

India's Progress in Poverty Reduction: A Stocktaking

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Outline

This review of India's progress in poverty reduction is in three parts:

1. Trends in monetary poverty
 - A. Up to 2011-12
 - B. Since 2012 up to the onset of the COVID-19 pandemic
2. Progress in multidimensional poverty reduction
3. Poverty impact of the pandemic
 - Endnote on gaps in data and poverty monitoring

Preview of main messages

- Monetary poverty
 - ▶ Acceleration of poverty reduction during 2000-12 relative to the preceding two decades
 - ▶ Uncertainty about trends since 2012, but likely deceleration of poverty reduction
- Multidimensional poverty
 - ▶ Halving of multidimensional poverty between 2005-06 to 2015-16
 - ▶ Signs of continued progress up to 2019-21, though some areas of concern, especially in relation to child nutrition and health
- Covid-19 pandemic
 - ▶ Wide-ranging impacts: mortality, economic and social impacts
 - ▶ Ongoing though unfinished recovery
- Concerning gaps in data and poverty monitoring

1. Trends in Monetary Poverty

Monetary poverty reduction before and after 2012

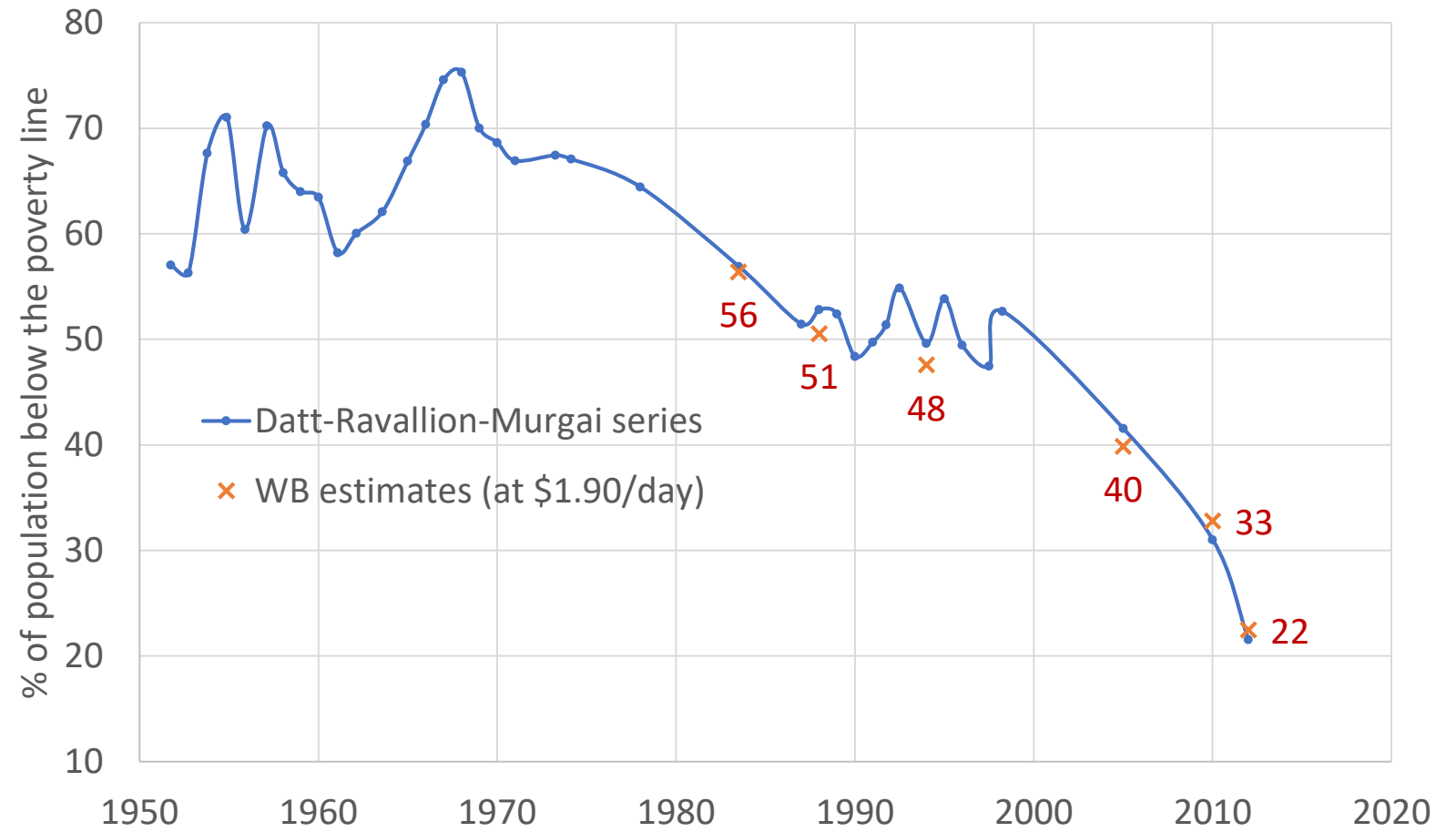
- Why is the distinction between before and after 2012 pertinent?
- “Poverty of data” for the post-2012 period
- Has led to what has been termed as the Great Indian Poverty Debate 2.0

Monetary poverty reduction before and after 2012

- The first iteration of the GIPD was in the early 2000s (Deaton and Kozel, 2005) :
 - ▶ Trigger: a change in the National Sample Survey methodology (for the 55th round of its Consumer Expenditure Survey for 1999-00)
 - ▶ Caused much debate on the extent of decline in poverty during and up to the end of the 1990s
- The second iteration of GIPD
 - ▶ Of more recent origin – also prompted by a lack of comparable data, though with a difference, and potentially more serious
 - ▶ The main (monetary) poverty instrument, the National Sample Survey (NSS) Organization's Consumer Expenditure Surveys have not been available since 2011-12
 - ▶ Suppressed NSS consumption survey for 2017-18 (poverty estimates based on leaked tabulations)
 - ▶ Heated debate on what's happened to poverty since 2011-12

