**; revised to **47%**.
 - India's poverty fell from **27% (2011-12)** to **5.75% (2022-23)**.
 - The number of extreme poor dropped from **34.4 crore** to **7.5 crore**.
 - Misconception: People often convert \$3 using market rate (₹85), instead of the correct **PPP rate (₹20.6)**.
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India's Own Poverty Lines Over Time

- Poverty thresholds have varied:
From **₹12-₹17/day (pre-2009)** to **₹30-₹47/day (post-2009)** depending on rural or urban areas and committee recommendations.
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Conflicting Poverty Realities in India

- **5.75%** are below the World Bank poverty line.
- Yet, **66%** of people depend on free food grains.

- **83%** live on just **₹171/day**.
 - Such gaps show that **poverty varies by definition and perspective**.
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Policy vs Ground Reality

- The **2024 Budget** waived tax for those earning up to **₹12 lakh/year (₹3,288/day)**.
 - This contrasts sharply with the **₹62/day poverty line**, showing a **huge income divide**.
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Conclusion: Reducing Poverty or Redefining It?

While poverty levels have fallen sharply on paper, the data also highlights broader economic hardship.

The challenge is not only to **measure poverty accurately** but to ensure that **definitions reflect real conditions on the ground**, not just statistical improvements.

