

**GOVERNMENT OF INDIA  
PLANNING  
LOK SABHA**

STARRED QUESTION NO:135

ANSWERED ON:14.08.2013

POVERTY LINE

Adhalrao Patil Shri Shivaji; Gulshan Smt. Paramjit Kaur

**Will the Minister of PLANNING be pleased to state:**

- (a) whether the current yardstick/ benchmark for defining poverty is Rs. 27.20 and Rs. 33.40 in rural and urban areas respectively per person per day and if so, the details thereof including the rationalities of the yardstick/benchmark for the purpose;
- (b) whether there had been criticism from various quarters against the validity of the yardstick/benchmark for defining poverty and if so, the details thereof;
- (c) whether the Government proposes to re-evaluate the poverty line and if so, whether any committee has been set up for the purpose and if so, the details thereof; and
- (d) whether as per the World Bank's report on poverty, India accounts for 33% of World's poor, i.e. people living on less than Rs. 65/- per day and if so, the details thereof and the reaction of the Government thereto?

**Answer**

MINISTER OF STATE FOR PARLIAMENTARY AFFAIRS AND PLANNING (SHRI RAJEEV SHUKLA)

(a) to (d): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA STARRED QUESTION NO. 135 REGARDING "POVERTY LINE" RAISED BY SHRIMATI PARAMJIT KAUR GULSHAN AND SHRI ADHALRAO PATIL SHIVAJI DUE FOR ANSWER ON 14th AUGUST, 2013.

(a) : The Planning Commission estimates the extent of poverty using a poverty line defined in terms of the Monthly Per Capita Consumption Expenditure (MPCE). For the year 2011-12, the Planning Commission, using the poverty line recommended by the Tendulkar Committee for 2004-05 and updating it to 2011-12 has estimated the poverty lines as monthly per capita consumption expenditure (MPCE) of Rs. 816 in rural areas and Rs. 1000 in urban areas. This amounts to a monthly consumption expenditure of Rs 4080 in rural areas and Rs 5000 in urban areas for a family of five at 2011-12 prices. These poverty lines if converted into a per capita per day basis amount to Rs. 27.20 (=816/30) in rural areas and Rs. 33.33 (=1000/30) in urban areas. It should be noted, however, that while this can be done as a pure arithmetical calculation, the consumption poverty line is not defined on a daily basis by the Planning Commission. The NSS surveys, which are the basis of measuring consumption poverty, collect consumption expenditure data from the households on a monthly basis.

(b) & (c): The poverty line is derived using the methodology recommended by experts in the field from time to time. The present poverty line is based on the methodology recommended by the Expert Group under the chairmanship of Prof. Suresh D. Tendulkar in 2009. The Tendulkar poverty line actually raised the poverty level compared to what was in use prior to 2004. However, it is true that there has been criticism from various quarters that the line is still too low. Responding to this criticism the Planning Commission, in June 2012, constituted an Expert Group under the Chairmanship of Dr. C. Rangarajan to Review the Methodology for Measurement of Poverty. The Terms of Reference of the Group are as follows:

i. To comprehensively review the existing methodology of estimation of poverty and examine whether the poverty line should be fixed solely in terms of a consumption basket or whether other criteria are also relevant, and if so, whether the two can be effectively combined to evolve a basis for estimation of poverty in rural and urban areas. ii. To examine the issue of divergence between consumption estimates based on the NSSO methodology and those emerging from the National Accounts aggregates; and to suggest a methodology for updating consumption poverty lines using the new consumer price indices launched by the CSO for rural and urban areas state-wise.

iii. To review alternative methods of estimation of poverty which may be in use in other countries, including their procedural aspects; and indicate whether on this basis, a particular method can be evolved for empirical estimation of poverty in India, including procedures for updating it over time and across states.

iv. To recommend how the estimates of poverty, as evolved above, should be linked to eligibility and entitlements for schemes and programmes under the Government of India.

(d) According to World Bank draft note entitled "The State of the Poor: Where are the Poor and where are the Poorest?", prepared by

Pedro Olinto and Hiroki Uematsu, India accounts for 33 percent of world's poor population in 2010. The World Bank estimates poverty in its member countries on the basis of the international poverty line of U.S. \$ 1.25 a day at Purchasing Power Parity (PPP) exchange rate. At 2011-12 prices, the \$1.25 (PPP) corresponds to Rs 28.99. The Planning Commission estimate of the poverty line, which is expressed as MPCE, converted into per day per person yields Rs 27 in rural areas and Rs 33 in urban areas. These are close to the World Bank poverty line of \$1.25 (PPP).