

ISAS Brief

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The Haves and the Have-Nots

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A recent press note by India's Planning Commission releasing the poverty estimates for 2009-2010 created a stir in the Indian Parliament and media. Widely criticised as being too low, the Planning Commission outlined S\$16.61 (Rs 672.8 monthly per capita consumption expenditure) for rural areas and S\$21.22 (Rs 859.6 monthly per capita consumption expenditure) for urban areas as the poverty line. Most say this line is perceived as identifying the starving, not the poor. The paper analyses the methodology behind the Planning Commission's poverty estimates and recommends another measure -- including the burgeoning vulnerable classes in the estimates.

The Planning Commission of India found itself at the centre of controversy for the second time in the last six months as of 19 March 2012. The issue, again, was the estimation of poverty in India. The commission released its latest poverty figures (for the year 2009-2010) which, perceived as too low by many Members of Parliament, led to the adjournment of the Lok Sabha on 22 March, 2012.

Poverty estimation in India is a herculean task: defining poverty and 'poor' people, benchmarking this definition using the given data, dividing it into rural and urban categories state-wise, and then identifying the people below this benchmark. Poverty can essentially be defined as deprivation, and the poverty line distinguishes between those who are extremely

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deprived and those who aren't. The controversy lies here. Deprivation is, to a large extent, relative, and defining a poverty line is to define an absolute measure.

Different committees have various recommendations on the methodology to determine the benchmark or poverty line, thereby determining the number of people Below Poverty Line (BPL). The most recent of these was the methodology recommended by the Tendulkar Committee which is being used for the current estimates. The Tendulkar Committee uses, as in previous years, private household consumer expenditure collected by the National Sample Survey Organisation (NSSO) to determine the poverty line. The main shift by the committee is that it has moved away from fixing the line from a calorie-intake measure, as this does not necessarily correlate to nutritional outcomes. This also helps take into consideration the multi-dimensional aspect of poverty as it is not defined squarely as deprivation of food. The committee also recommends the use of the newly adopted Mixed Reference Period (MRP) estimates of consumption expenditure by the NSSO as being more comprehensive than the previous Uniform Reference Period (URP). The MRP measures consumption of low-frequency buys on a 365 day basis while the rest are measured, as in the URP, on a 30 day basis.

One of the more important modifications to the methodology was that the new poverty line uses implicit prices 'derived from quantity and value data collected in household consumer expenditure surveys for computing and updating the poverty lines.'² It outlines the method for updating the poverty line for different years, using the implicit price indices (Fisher Price Index) from the NSSO surveys. This technique of updating the poverty line is claimed to be more comprehensive than the simplistic use of the Consumer Price Indices for India. Following the Tendulkar Committee recommendations 'the state wise urban poverty lines of 2004-05 are updated for 2009-10 based on price rise during this period using Fisher price.'³ The latest poverty figures have been computed from the 66th Round of the NSS (2009-10) data of the Household Consumer Expenditure Survey. The State specific poverty lines for 2009-2010 can be seen in Table 1.

Table 1: State Specific Poverty Lines (2009-2010)

S. No.	States	Monthly Per Capita (Rs.) (2004-2005 figures in brackets)	
		Rural	Urban
1	Andhra Pradesh	693.8 (433.43)	926.4 (563.16)
2	Arunachal Pradesh	773.7 (547.14)	925.2 (618.45)
3	Assam	691.7 (478.00)	871 (600.03)
4	Bihar	655.6 (433.43)	775.3 (526.18)

² Planning Commission, Government of India, retrieved from <http://planningcommission.nic.in/news/index.php?news=prbody.htm>. Accessed on 22 March 2012.

³ Planning Commission, Government of India, retrieved from <http://planningcommission.nic.in/news/index.php?news=prbody.htm>. Accessed on 22 March 2012.

5	Chhattisgarh	617.3 (398.92)	806.7 (513.70)
6	Delhi	747.8 (541.39)	1040.3 (642.47)
7	Goa	931 (608.76)	1025.4 (671.15)
8	Gujarat	725.9 (501.58)	951.4 (659.18)
9	Haryana	791.6 (529.42)	975.4 (626.41)
10	Himachal Pradesh	708 (520.40)	888.3 (605.74)
11	Jammu & Kashmir	722.9 (522.30)	845.4 (602.89)
12	Jharkhand	616.3 (404.79)	831.2 (531.35)
13	Karnataka	629.4 (417.84)	908 (588.06)
14	Kerala	775.3 (537.31)	830.7 (584.70)
15	Madhya Pradesh	631.9 (408.41)	771.7 (532.26)
16	Maharashtra	743.7 (484.89)	961.1 (631.85)
17	Manipur	871 (578.11)	955 (641.13)
18	Meghalaya	686.9 (503.32)	989.8 (745.73)
19	Mizoram	850 (639.27)	939.3 (699.75)
20	Nagaland	1016.8 (687.30)	1147.6 (782.93)
21	Orissa	567.1 (407.78)	736 (497.31)
22	Puducherry	641 (385.45)	777.7 (506.17)
23	Punjab	830 (543.51)	960.8 (642.51)
24	Rajasthan	755 (478.00)	846 (568.15)
25	Sikkim	728.9 (531.50)	1035.2 (741.68)
26	Tamil Nadu	639 (441.69)	800.8 (559.77)
27	Tripura	663.4 (450.49)	782.7 (555.79)
28	Uttar Pradesh	663.7 (435.14)	799.9 (532.12)
29	Uttarakhand	719.5 (486.24)	898.6 (602.39)
30	West Bengal	643.2 (445.38)	830.6 (572.51)
	All India	672.8 (446.68)	859.6 (578.8)

Source: Planning Commission, Government of India, retrieved from <http://planningcommission.nic.in/news/index.php?news=prbody.htm>. Accessed on 22 March 2012.