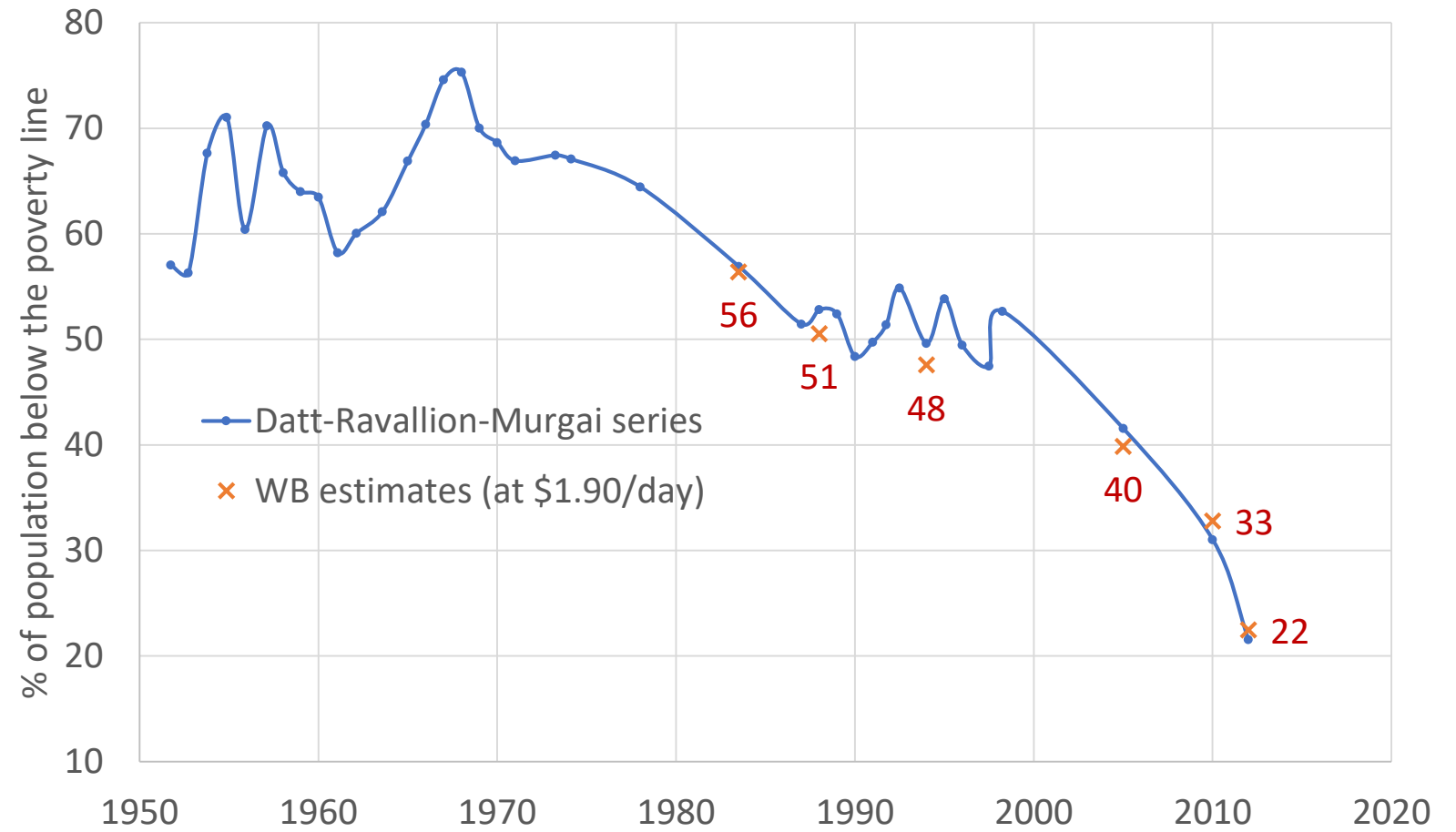
Trends in monetary poverty up to 2012

- 60-year poverty series by Datt, Ravallion and Murgai (2020), 1951-2012
- Use a poverty line very close to the international poverty line of \$1.90 per person per day (2011 PPP dollars)



