

**GOVERNMENT OF INDIA
PLANNING
LOK SABHA**

UNSTARRED QUESTION NO:3500

ANSWERED ON:24.08.2011

DISAGREEMENT ON NEW POVERTY LINE

Abdulrahman Shri ;Gowda Shri D.B. Chandre;Singh Shri Ganesh

Will the Minister of PLANNING be pleased to state:

- (a) whether the member of National Advisory Council has disagreed on the Plan Panel's move for New Poverty Line as reported in the media;
- (b) if so, the details thereof and the fact of the matter reported therein;
- (c) whether the Planning Commission proposes to reduce the intake of stipulated 2100 kcal per day per person to 1800 kcal per day per person;
- (d) if so, the details thereof;
- (e) whether the Supreme Court has sought clarification about the basis on which population of the poor is determined; and
- (f) if so, the details thereof?

Answer

MINISTER OF STATE FOR PLANNING, SCIENCE & TECHNOLOGY AND EARTH SCIENCES (DR. ASHWANI KUMAR)

(a) & (b): Yes, Madam. Some National Advisory Council Members have expressed reservations on the poverty line estimated by the Planning Commission on the basis of Tendulkar Committee methodology whereby 37 % of India's population has been categorized as poor in 2004-05.

(c) & (d): The poverty line has been traditionally defined by the Planning Commission on the basis of Monthly Per Capita Consumption Expenditure (MPCE) as the criterion. The method for estimation of poverty has been reviewed by the Planning Commission from time to time.

The Planning Commission constituted a Task Force (Alagh Committee) on 'Projections of Minimum Needs and Effective Consumption Demand' in 1977 which defined the poverty line as per capita consumption expenditure of Rs.49.09 per month in rural areas and Rs.56.64 per month in urban areas at 1973-74 prices at national level. These poverty lines correspond to a basket of goods and services anchored on a norm of per capita daily calorie requirement of 2400 kcal in rural areas and 2100 kcal in urban areas applied uniformly for all the states. Subsequently, the Expert Group on 'Estimation of Proportion and Number of Poor' (Lakdawala Committee) constituted in 1989 retained the poverty lines defined by the Alagh Committee and disaggregated the National Poverty lines into State specific poverty lines in order to reflect the inter-state price differentials.

The Tendulkar Committee, which submitted its Report in 2009, took the urban headcount ratio of 25.7% in 2004-05, arrived at by following Lakdawala methodology, as the starting point. It used Mixed Recall period (MRP) based MPCE corresponding to this ratio as the new reference Poverty Line Basket (PLB) in urban areas and recommended that the rural poverty line should be recomputed to reflect money value in rural areas of the same PLB. Based on the Tendulkar Committee methodology, the poverty lines in 2004-05 at all India level were calculated as per capita consumption expenditure of Rs 446.68 per month for rural areas and Rs. 578.80 for urban areas. The Tendulkar Committee has incorporated adequacy of expenditure from the normative and nutritional viewpoint. It stated:

"while moving away from the calorie norms, the proposed poverty lines have been validated by checking the adequacy of actual private expenditure per capita near the poverty lines on food, education and health by comparing them with normative expenditures consistent with nutritional, educational and health outcomes."

The Committee has noted that although those near the poverty line in urban areas continue to afford the original calorie norm of 2100 per capita per day, their actual observed calorie intake from 61st Round of NSS (2004-05) is 1776 calories per capita per day. The actual observed calorie intake of those near the new poverty line in rural areas is 1999 calories per capita per day.

(e) & (f): While hearing the Civil Writ Petition no. 196/2001 in the matter of PUCL v/s UOI, Hon'ble Supreme Court sought clarification whether the Planning Commission has imposed a cap of 37.2 percent as uniform poverty ratio for BPL assistance, is still following data of 1990's to determine the quantum of BPL and has fixed Rs. 20 for urban areas and Rs 11 for rural areas as the poverty norm. The Planning Commission has filed its response in the Supreme Court.

The Planning Commission has not fixed a uniform cap of 37.2 percent for every State. It makes the estimate of poverty line every five years based on the large sample survey on Household Consumer Expenditure conducted by National Sample Survey Organisation (NSSO), which differs from State to State because of the price differentials. The resulting poverty percentages also vary from State to State. After 1993-94, the Planning Commission has estimated poverty ratio for the year 2004-05. The next round of large sample survey has been conducted in 2009-10. The Planning Commission is in the process of estimating the revised poverty line taking into account changes in the price level as per the Tendulkar Methodology on the basis of 2009-10 survey data on Household Consumer Expenditure, which are now available.

The Planning Commission fixes poverty line on the basis of Monthly Per Capita Consumption Expenditure (MPCE) and as per Tendulkar Committee methodology, the poverty line for urban areas is estimated at a consumption expenditure of Rs. 578.80 per capita per month, and for rural areas at Rs. 446.68 per capita per month at 2004-05 prices. On daily basis this amounts to per capita consumption of Rs. 20 per day for urban areas and Rs. 15 per day for rural areas at 2004-05 prices. These amounts would be significantly higher after their updation taking into account the price rise since 2004-05. On applying price increase using Consumer Price Index for Industrial Workers (CPI-IW) for urban areas and Consumer Price Index for Agricultural Labourers (CPI-AL) for rural areas at all India level, the poverty line at June 2011 price level comes to Rs. 965 per capita per month in urban areas and Rs. 781 per capita per month in rural areas. At June 2011 price level, for a family of five this poverty line would amount to Rs. 4824 per month in urban areas and Rs 3905 per month in rural areas.