

Decline in Poverty in India: Real or an Artifact of a Low Poverty Line?

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Abstract

After the erstwhile Planning Commission released the poverty estimates for India for the year 2011-12 in July 2013, a debate ensued on whether the impressive poverty reduction was not due to an excessively low poverty line set by the commission. Utilizing unit-level data from NSS consumer expenditure surveys of years 1993-94, 2004-05 and 2011-12, this research presents empirical evidence that puts to rest any doubts that India's poverty reduction is an artifact of a low poverty line. We show that even when the poverty line is set at expenditure levels higher than the Tendulkar poverty line by 25, 50, 75 and 100 percent, the broad trends in poverty reduction captured by the Tendulkar poverty line continue to be valid. Our estimates also show that the absolute number of individuals lifted out of poverty between 1993-94 and 2011-12 was in fact slightly larger when the poverty line is 25 percent above the Tendulkar line. Even though it is difficult to match this remarkable decline at progressively higher poverty lines, we show that the gains remain large even as we push the poverty line to a level twice the Tendulkar line and is reflective of a very broad-based growth during this period.

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Introduction

During the second term of the United Progressive Alliance (UPA 2), a debate had raged in the Indian media, with many commentators arguing that poverty reduction captured in the estimates published by the erstwhile Planning Commission was an artifact of an excessively low poverty line set by the latter. As an example, in a heated television debate, one commentator went so far as to argue that since bananas in Jor Bagh, an upmarket neighbourhood of Delhi, cost Rs. 60 per dozen, an individual could barely afford two bananas per meal per day at poverty line expenditure of Rs. 32 per person per day. Critics also argued – factually incorrectly – that the Planning Commission had revised downward the poverty line to show progress in poverty reduction.

Panagariya and Mukim (2014) review this debate in detail. They offer arguments why the Tendulkar poverty line is mostly right if the objective is to measure progress in combating extreme poverty. Nevertheless, sceptics continue to harbour doubts about the impressive success that India has achieved in bringing poverty down; in this paper, we provide for them estimates of poverty at higher poverty lines. Using the expenditure surveys of years 1993-94, 2004-05 and 2011-12, we measure poverty at expenditure levels that exceed the Tendulkar poverty line by 25, 50, 75 and 100 percent. We show that the broad trends in poverty reduction captured by the Tendulkar poverty line continue to be visible at these higher poverty lines.

For example, our results at the national level show that percentage point reductions in poverty between 2004-05 and 2011-12 at expenditure levels that are 25% and 50% higher than the Tendulkar poverty line are approximately the same as at the latter. Percentage point reductions get substantially smaller as we move to still higher poverty lines. Nonetheless, even as we push the line all the way up to twice the level of the Tendulkar line, the decline – at 9.4 percentage points over the seven-year period between 2004-05 and 2011-12 – remains larger than the reduction of 8.0 percentage points at the Tendulkar line over the eleven-year period between 1993-94 and 2004-05. Raising the poverty line to as high as twice the Tendulkar line does not wipe out the acceleration in poverty reduction during the high-growth phase.

A natural question concerns the level of poverty, as opposed to change in it, as we raise the poverty line. Our estimates show that this level climbs up rather steeply as we move toward the poverty line that is twice the level of the Tendulkar line. For instance, the poverty ratio in 2011-12 rises from 22.0 percent at the Tendulkar line to 40.9, 56.4, 67.6 and 75.6 percent at poverty lines that are 25, 50, 75 and 100 percent higher than the Tendulkar line, respectively. The poverty ratio of 67% implicitly assumed in the Food Security Act coincides almost exactly with the poverty line that is 75 percent higher than the Tendulkar line. Interestingly, implicitly assumed rural and urban poverty levels (at 75% and 50%, respectively) in the Food Security Act also approximately coincide with 75.5% and 47.8% poverty levels in rural and urban areas, respectively, at a poverty line that is 75 percent higher than the Tendulkar poverty line in 2011-12.