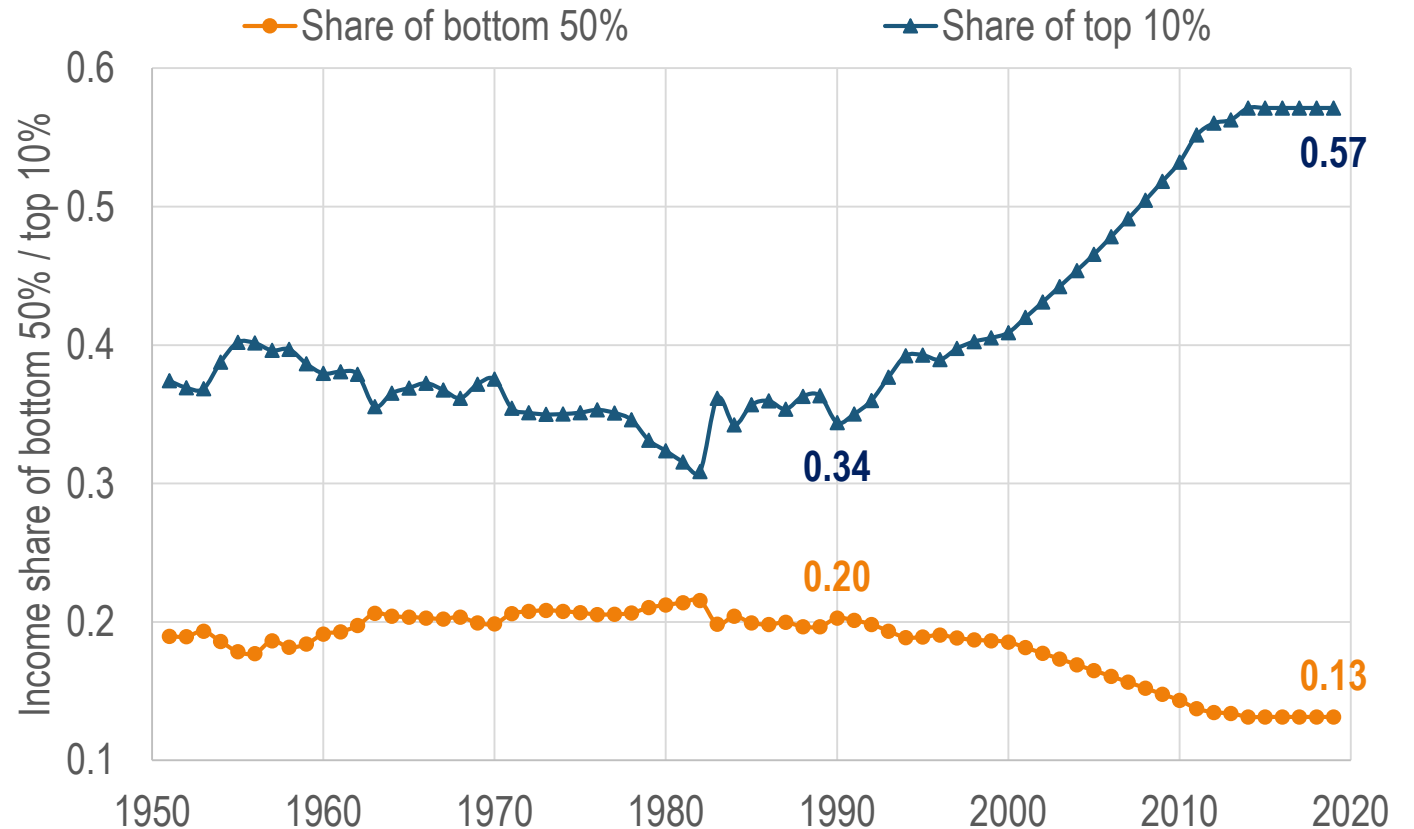
Trends in monetary poverty up to 2012

- Trend decline in poverty only started since the late 1970s
- Acceleration of poverty decline during 2000-12
- Reflects the acceleration of growth over this period



Rise in inequality since the 1980s

- Acceleration of growth and poverty reduction came with a significant rise in inequality
- Especially between 1990 and 2010
- Since early 2010s, inequality has stabilized at a high level
- India is among countries with the highest levels of income inequality



Source: World Inequality Database, <https://wid.world/>.

Trends in monetary poverty since 2011-12?

- In the absence of an NSS consumption survey, a range of estimates for the post-2012 period – with varying methodologies and data sources.

- ▶ 2011-12: 22%
- ▶ 2017-18: 7%-14%
- ▶ 2019-20: 3%-10%

- Leaked NSS 2017-18

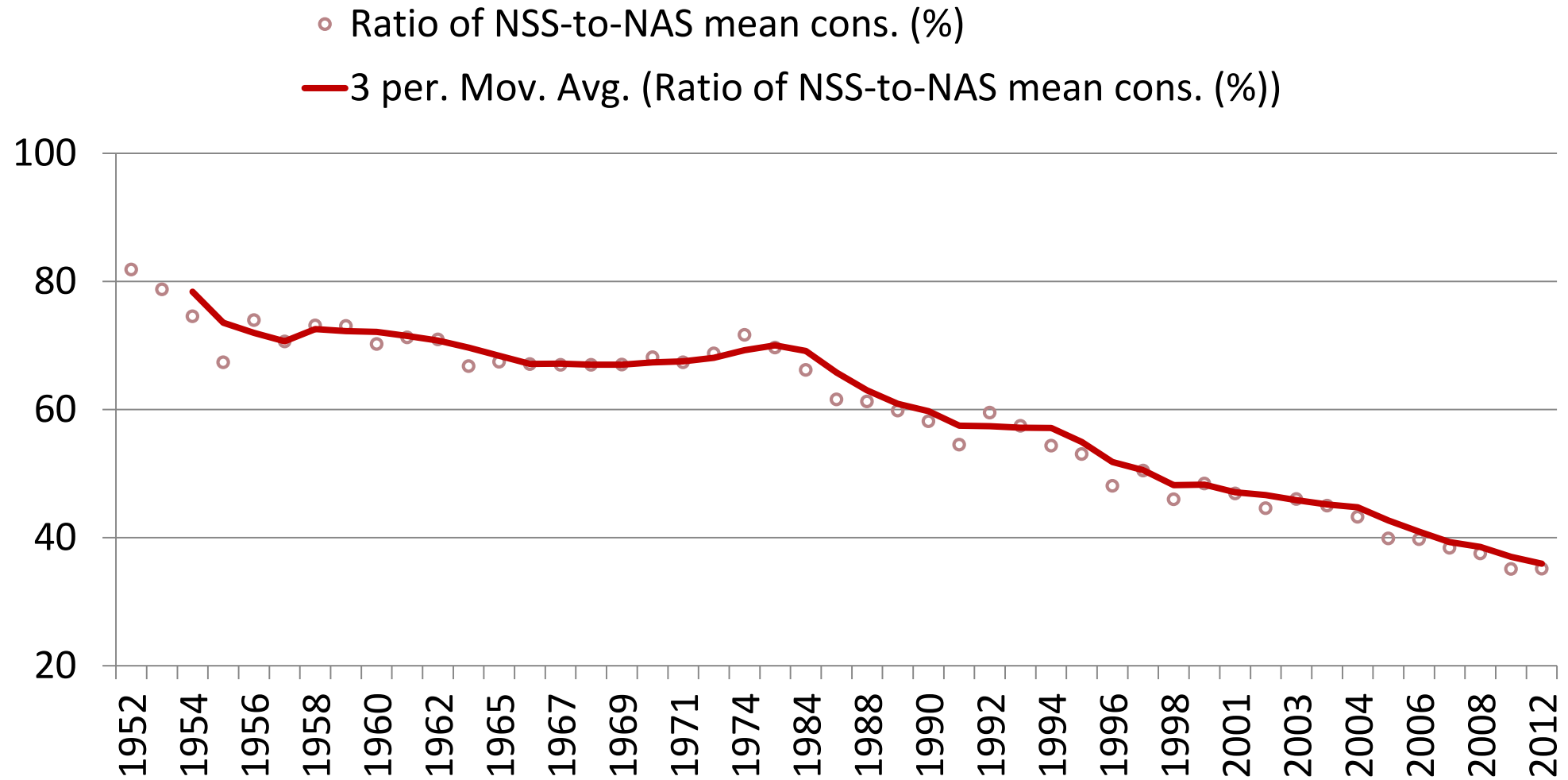
- ▶ No change in poverty nationally since 2011-12
- ▶ Increase in rural poverty

	% of population below \$1.90/person/day			
	2011-12	2014-15	2017-18	2019-20
Newhouse and Vyas (2019)	22.5	14.6		
Edochie et al. (2022)	22.5		10.4	
Bhalla, Bhasin and Virmani (2022)	21.8		7.2	3.4
Roy and van der Weide (2022)	22.5		13.6	10.2
Subramanian (2019) - Leaked NSS distribution	29.7		30.2	

