

World Bank paper on 'Poverty'

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In news— World Bank has released a working paper on poverty in India recently.

Key highlights of the paper-

- **The paper titled 'Poverty in India Has Declined over the Last Decade But Not As Much As Previously Thought'** has been authored by Sutirtha Sinha Roy and Roy van der Weide.
- As per the paper, **extreme poverty in India has declined by over 12 percentage points during 2011-2019.**
- **Extreme poverty is measured as the number of people living on less than \$1.90 per day (₹144.40 at ₹76 a dollar).**
- The paper says that **extreme poverty was as low as 0.8 per cent in the pre-pandemic year of 2019**, and food transfers were instrumental in ensuring that it remained at that level in the pandemic year of 2020.
- Its estimates suggest that the **poverty head-count rate was 10.2 per cent in 2019, down from 22.5 percent in 2011.**
- It says that **poverty reduction was higher in rural areas** (declining from 26.3 to 11.6 per cent between 2011 to 2019 or 14.7 percentage point) than in urban areas (from 14.2 to 6.3 percent during the same period or 7.9 percentage point).
- This is the second working paper after a recent International Monetary Fund paper that talked about poverty reduction.
- **Consumption inequality in India has moderated after 2011, with almost no change between 2015 and 2019.**
- **Farmers with small landholding sizes have experienced higher income growth.**
- Real incomes for farmers with the smallest landholdings

have grown by 10 per cent in annualised terms between 2013 and 2019.

- However, the paper further mentions that **urban poverty rose by 2 percentage points in 2016** (coinciding with the demonetisation event) and rural poverty rose by 10 basis points in 2019 (coinciding with a slowdown in the economy).
- It has also **observed a slight moderation in consumption inequality since 2011**, but by a margin smaller than what is reported in the unreleased NSS-2017 survey.
- Finally, the extent of poverty reduction during 2015-2019 is estimated to be notably lower than earlier projections based on growth in the private final consumption expenditure reported in the national account statistics.
- **The paper uses the Consumer Pyramids Household Survey (CPHS) – an annual survey conducted by the Centre for Monitoring the Indian Economy (CMIE) –** to provide estimates of how poverty and inequality in India have evolved since 2011.
- The CPHS is more recent, has wide coverage, and collects comprehensive data from Indian household living conditions.
- However, **CPHS adopts a measure of consumption that is different from the one used in the National Service Scheme (NSS)**, and a sample design that has been flagged for undercounting the very poor and the very rich.
- The paper implemented a careful reweighting exercise to make CPHS to approach the representativeness of nationally representative surveys such as the Periodic Labour Force Survey (PLFS) and the National Family Health Survey (NFHS).
- The CPHS is already being used by scholars to measure poverty in India.