We also offer estimates of reduction in the absolute number of poor at various poverty lines. As explained later in the paper and argued earlier in Bhagwati and Panagariya (2013), this number must be calculated as the difference between the number of poor that would have been observed if poverty level as measured by the proportion of population below the poverty line had remained the same as in the base year and the actual number of poor observed in the year in which the reduction is measured. Our estimates show that the absolute number of individuals lifted out of poverty between 1993-94 and 2011-12 was slightly larger when the poverty line is 25% above the Tendulkar line and slightly smaller when it is 50% above it. At 175.7 million, the number remains large even as we push the poverty line to a level twice the Tendulkar line.

We make two final points regarding what to expect as we calculate poverty and poverty reduction at progressively higher poverty lines. First, it must be recognized that getting poverty to fall significantly at super-high poverty lines is difficult almost by definition. To make the point in the most dramatic manner, suppose we set the poverty line at one million rupees per month per household in 2004-05. We know that our expenditure survey in 2004-05 will place more than 99 percent of the households below this line. Moreover, it is inconceivable that even with eight percent plus annual growth experienced between 2004-05 and 2011-12, we will see the proportion of households earning less than one million rupees per month fall significantly enough to make a dent in the 99 percent estimate. Against this background, the 9.4 percentage points decline in poverty between 2004-05 and 2011-12 at twice the Tendulkar line is reflective of very broad-based growth.

The second point concerns the near certainty of substantial overestimation of the level of poverty at higher poverty lines. It is now well known that NSS expenditure surveys in India have been capturing progressively smaller proportion of expenditures captured by the National Accounts Statistics (NAS). In 2011-12, this proportion had fallen to just 46%. The consensus has been that the bulk of the understatement in the NSS expenditures is concentrated in households with high incomes. This suggests that as we move to higher and higher poverty lines, the problem of undercount in the expenditure becomes more and more serious. Because the proportionate undercount has risen over the surveys, it leads to a progressively larger count of poverty ratios and hence an understatement of the pace of decline in poverty.

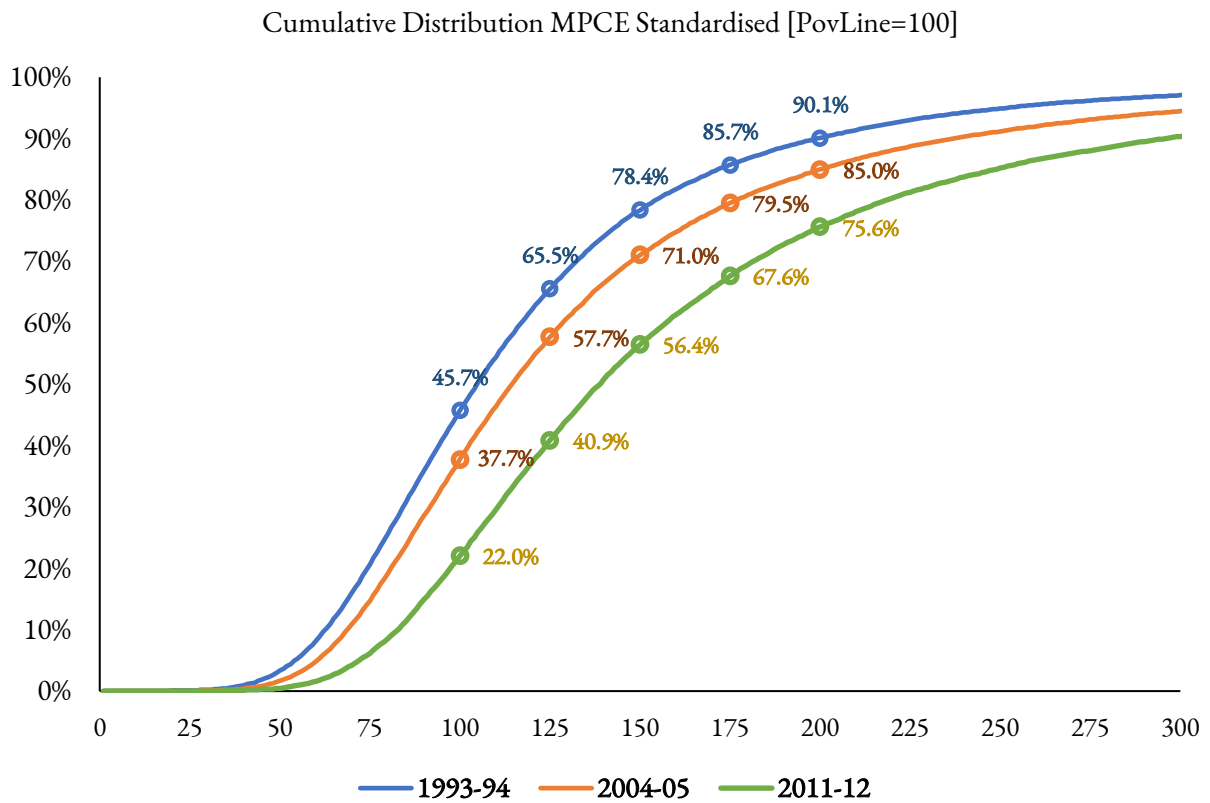
In Panagariya and More (2014), we have provided very detailed poverty estimates for India at the Tendulkar line. These estimates are at the national as well as state level by social and religious groups for rural, urban and both regions taken together. At the national level, we also provide estimates by economic groups. In this paper, we limit ourselves to the national context and do not consider the economic groups.