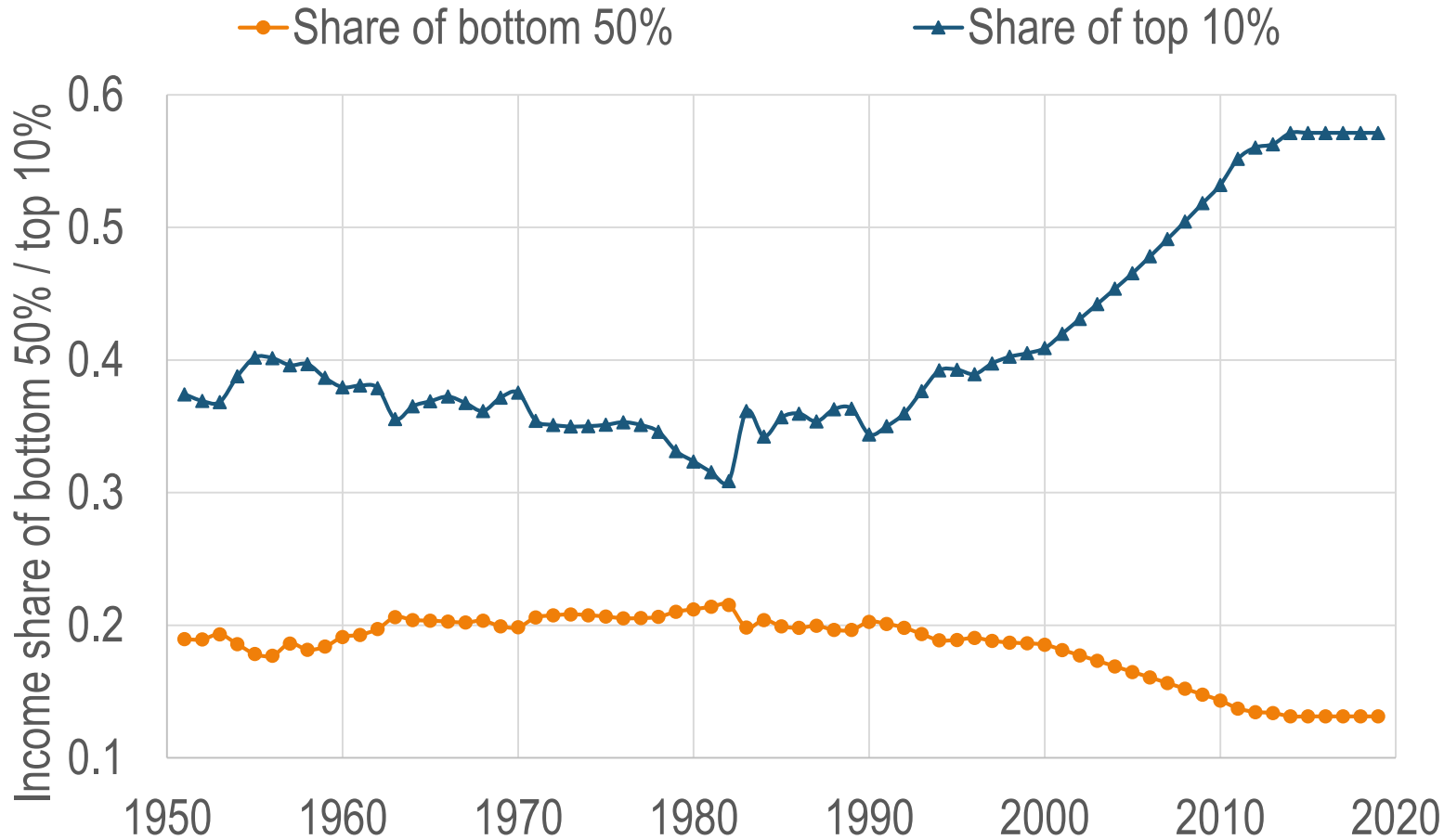
A comment on the BBV estimates

- BBV claim: India has virtually eliminated extreme poverty (using the \$1.90 poverty line)
- However, this is arguably based on a questionable methodology.
 - ▶ BBV assume that every household's per capita consumption in the 2011-12 survey has increased by the same rate as per capita consumption from the National Accounts
 - Assume a “pass-through” rate of 1, instead of a globally-estimated pass-through rate of 0.67 used by Edochie et al.
 - Pass-through rate (β): $\text{growth in survey consumption} = \beta \times (\text{growth in NA consumption})$
 - For India, the pass-through rate is even lower:
 - For 1991-2012, 2.0% r.o.g. of survey per capita consumption, 3.8% r.o.g. of NA per capita consumption
 - Assume growth is distribution-neutral – in contrast to evidence the drift between survey and NA consumption is related to missing top incomes, while top income shares have been rapidly rising in India (Chancel and Piketty, 2019)

Falling ratio of survey to NA per capita consumption (using the same deflator)



