



Is India Winning the Battle Against Extreme Poverty?

According to a research by Brookings Institution, India no longer is home to largest number of people living in extreme poverty and has been taken over by Nigeria. At the end of May 2018, Nigeria had about 87 million people in extreme poverty, compared with India's 73 million.

- About 44 Indians come out of extreme poverty every minute, one of the fastest rates of poverty reduction in the world
- India's rank could come down to number three, and the 2nd spot will be taken by Congo if the trend continues.
- This study emanates from the data obtained from the World Poverty Clock.

Key Terms

- **Extreme Poverty:** The World Bank defines a person as extremely poor if she is living on less than 1.90 international dollars a day, which is adjusted for inflation as well as price differences between countries.
- The **other poverty lines defined by the World Bank** are- \$3.20 per day for middle-income countries and \$5.50 per day for rich countries.
- **World Poverty Clock:** It is a tool to monitor progress against poverty globally and regionally, created by an NGO, World Data Lab. It takes into account household surveys and projections of economic growth from the International Monetary Fund's World Economic Outlook.

India's poverty scenario

- World Bank said in its June edition of Global Economic Prospects, one in every five Indians was poor in 2011 despite making remarkable progress in reducing absolute poverty since the 2000s.
- The per capita net national income of India in the financial year 2016-17 stood at Rs 1,03,870, witnessing a growth of over 10.3%.
PPP incomes average around \$7,000 right now, compared to around \$2,500 in the year 2000.
- India is now a middle-income country, with an estimated per capita income of around \$9,000 in PPP.
- In 2005, Suresh Tendulkar committee constituted by the Planning Commission, adopted the cost of living as the basis for identifying poverty.
- Tendulkar committee specified a benchmark daily per capita expenditure of Rs. 27 and Rs. 33 in rural and urban areas, respectively, and arrived at a cut-off of about 22% of the population below poverty line.
- In 2012, the Rangarajan Committee raised these limits to Rs. 32 and Rs. 47, respectively, and worked out poor population at close to 30%.

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The China story:

- The decline in extreme poverty in China began with its PPP reaching around \$4,000.
- This can be attributed to
 1. Rapid economic expansion
 2. Shift of people to jobs in formal enterprises.
 3. Investments in human capital
 4. Relatively equal land ownership in rural areas, and
 5. Targeted interventions to help the extremely poor.

What needs to be done in India?

- **Move beyond the criticism of 1991 economic reforms.** Going by the empirical proofs, it is now clear that the economic reforms of 1991 have helped the poor. There has been an improvement in other indicators like infant mortality and nutrition.
- **Redefine Poverty:** Poverty lines have to be recalibrated depending on changes in income, consumption patterns and prices. India needs to use the poverty line for middle-income countries which is around Rs 75/per day, 68% higher than Tendulkar committee.
- **Focus to be shifted on public goods rather than subsidies:** The drive to eradicate poverty should now move on from ending hunger to making people able to take advantage of opportunities of growth by providing education, health, infrastructure and housing.
- **Redistribution of growth dividend:** Economic growth should be made more inclusive so that it leads to alleviation of inequality.

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