Overall Poverty at Different Poverty Lines at the National Level

In Figure 1, we show different poverty lines along the horizontal axis. The Tendulkar line is set at 100, with lower lines lying to its left and higher ones to its right. On the vertical axis, we measure the proportion of population with income below the respective poverty lines shown on the horizontal axis. We show these proportions for each of the 1993-94, 2004-05, and 2011-12 years.

Perhaps the most remarkable point to note about this figure is that the curve associated with each successive year lies uniformly below the preceding one with no intersections anywhere. What this means is that no matter where we fix the poverty line, poverty in India fell between 1993-94 and 2004-05, as well as between 2004-05 and 2011-12. Growth benefited all income groups. Any claims of growth leaving either the poor or low-middle, middle, or high-income groups behind are patently false.

Digging deeper into the extent of poverty at different poverty lines in any given year, we observe that percentage point increases in it are smaller and smaller as we move to higher and higher poverty lines. For instance, in 1993-94, raising the poverty line to just 1.25 times the Tendulkar line raises the poverty ratio by 19.8 percentage points. Successive increases of 12.9, 7.3 and 4.4 percentage points as we move to 1.5, 1.75 and 2 times the Tendulkar line, respectively, are smaller and smaller. This pattern survives for years 2004-05 and 2011-12.

Figure 1: Poverty Ratio at different poverty lines in 1993-94, 2004-05 and 2011-12

Source: Authors' construction using estimates based on expenditures surveys by the National Sample Survey Office

This pattern is along the expected lines, albeit not theoretically guaranteed. For one thing, population concentration is greater around lower expenditure levels, especially in 1993-94 and 2004-05. As a result, a gigantic 65.5 percent of the population already ends up below the poverty line in 1993-94 as we move the poverty line to 1.25 times the Tendulkar line. Additionally, as we move to higher and higher poverty lines, the scope for further increases in the poverty ratio becomes smaller and smaller.

A comparison of poverty levels at different poverty lines in 2011-12 further demonstrates the importance of these points. By this year, poverty ratio at the Tendulkar line had already dropped to 22 percent. Even then, moving the poverty line up by 25% adds 18.9 percentage points to the poverty ratio, almost doubling it. Raising the poverty line to twice the Tendulkar line adds 53.6 percentage points to the ratio and more than triples it.