And this is related to the rise in inequality

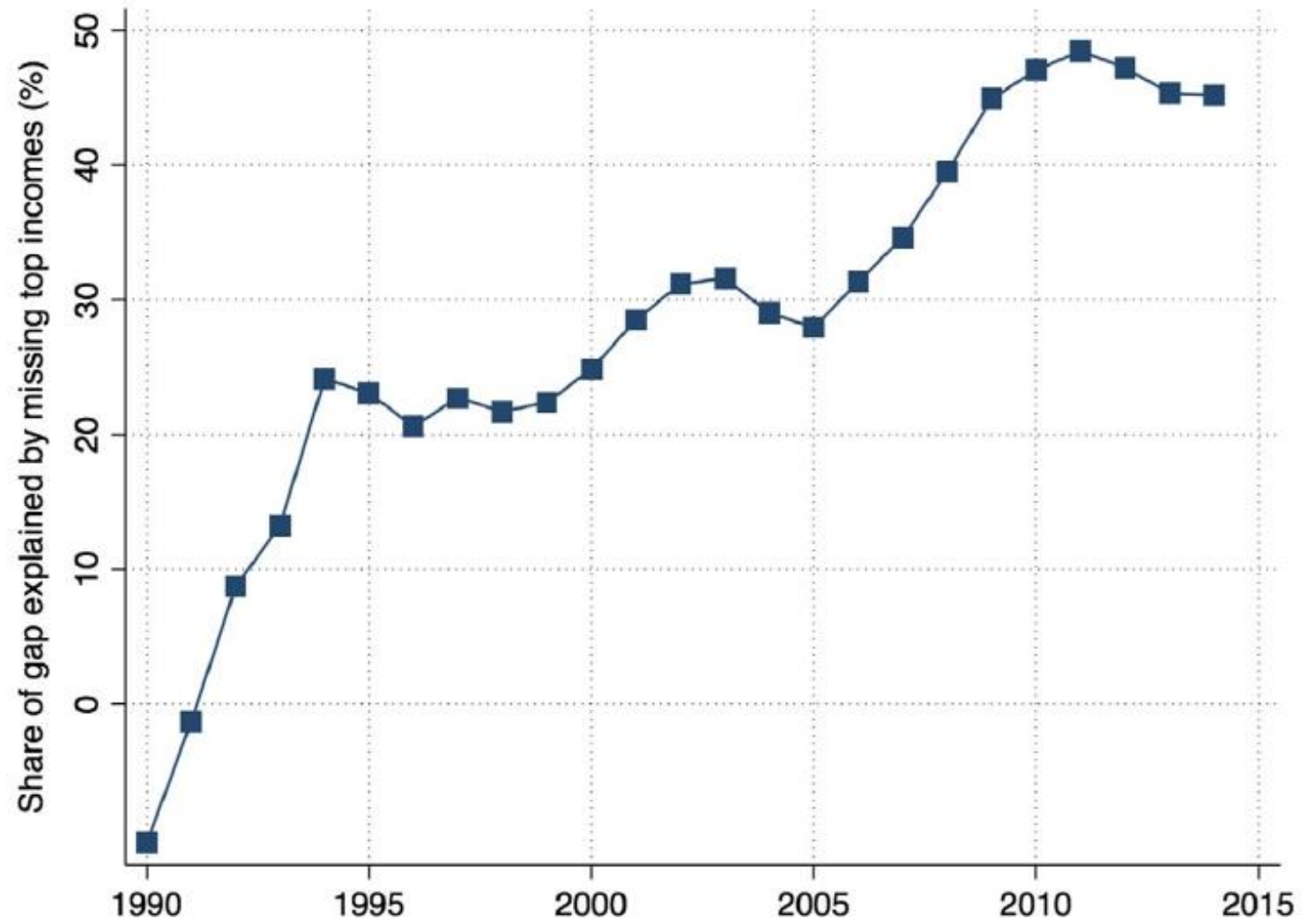


Chancel and Piketty
(2019): About **45%** of
the gap between survey
and NA explained by
missing top incomes.

Source:
<https://wir2022.wid.world/methodology/>

Missing top incomes
account for a large
part of the NA-survey
gap in mean
consumption

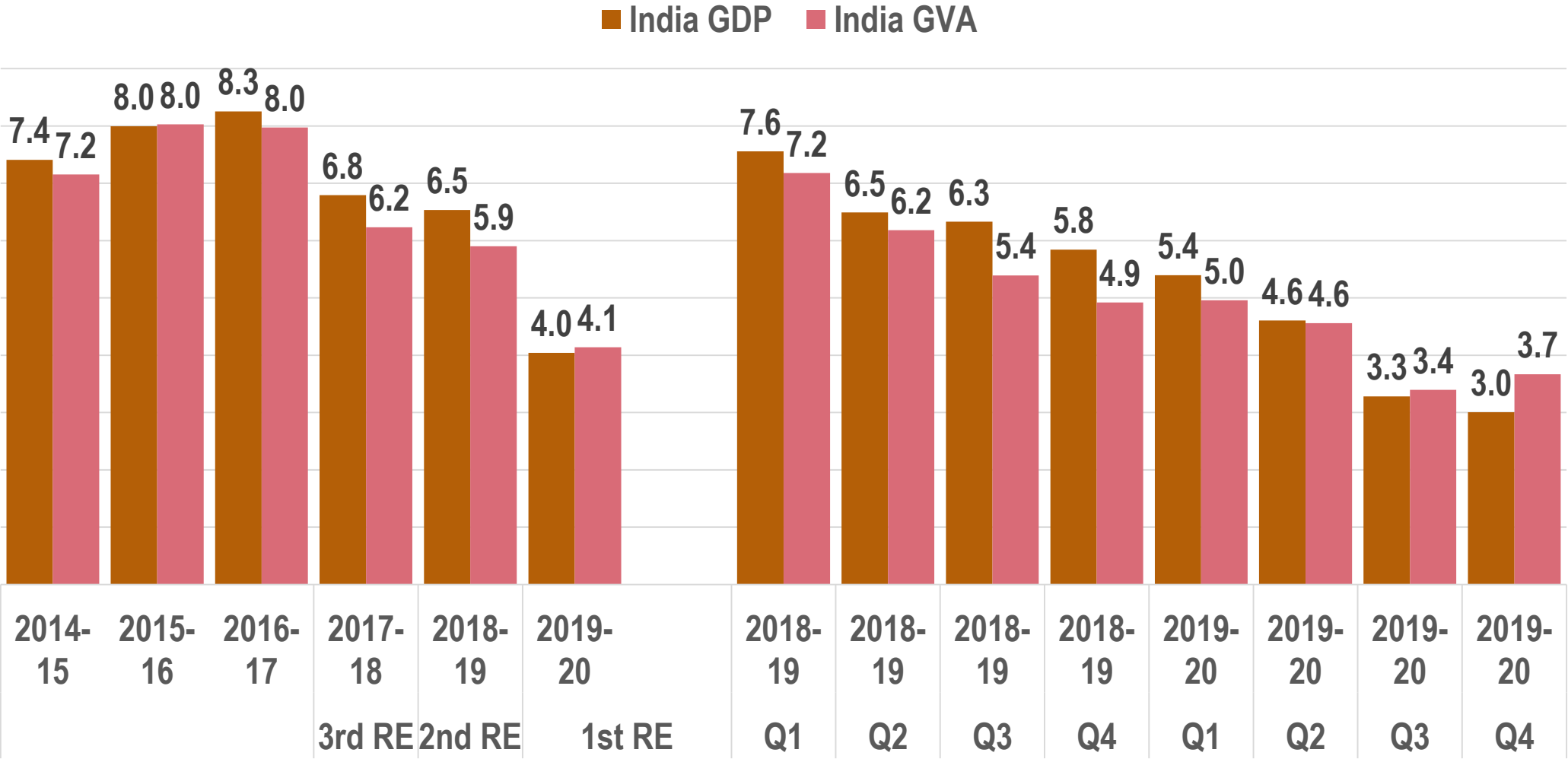
Chancel and Piketty
(2019)



Summary: Record of (monetary) poverty reduction post-2012?