Much of the media focussed on the figures in Table 1, converting them to their per day figures of Rs 28.65 per capita in urban areas and Rs 22.43 per capita in rural areas. While, it is evident that these benchmarks indicate severe deprivation, it is also unfair to convert the numbers to a per day figure as all the data is expressed in a monthly fashion and the concept of poverty is inevitably linked to a time factor. Merely expressing consumption on a per day level does not reflect the consuming patterns of those surveyed because households budget on a monthly, not a daily basis.

The Planning Commission faced similar flak six months ago when it filed an affidavit with the Supreme Court in September 2011 re-computing the Tendulkar Committee's poverty line for June 2011 on the basis of inflation only. This resulted in a poverty line of Rs 4,824 per month for a family of five (Rs 964.8 per capita) for urban areas and Rs 3,905 per month for a

family of five (Rs 781 per capita) for rural areas⁴. The only variable used to update the poverty line was inflation as there was no NSSO data available for the period.

While there is merit in understanding the data in an aggregate and not daily basis, it is also important to comprehend what the data implies. The poverty line, using NSSO data, measures consumption not income. There is no survey recording incomes in India as almost 90 per cent of the workforce is employed in the unorganised sector⁵. Thus, the poverty figures in the country are bound to be understated, as consumption is smoothed over time to compensate for lack of income leaving a large section of people extremely vulnerable to poverty. These numbers aren't being recorded giving a skewed version of the situation. The Planning Commission justifies using the poverty line as it is today by citing its purpose as a comparative tool. 'The real purpose of estimating a population below a fixed poverty line is to judge whether progress is being made over time. For this purpose, the poverty line must be the same over time and updated to reflect price changes on the basis of an established methodology. If a higher poverty line is used, the absolute number of people below the line will obviously be larger. However, the results regarding trends in poverty will not be altered.'⁶ While extreme poverty may be declining from 37.2 per cent to 29.8 per cent, as seen in Table 2, the proportion of those who are vulnerable are most likely to be rising at a faster rate. These vulnerable sections of people need to be identified under a new measure if not under the status of BPL.

Table 2: Percentage of Population below Poverty Line (BPL)

S. No.	States	2004-2005	2009-2010
1	Andhra Pradesh	29.6	21.1
2	Arunachal Pradesh	31.4	25.9
3	Assam	34.4	37.9
4	Bihar	54.4	53.5
5	Chhattisgarh	49.4	48.7
6	Delhi	13	14.2
7	Goa	24.9	8.7
8	Gujarat	31.6	23
9	Haryana	24.1	20.1
10	Himachal Pradesh	22.9	9.5
11	Jammu & Kashmir	13.1	9.4
12	Jharkhand	45.3	39.1

⁴ Planning Commission, Government of India, retrieved from <http://planningcommission.nic.in/news/index.php?news=prbody.htm>. Accessed on 22 March 2012.

⁵ Informal Sector in India. Ministry of Labour, Government of India, retrieved from http://labour.nic.in/ss/INFO_RMALSECTORININDIA-approachesforSocialSecurity.pdf. Accessed on 23 March 2012.

⁶ Planning Commission, Government of India, retrieved from <http://planningcommission.nic.in/news/index.php?news=prbody.htm>. Accessed on 22 March 2012.

13	Karnataka	33.3	23.6
14	Kerala	19.6	12
15	Madhya Pradesh	48.6	36.7
16	Maharashtra	38.2	24.5
17	Manipur	37.9	47.1
18	Meghalaya	16.1	17.1
19	Mizoram	15.4	21.1
20	Nagaland	8.8	20.9
21	Orissa	57.2	37
22	Puducherry	14.2	1.2
23	Punjab	20.9	15.9
24	Rajasthan	34.4	24.8
25	Sikkim	30.9	13.1
26	Tamil Nadu	29.4	17.1
27	Tripura	40	17.4
28	Uttar Pradesh	40.9	37.7
29	Uttarakhand	32.7	18
30	West Bengal	34.2	26.7
	All India	37.2	29.8

Source: Planning Commission, Government of India, retrieved from <http://planningcommission.nic.in/news/index.php?news=prbody.htm>. Accessed on 22 March 2012.

Although some may argue that the poverty estimates released by the Planning Commission are dubious, the report gives a detailed overview of what the statistics indicate and poverty ratios among social groups, religious groups and occupational categories. BPL is dominated by agricultural labourers in rural areas and casual labourers in urban areas thereby reiterating the vulnerability of those who lack a regular flow of income. While the current poverty line can be used as a tool to compare poverty statistics over years and within states, it is important to measure the deprived in a country. In the case of India this would probably include the 'poor' as defined by the poverty line, the vulnerable and other disadvantaged sections, whether calculated through the NSSO surveys, the Census of India or the forthcoming Socio-Economic Caste Census. In a country with more than a billion people it is important to know who is being targeted by policy and who else should be. It's not an easy task but it's got to be done. The new poverty line is probably just a beginning.

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