Rural and urban Poverty at Different Poverty Lines

In Table 1, we report separate estimates for rural, urban, and overall poverty levels at the five poverty lines. The table also shows percentage point reductions in poverty at each poverty line between 1993-94 and 2011-12 and between 2004-05 and 2011-12. (In the next section, we translate these percentages into absolute numbers.) Disaggregation of population into those in rural and urban areas brings out some additional features of the changes in poverty levels with changing poverty lines.

Rural poverty level turns out to be extra-ordinarily high at the poverty line twice that of the Tendulkar line for all years. It stands at 93.8% in 1993-94 and 83.2% even in 2011-12. Only a small proportion of rural population was living in the vicinity of such a high poverty line in 1993-94. As a result, despite substantial growth, the reduction in poverty ended up being just 10.5 percentage points. Being targeted at those living in extreme poverty, even anti-poverty programs could not have done much at all for those living in the top two deciles of rural population.

Table 1: Poverty Ratio (percent) at the national level at different poverty lines

Poverty Line	1993-94	2004-05	2009-10	2011-12	Percentage point decline (1993-94 to 2011-12)	Percentage point decline (2004-05 to 2011-12)
Rural + Urban						
The Tendulkar Line (TL)	45.7	37.7	29.9	22.0	23.7	15.7
1.25xTL	65.5	57.7	49.8	40.9	24.7	16.8
1.50xTL	78.4	71.0	64.5	56.4	21.9	14.6
1.75xTL	85.7	79.5	74.4	67.6	18.1	11.9
2.00xTL	90.1	85.0	80.9	75.6	14.5	9.4
Rural						
The Tendulkar Line (TL)	50.3	41.8	33.3	25.4	24.9	16.4
1.25xTL	70.9	63.5	55.3	47.1	23.9	16.4
1.50xTL	83.6	77.3	71.1	64.0	19.6	13.3
1.75xTL	90.2	85.4	81.0	75.5	14.7	9.9
2.00xTL	93.8	90.2	87.2	83.2	10.5	7.0
Urban						
The Tendulkar Line (TL)	31.9	25.7	20.9	13.7	18.2	12.0
1.25xTL	49.2	40.6	35.0	25.4	23.8	15.3
1.50xTL	62.6	52.7	46.8	37.6	25.0	15.1
1.75xTL	72.1	62.0	56.4	47.8	24.3	14.2
2.00xTL	79.0	69.6	63.9	56.6	22.4	13.0

Source: Authors' calculations from the expenditure surveys by the National Sample Survey Office

In rural India, percentage-point reduction in poverty becomes smaller and smaller as we move to higher and higher poverty lines. This feature obtains for reductions between 1993-94 and 2004-05 as well as between 2004-05 and 2011-12. By the time we double the poverty line, percentage point reduction drops to well below half of its level at the Tendulkar line for both periods.

The story for urban India turns out to be a little different. In this case, percentage point reduction at higher poverty lines turns out to be uniformly larger than at the Tendulkar line between 1993-94 and 2004-05 as well as between 1993-94 and 2011-12. The reduction during the latter period rises from 18.2 percentage points at the Tendulkar line to 25 percentage points at 1.5 times the Tendulkar line.

The Absolute Number of Poor

We now turn to the absolute number of poor at different poverty lines. Percentage levels already give us an idea of how poverty level rises as we increase the poverty line. Yet, the absolute numbers give some additional information in view of changing population over time. The population figures we use to translate the proportion of poor in the population into the absolute number of poor are shown in Table 2. These are the same population figures that the erstwhile Planning Commission used to convert poverty proportions into absolute number of poor at the Tendulkar line.

Table 2: Rural and Urban Population in India (in Million)

Region	1993-94	2004-05	2009-10
Total	890.2	1095.0	1230.8
Rural	655.9	780.6	843.0
Urban	234.3	314.4	387.8

Source: Planning Commission; Press Note on Poverty Estimates 2011-12, July 2013.