- Difficult to be conclusive
 - ▶ The suppressed NSS survey for 2017-18 suggests stalling of poverty reduction nationally, and an increase in rural poverty
 - ▶ However, there remain concerns about the validity of this survey
 - ▶ Evidence relying on other sources of data and projections based on the 2011-12 survey suggests significant poverty decline up to 2019-20
- The only relatively firm conclusion seems to be
 - ▶ There has been a **deceleration in the rate of poverty decline** during 2011-2019 relative to the preceding decade

Not surprising given the big growth slowdown since 2016



2. Trends in Multidimensional Poverty

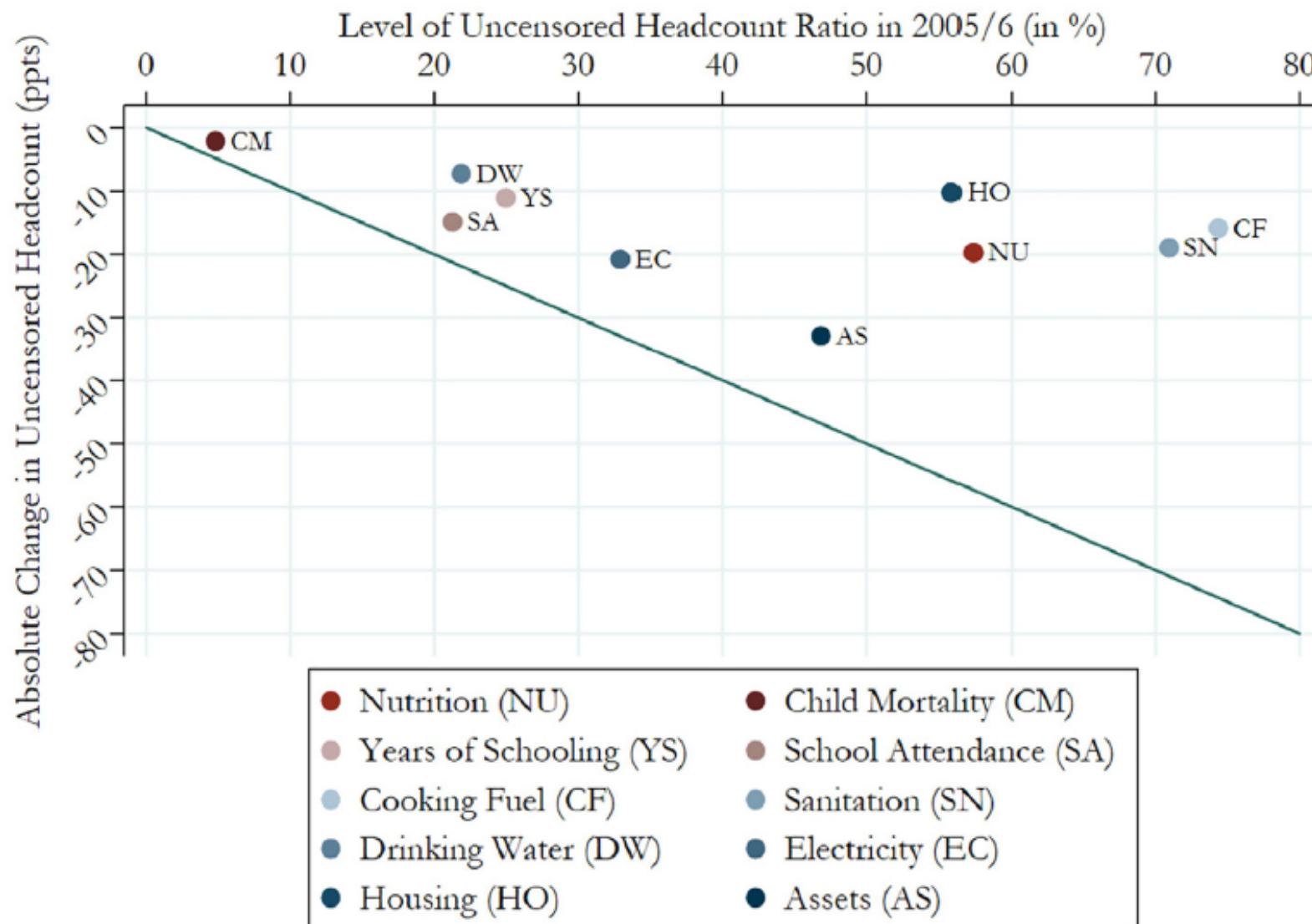
What about progress in multidimensional poverty?

- Evidence limited to the period 2005-06 (NFHS-3) and 2015-16 (NFHS-4)
 - ▶ Near halving of the percentage of population who were MD-poor: **from 55% to 28%**
 - ▶ Fall in the number of MD-poor by **271 million**
 - ▶ Intensity of MD-poverty also declined

	2005-06	2015-16
MPI	0.283	0.123
H (%)	55.1	27.9
A (%)	0.51	0.44
# multidimensionally poor (million)	641	370

Source: Alkire, Oldiges and Kanagaratnam (2021)

Across the board improvement in all 10 indicators between 2005-6 and 2015-16



Source: Alkire, Oldiges and Kanagaratnam (2021)

Summary: Record of multidimensional poverty reduction over the last decade?

- Impressive progress in the reduction of multidimensional poverty during 2005-06 to 2015-16
- Is this consistent with the record on monetary poverty?
 - ▶ We don't know how much of the fall in MD-poverty occurred up to 2011-12 (the last NSS consumption survey)
 - ▶ Has there been a deceleration in MD-poverty reduction?
 - Compared to the period 1998-99 to 2004-05, there has been an *acceleration* during 2005-06 to 2015-16
 - But signs of **mixed progress since 2015-16** – recently released Factsheet from NFHS-5 for 2019-21

National Family Health Survey-5, 2019-21: India Factsheet

Improvement
in a range of
indicators,
though at
varying rates

	2015-16	2019-21
Women with 10 or more years of schooling (%)	35.7	41.0
Men with 10 or more years of schooling (%)	50.2	47.1
Neonatal mortality rate (NNMR)	29.5	24.9
Infant mortality rate (IMR)	40.7	35.2
Under-five mortality rate (U5MR)	49.7	41.9
Population in households with electricity (%)	88.0	96.8
Population in households with an improved drinking-water source (%)	94.4	95.9
Population in households that use an improved sanitation facility (%)	48.5	70.2
Households using clean fuel for cooking (%)	43.8	58.6
Institutional births (%)	78.9	88.6
Children age 12-23 months fully vaccinated (%)	62.0	76.4

National Family Health Survey-5, 2019-21: India Factsheet

Some areas of concern

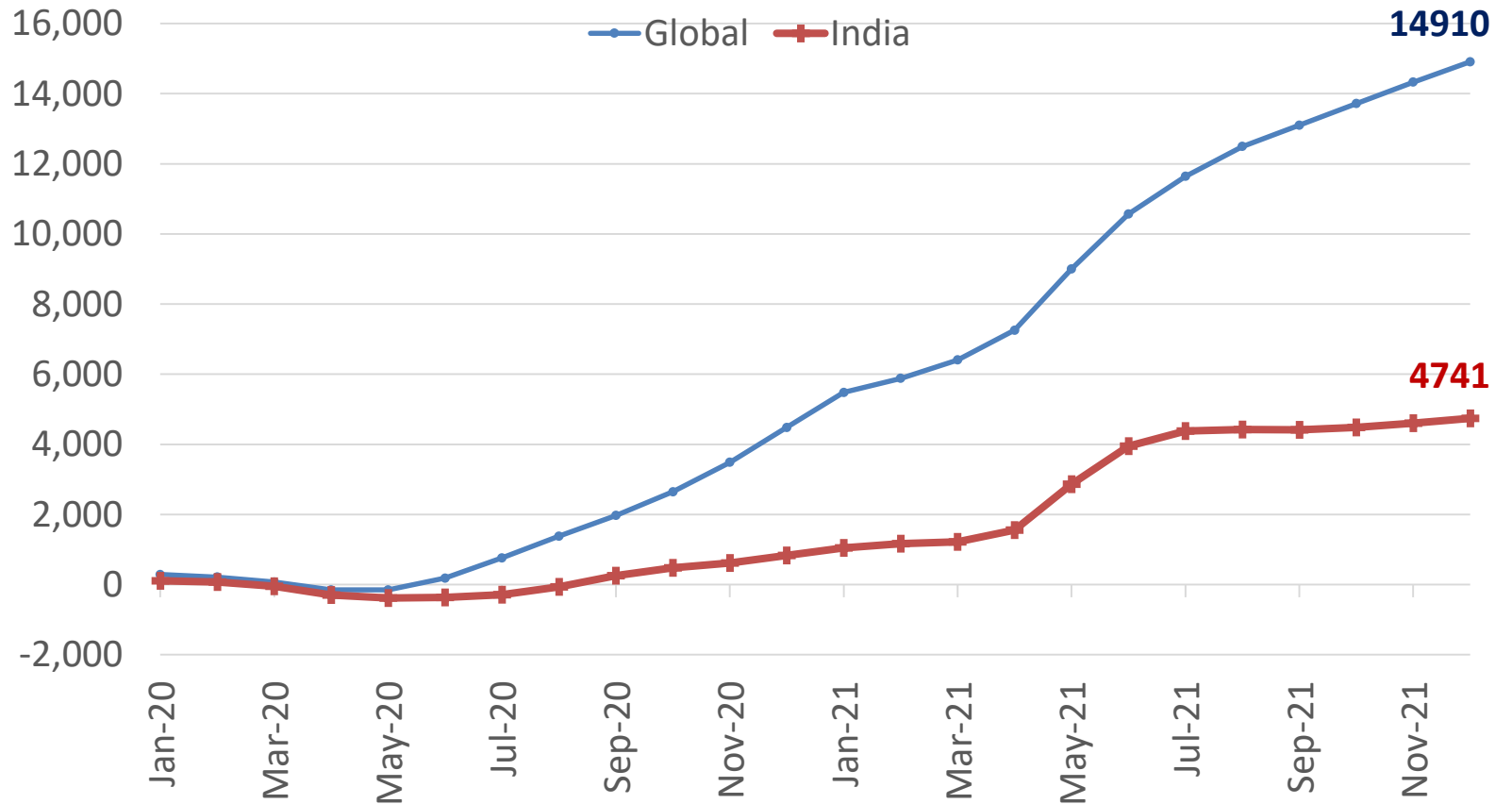
	2015-16	2019-21
Children under 5 years:		
Prevalence of diarrhea in the 2 weeks preceding the survey (%)	9.2	7.3
Who are stunted (height-for-age) (%)	38.4	35.5
Who are wasted (weight-for-height) (%)	21.0	19.3
Children age 6-59 months who are anaemic (<11.0 g/dl) (%)	58.6	67.1
All women age 15-49 years who are anaemic (%)	53.1	57.0
Women who worked in the last 12 months and were paid in cash (%)	24.6	25.4

3. Impact of the Pandemic

COVID-19 Excess Mortality (does not show up in poverty projections)

WHO estimates (as of March 2022)

- 4.7 million excess deaths in India associated with COVID-19 during Jan 2020-Dec 2021
- Almost one-third of global excess deaths – much higher than 18% share in global population
- 9.9 times the reported COVID deaths (0.48 million)