Table 3 reports the absolute number of poor at different poverty lines in rural and urban India and the country as a whole. At the national (rural plus urban) level, the absolute number of poor in India rises at all poverty lines, including the Tendulkar poverty line, between 1993-94 and 2004-05. At the line twice that of the Tendulkar line, the number of poor zooms to 921.1 million. In our judgment, such a high poverty line is not meaningful for either counting those in extreme poverty or targeting social programs at the poor. For all practical purposes, such a choice amounts to declaring the entire population poor and making social programs universal. But that would greatly reduce social expenditure per person on those in genuine extreme poverty.

At the national level, the *addition* to the number of poor steadily rises from 2.7 million at the Tendulkar line to a massive 122.9 million at twice the Tendulkar poverty line between 1993-94 and 2004-05. This shows that poverty reduction during the early phase of reforms failed to keep up with rising population. The picture changes in the second phase spanning 2004-05 to 2011-12. During this phase, the absolute number of poor fell at all poverty lines. The *decline* in the number of poor between these two years is a high 139.9 million at the Tendulkar line, but drops to just 1.8 million as we move to twice the Tendulkar line.

Table 3: Absolute number of poor at different poverty lines (in Million)

Poverty Line	1993-94	2004-05	2011-12
	Rural + Urban		
The Tendulkar Line (TL)	404.3	407.0	267.1
1.25xTL	580.5	623.1	495.0
1.50xTL	694.8	768.7	685.1
1.75xTL	760.7	862.0	821.9
2.00xTL	800.0	922.9	921.1
	Rural		
The Tendulkar Line (TL)	329.6	326.3	213.9
1.25xTL	465.2	495.4	396.7
1.50xTL	548.1	603.1	539.5
1.75xTL	591.6	667.0	636.5
2.00xTL	615.0	704.1	701.6
	Urban		
The Tendulkar Line (TL)	74.7	80.7	53.1
1.25xTL	115.2	127.7	98.3
1.50xTL	146.6	165.6	145.6
1.75xTL	169.0	195.0	185.5
2.00xTL	185.0	218.9	219.4

Source: Authors' calculations using expenditure surveys by NSSO

The pattern observed at the national level broadly extends to separate estimates of the number of poor in rural and urban areas with two minor qualifications. First, at the Tendulkar line, the absolute number of rural poor exhibits a small decline in 2004-05 over that in 1993-94. But this reverses as we move to higher poverty lines. Second, between 2004-05 and 2011-12, the absolute number of urban poor at twice the Tendulkar line rises.

One final observation is that urban poor as a proportion of rural poor rise as we raise the poverty line. At the Tendulkar line, urban poor in 2011-12 are approximately one-fourth of the rural poor. But as we reach the line twice that of the Tendulkar line, they become approximately one-third of the latter.

The Number of Individuals Lifted Out of Poverty

A common approach to estimating the number of individuals lifted out of poverty during a given period is to subtract the number of poor in the terminal year from those in the initial year. This procedure will be fine if the population in the terminal year were the same as in the initial year. But the practice is faulty when populations in the two years are different.

Our estimates of poverty at the national level in 1993-94 and 2004-05 best illustrate the point. Table 1 shows that the proportion of poor living below the Tendulkar line fell from 45.7% in 1993-94 to 37.7% in 2011-12. But Table 3 shows that the absolute number of poor *increased* from 404.3 million to 407 million over the same period. Did poverty at the national level rise or fall between the two years?

The contradiction arises from the conceptually flawed approach to deriving the estimate of the number of individuals lifted out of poverty in the above example. As Bhagwati and Panagariya (2013)

explain, we cannot measure this number by subtracting the absolute number of poor in the terminal year from that in the initial year. When population is rising, we must decide whether the new additions to it are to be classified as poor or non-poor. When we calculate the number of those lifted out of poverty by subtracting the absolute number of poor in the terminal year from that in the initial year, we are assuming that the new additions to the population are *all* non-poor. That is to say, when the population went up from 890 million in 1993-94 to 1095 million in 2004-05, all 205 million new additions were born non-poor so that any success in poverty reduction would have to be reflected in a reduction in the absolute number of poor in 1993-94. This is patently nonsensical.