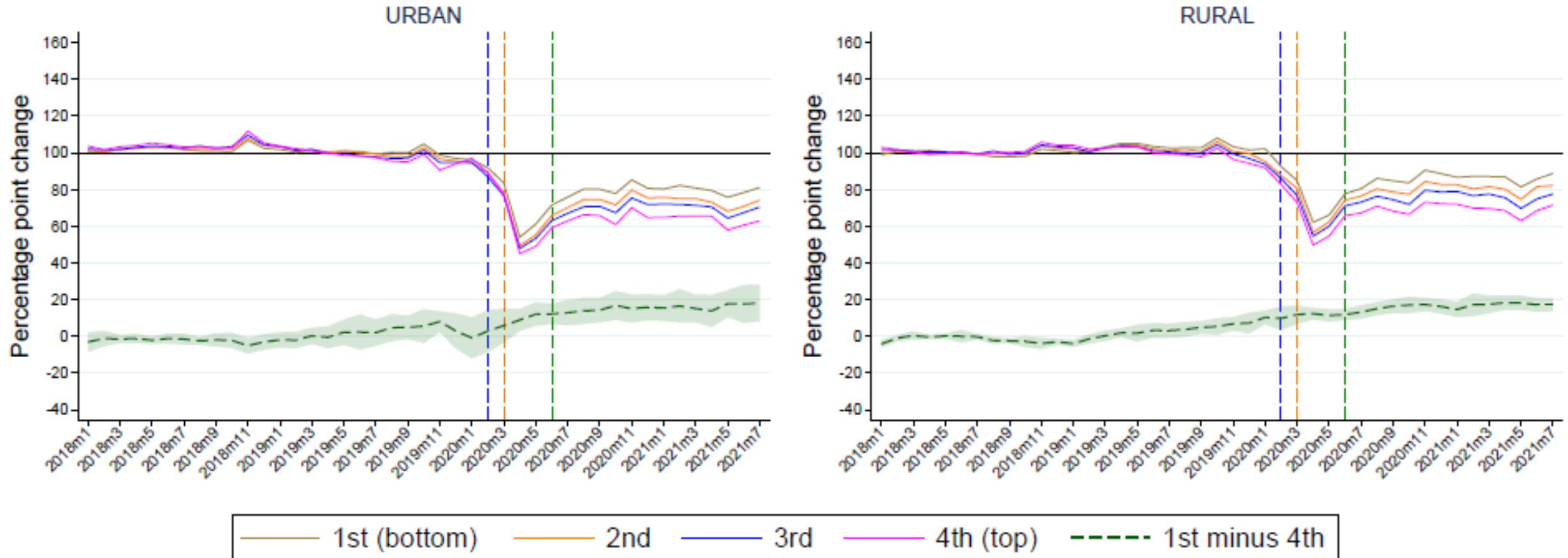


Impact of the pandemic

- No firm estimates of COVID-19 impact on poverty: range from:
 - ▶ no increase (Bhalla, Bhasin and Virmani, 2022)
 - ▶ 75 million additional poor (Kochhar, 2021)
 - ▶ Very large increase, >30 percentage points (Gupta, Malani and Woda, 2021) though using a much higher poverty threshold
 - Using the National Minimum Wage (income of Rs 1909 and Rs 2256 per capita month in rural and urban areas, in 2012 terms), poverty spiked sharply from 40% to 70% in rural areas and 25% to 65% in urban areas during the lockdown.
 - More telling is the fall in consumption across quartiles

Fall in consumption during the lockdown, by quartile

(using data from the Consumer Pyramid Household Surveys)



Source: Gupta, Malani and Woda, 2021

Impact of the pandemic

- While no firm estimates of COVID-19 impact on poverty, a very large number of micro studies (including some large-scale surveys) that document the economic and social impact on the pandemic in India:

- ▶ <https://cse.azimpremjiuniversity.edu.in/covid19-analysis-of-impact-and-relief-measures/> lists

93 surveys

- ▶ Too difficult to summarize, but they document a wide range of impacts on:
 - Employment, income, consumption, remittances, food scarcity, nutrition, financial stress (savings and debt), health (including mental health) and healthcare, business activity (impact on MSMEs), education and learning losses
 - Access to relief and government support* - not all that was announced was actually received.

Not all the announced support was actually received: An example from rural Bihar

Free additional ration – many received nothing!

Additional free ration

initially for 3 months of April, May and June 2020, later extended for another 5 months through to November

5 kg of wheat or rice per person

and

1 kg of pulses per household per month

to all ration cardholders

Free rice/ wheat received	% of all households	% of households with ration card	Amount received (kg per month per person listed on the ration card)	
			Median	Mean
No ration card	18.4			
With ration card				
Received nothing	1.5	1.8	0.00	0.00
Received less than 5 kg	63.6	78.0	3.75	3.55
Received 5 kg or more	16.5	20.2	6.25	6.36
Total	100.0	100.0	3.75	4.05

Free pulses received	% of all households	% of households with ration card	Amount received (kg per month per household with ration card)	
			Median	Mean
No ration card	18.4			
With ration card				
Received nothing	1.5	1.8	0.00	0.00
Received less than 1 kg	74.1	90.8	0.63	0.59
Received 1 kg or more	6.1	7.4	1.00	1.09
Total	100.0	100.0	0.75	0.62

Endnote:

“Poverty of Data” and Gaps in Poverty Monitoring

Cessation of official monetary poverty monitoring?

- Official monetary poverty monitoring has come to a halt since the last set of estimates for 2011-12
- India's Planning Commission, the agency entrusted with producing poverty statistics in India, was disbanded in 2014
- Superseded by NITI Aayog (National Institution for Transforming India) in 2015
 - ▶ Has not produced any official monetary poverty estimates since its inception

Pivoting to MPI?

- Official poverty monitoring appears to have pivoted to multidimensional poverty measurement (more on that later).
- Release of the Baseline Report on India National Multidimensional Poverty Index by the NITI Aayog in September 2021
 - ▶ While noting in its Introduction that:

“...the MPI [Multidimensional Poverty Index] as a measure of multiple dimensions of poverty complements monetary poverty statistics” (p.4)
 - ▶ the final section of the Report on Way Forward envisions

“revision of the MPI based on new survey data” (p. 28) and that NITI Aayog will “design and implement or support further initiatives to fast track the adoption of MPI” (p. 29), without any mention of initiatives for tracking monetary poverty.

Whither official poverty monitoring in India?

- It is too early to tell whether this is the end of official monetary poverty statistics in India
- Or whether that task has been *de facto* outsourced to the World Bank
- Regardless of that, there is continuing interest in assessing monetary poverty (for good reason)
 - ▶ Evidenced by the many contributions to the Great Indian Poverty Debate 2.0
- NITI Aayog's recent Baseline Report on India's MPI only provides *a single snapshot* of multidimensional poverty for 2015-16 (based on the National Family Health Survey for the same year)
- Some way to go before the MPI can serve as an instrument for poverty monitoring over time
- The case for supplementing the MPI with monetary poverty measures will always exist