The conceptually correct approach is to assume that absent a change that impacts poverty in some way, additions to population will carry the same proportion of poor as the existing population. If a change takes place that impacts poverty, it will apply to the existing population as well new additions to it. Under this approach, the level of poverty falls, remains unchanged, or rises as the proportion of poor in the population falls, remains unchanged, or rises. Therefore, a rise in the absolute number of poor is fully compatible with a fall in poverty in the face of rising population.¹

Under this definition, the number of those lifted out of poverty is obtained by subtracting the absolute number of poor observed in the terminal year from the (hypothetical) number of poor that would have prevailed in that year had the proportion of poor in the population remained the same as in the initial year. Therefore, the first step in calculating the number of those lifted out of poverty is to calculate the number of poor that would have obtained in the terminal year had the proportion of poor remained the same as in the initial year. Table 4 provides these calculations with 1993-94 as the initial year and 2004-05 and 2011-12 as terminal years.

A quick comparison of corresponding entries in Tables 3 and 4 provides a very different picture of the number of individuals lifted out of poverty than what one would glean by simply differencing the absolute number of poor in the terminal year from those in the initial year. The number of individuals lifted out of poverty can now be seen to be substantial in both 2004-05 and 2011-12 at all poverty lines.

Table 4: Absolute number of poor in 1993-94 and (hypothetical) number of poor in 2004-05 and 2011-12 had the poverty ratio remained at its 1993-94 level

Poverty Line	1993-94	2004-05	2011-12
		Rural + Urban	
The Tendulkar Line (TL)	404.3	492.5	547.3
1.25xTL	580.5	708.4	788.7
1.50xTL	694.8	849.1	947.2
1.75xTL	760.7	931.0	1040.2
2.00xTL	800.0	980.3	1096.7
		Rural	
The Tendulkar Line (TL)	329.6	392.3	423.6
1.25xTL	465.2	553.7	598.0
1.50xTL	548.1	652.4	704.5
1.75xTL	591.6	704.2	760.5
2.00xTL	615.0	732.0	790.5
		Urban	
The Tendulkar Line (TL)	74.7	100.2	123.6

1.25xTL	115.2	154.6	190.7
1.50xTL	146.6	196.8	242.7
1.75xTL	169.0	226.8	279.8
2.00xTL	185.0	248.3	306.2

Source: Authors' calculations combining poverty estimates for 1993-94 in Tables 1 with population estimates for 2004-05 and 2011-12 in Table 2.

Table 5 provides the estimates of number of individuals lifted out of poverty between 1993-94 and 2004-05 and those between 1993-94 and 2011-12 at different poverty lines. (The estimate for 2011-12 in each case includes the corresponding estimate for 2004-05. As such the estimates for the two years shown are not additive.)

Table 5: Number of individuals lifted out of poverty (in Million)

Poverty Line	Between 1993-94 and 2004-05	Between 1993- 94 and 2011-12
Rural + Urban		
The Tendulkar Line (TL)	85.5	280.2
1.25xTL	85.3	293.7
1.50xTL	80.4	262.1
1.75xTL	69.0	218.3
2.00xTL	57.3	175.7
Rural		
The Tendulkar Line (TL)	66.0	209.7
1.25xTL	58.3	201.3
1.50xTL	49.2	165.1
1.75xTL	37.2	124.0
2.00xTL	27.9	88.9
Urban		
The Tendulkar Line (TL)	19.5	70.5
1.25xTL	27.0	92.4
1.50xTL	31.2	97.1
1.75xTL	31.8	94.3
2.00xTL	29.4	86.8

Source: Authors' calculations obtained by subtracting the 1993-94 estimate of the absolute number of poor from the corresponding hypothetical estimates for 2004-05 and 2011-12, respectively, in Table 5.

The most remarkable feature of Table 5 is that the number of those lifted out of poverty remains large even when we set the poverty line at a level twice the Tendulkar line. Interestingly, the number of those escaping poverty between 1993-94 and 2011-12 first rises from 280.2 million at the Tendulkar line to 293.7 million at the line 1.25 times the latter. It then steadily falls but remains a robust 175.7 million even when the line rises to twice the Tendulkar line. A moment's reflection shows that the result is not altogether surprising. Though percentage point reduction is smaller, the population of poor to which this

reduction applies is larger at higher poverty lines. The net result depends on the relative magnitudes of the changes in the two variables.

Another interesting feature of Table 5 is that the number of those lifted out of poverty in urban areas jumps by a wide margin as we raise the poverty line to 1.25 times the Tendulkar line. The number continues to rise, albeit by a much smaller margin, as we raise the line to 1.5 times the Tendulkar line. Though the number begins to fall as we raise the poverty line yet further, it remains substantially larger than at the Tendulkar line. Even at the poverty line twice that of the Tendulkar line, the number is 86.8 million compared with 70.5 million at the latter. The definite message is that India has successfully lifted a very large number of individuals out of poverty between 1993-94 and 2011-12 even at poverty lines that are 1.75 times or twice the Tendulkar line.

Social and Religious groups

In India, poverty levels systematically vary across social groups. In particular, two majorly disadvantaged groups of castes and tribes identified in the Constitution through listing in schedules are known as the Scheduled Castes (SC) and Scheduled Tribes (ST). Given the generally lower levels of incomes of these groups, it may be hypothesized that poverty reduction among them will be especially limited at higher poverty lines. This is because only small proportions of them are likely to be concentrated in the vicinity of high per-capita expenditures.

We report poverty ratios for the SC and ST at different poverty lines in 1993-94, 2004-05, and 2011-12 in Table 6. For the SC, the reduction in poverty at the Tendulkar line between 1993-94 and 2011-12 is 31.1 percentage points. This decline drops to 21.3 percentage points when we raise the poverty line by 50%, and to only 11 percentage points when we raise it by 100%. The same phenomenon is observed for the ST.

Table 6: Poverty Ratio (percent) among Scheduled Castes and Scheduled Tribes

Poverty Line	1993-94	2004-05	2011-12
Scheduled Castes			
The Tendulkar Line (TL)	60.5	50.9	29.4
1.25xTL	79.3	72.0	51.8
1.50xTL	89.3	83.2	68.0
1.75xTL	94.0	89.7	79.2
2.00xTL	96.4	93.3	85.4
Scheduled Tribes			
The Tendulkar Line (TL)	63.7	60.0	43.0
1.25xTL	81.6	77.7	63.6
1.50xTL	90.7	87.6	77.1
1.75xTL	95.0	92.7	84.7
2.00xTL	96.9	95.5	90.0

Source: Authors' calculations using expenditure surveys by the National Sample Survey office

The tribes are predominantly rural and they are also less well integrated into the mainstream of the economy. Therefore, the benefits of growth and perhaps even social spending reach them less fully than is the case with their SC counterparts. Accordingly, at the Tendulkar line, despite higher initial level of poverty than among the Scheduled Castes, they experienced a 20.7 percentage point reduction in

poverty between 1993-94 and 2011-12, which is smaller than that experienced by the latter. Moreover, the gain declines to 13.6 percentage points as we raise the poverty line by 50% and to just 6.9 percentage points when we raise it by 100%.

Table 7: Poverty Ratio (%) among Other Backward Castes and Others (Unclassified/Forward Castes)

Poverty Line	2004-05	2011-12
Other Backward Castes (OBC)		
The Tendulkar Line (TL)	37.8	20.7
1.25xTL	59.7	40.9
1.50xTL	73.9	57.6
1.75xTL	82.5	69.3
2.00xTL	87.8	77.7
Others (Unclassified / Forward Castes)		
The Tendulkar Line (TL)	23.0	12.5
1.25xTL	40.2	26.2
1.50xTL	54.8	40.0
1.75xTL	65.3	51.5
2.00xTL	73.0	61.0

Source: Authors' calculations using expenditure surveys by the National Sample Survey office

For years 2004-05 and 2011-12, expenditure surveys identify a third category of castes referred to as Other Backward Castes (OBC). Therefore, for these years, we can estimate poverty separately for OBC and residual castes after exclusion of the SC, ST and OBC. The latter are sometimes referred to as forward castes. Poverty levels for these remaining groups for 2004-05 and 2011-12 at the five poverty lines are shown in Table 7. The pattern is along now-familiar lines, with some modifications. The level of poverty at each poverty line in each year shown is higher for OBCs than for other castes that are more well to do. At the Tendulkar poverty line and those up to 50% higher, percentage point reduction is higher for OBCs than other castes. But the pattern reverses for yet higher poverty lines. These differences reflect different degrees of concentration of population at different expenditure levels for OBCs and other castes.

Concluding Remarks

In this paper, we have provided estimates of poverty at poverty lines that are 25, 50, 75 and 100 percent higher than the Tendulkar poverty line. We may note three key findings.

First, claims that measured poverty reduction in India during the post-reform era is to be attributed to the choice of a low poverty line at which the measurement is done are unfounded. Even when we measure poverty at a line twice as high as the Tendulkar line, poverty declines by an impressive 14.5 percentage points between 1993-94 and 2011-12. This compares with a reduction of 23.7 percentage points at the Tendulkar line. Interestingly, the reduction is larger (24.7 percentage points) at the poverty line that is 25% above the Tendulkar line than at the latter.

Second, raising the poverty line significantly – such as doubling it from the Tendulkar line – results in a large jump in poverty levels. At the national level, it ends up reaching 90.1% in 1993-94 and remains a high 75.6% even in 2011-12. Setting a poverty line at such a high level for purposes of disbursal

of benefits to the poor in 2011-12 would have overwhelmed the system. It would have required covering 83.2% of rural and 56.6% of urban population. These percentages exceed even the coverage under the Food Security Act, at 75% of rural and 50% of urban population, which is considered quite generous. A more reasonable revision would be to use a line somewhere in the neighborhood of 1.5 times the Tendulkar line.

Third and somewhat surprisingly, the number of individuals India has lifted out of poverty in the post-reform era (until 2011-12) remains surprisingly large even when we set the poverty line at a level double that of the Tendulkar line. Nationally, this number amounts to 175.7 million between 1993-94 and 2011-12 at this doubled line. This compares with 280.2 million at the Tendulkar line. Interestingly, the reduction at 1.25 times the Tendulkar line, at 293.7 million, is even higher than that at the Tendulkar line itself. In urban India, the number of those lifted out of poverty at poverty lines 1.25, 1.5, 1.75 and 2 times that of the Tendulkar line remains uniformly higher than that at the Tendulkar line.

Finally, we have provided poverty estimates at different poverty lines for rural and urban India and by social groups. In no case have we found that raising the poverty line entirely wipes out the fall in poverty between 1993-94 and 2011-12. The percentage point reductions become considerably smaller, especially for the Scheduled Tribes, as we raise the poverty line to 1.75 and 2 times the Tendulkar line, but in no case are they minuscule. And the reduction in the absolute number of poor remains large even at these high poverty lines.

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NOTES

¹ We belabour this point here because the World Bank and many civil society groups have associated the rise in the absolute number of poor with rising poverty even in the face of declining proportion of poor in the population. This is a conceptually flawed practice and one that downplays the success in combating poverty.