

Poverty & Equity Brief

South Asia

India

October 2022

The most recent official poverty estimates for India are from 2011 at 21.9 percent. There remains considerable uncertainty over the trend and level of poverty in India, a gap that should be filled with the completion of the Household Consumer Expenditure Survey by the NSSO. Given the absence of official data, other data sources have been used to understand the evolution of poverty in India since 2011 including Bhalla, Bhasin, and Virmani (2022), which uses a national accounts based approach, and Roy and van der Weide (2022), which relies on imputed consumption from the Consumer Pyramid Household Surveys implemented by the Centre for Monitoring Indian Economy, a private data company. The World Bank's Poverty and Inequality Platform, currently uses estimates from the latter, which suggest a decline in poverty with an estimated poverty rate of 10 percent in 2019 from 22.5 percent in 2011 (using 2017 PPP \$2.15 poverty line). The adverse shocks brought about by the pandemic and related containment measures in 2020 would have interrupted almost 3 decades of India's progress in poverty reduction. However, correlates of poverty indicate signs of a recovery in 2021 and 2022, although risks remain.

After a mild third wave of COVID-19 in the first quarter of 2022, the second quarter saw a gradual return to normalcy due to India's extensive vaccination campaign and localized containment measures. Headline labour market indicators are on a consistent uptick with unemployment, labour force participation and worker-population rates back to pre-pandemic levels. Latest official data on earnings, however, show sluggish real wage growth for low-income workers in both rural and urban areas.¹ In rural areas, the number of households demanding work under the public workfare scheme, considered as employment of last resort, is still 20 percent higher between April-June 2022 than the same months before the pandemic. Another indicator of distress among low-income groups is the high rate of default in the Micro, Small and Medium Enterprises (MSME) sector.² Along with increased informality and a shift to rural, agricultural work, this would have equity implications for India's workforce.

The outlook for poverty reduction in FY2023 is threatened by slower economic growth and inflation. Extreme heatwaves in early 2022 and rising input costs due to global conditions contributed to shocks to farmer incomes despite higher food prices. Given that a large share of low-income households is engaged in agriculture and that poorer households allocate more of their budget on food, the impacts of these shocks are likely to be regressive.

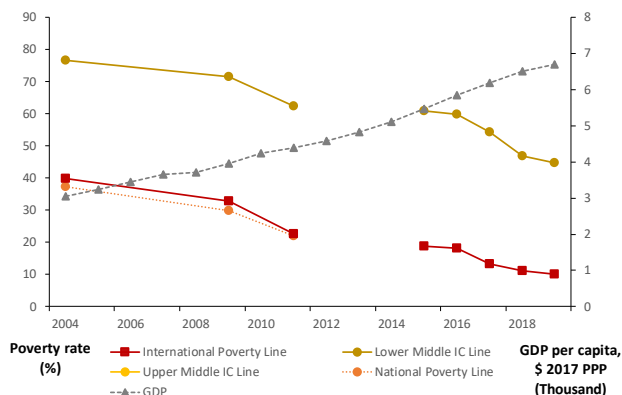
[1] Urban wages based on Periodic Labour Force Survey 2019-20, 2020-21 and rural wages based on Labour Bureau data.

[2] <https://indianexpress.com/article/india/COVID-distress-one-in-6-msme-loan-accounts-under-govt-pandemic-relief-package-turns-mpa-8137567/>

| POVERTY | Number of Poor (million) | Rate (%) | Period |
|--|--------------------------|----------|-----------|
| National Poverty Line | 275.5 | 21.9 | 2011 |
| International Poverty Line 46 in Indian rupee (2019) or US\$2.15 (2017 PPP) per day per capita | 136.8 | 10.0 | 2019 |
| Lower Middle Income Class Poverty Line 78.1 in Indian rupee (2019) or US\$3.65 (2017 PPP) per day per capita | 611.9 | 44.8 | 2019 |
| Upper Middle Income Class Poverty Line 146.6 in Indian rupee (2019) or US\$6.85 (2017 PPP) per day per capita | N/A | N/A | N/A |
| Multidimensional Poverty Measure | | N/A | N/A |
| SHARED PROSPERITY | | | |
| Annualized Consumption Growth per capita of the bottom 40 percent | | 4.48 | 2015-2019 |
| INEQUALITY | | | |
| Gini Index | | 35.7 | 2019 |
| Shared Prosperity Premium = Growth of the bottom 40 - Average Growth | | -0.37 | 2015-2019 |
| GROWTH | | | |
| Annualized GDP per capita growth | | 5.19 | 2015-2019 |
| Annualized Consumption Growth per capita from Household Survey | | 4.86 | 2015-2019 |
| MEDIAN INCOME | | | |
| Growth of the annual median income/consumption per capita | | 4.84 | 2015-2019 |

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of September 2022, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2004-2019

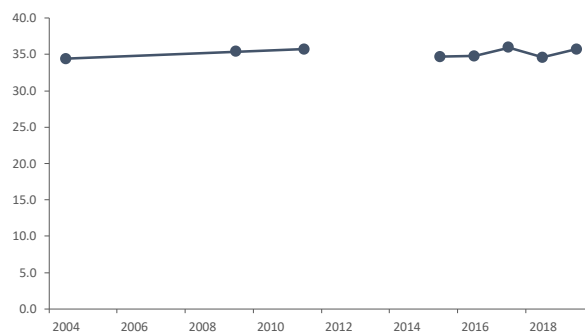


Note: Nowcast for 2015-2019

Source: World Bank using CPHS/SARMD/GMD

INEQUALITY TRENDS, 2004-2019

Gini Index



Source: World Bank using CPHS/SARMD/GMD

KEY INDICATORS

| Distribution among groups: 2011 | International Poverty Line (%) | | Relative group (%) | | Multidimensional Poverty Measures: (% of population) |
|---|--------------------------------|------|--------------------|--------|---|
| | Non-Poor | Poor | Bottom 40 | Top 60 | |
| Urban population | 86 | 14 | N/A | N/A | Monetary poverty Daily income/consumption less than US\$2.15 per person N/A |
| Rural population | 74 | 26 | N/A | N/A | |
| Males | 78 | 22 | N/A | N/A | Education At least one school-aged child is not enrolled in school N/A No adult has completed primary education N/A |
| Females | 77 | 23 | N/A | N/A | |
| 0 to 14 years old | 70 | 30 | N/A | N/A | Access to basic infrastructure No access to limited-standard drinking water N/A No access to limited-standard sanitation N/A No access to electricity N/A |
| 15 to 64 years old | 80 | 20 | N/A | N/A | |
| 65 and older | 81 | 19 | N/A | N/A | |
| Without education (16+) | 70 | 30 | N/A | N/A | |
| Primary education (16+) | 77 | 23 | N/A | N/A | |
| Secondary education (16+) | 86 | 14 | N/A | N/A | |
| Tertiary/post-secondary education (16+) | 96 | 4 | N/A | N/A | |

Source: World Bank using CPHS/SARMD/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

POVERTY DATA AND METHODOLOGY

National poverty estimates for India in 2011 and before are based on rounds of Household Consumption Expenditure Surveys conducted by the National Sample Survey Office (NSSO). The round conducted in 2011-12 is the most recent for which consumption data is available. Estimates between 2015-19 are based on a World Bank Policy Research Working paper by Roy and van der Weide (2022), which relies on imputed consumption from the Consumer Pyramid Household Surveys (CPHS) implemented by the Centre for Monitoring Indian Economy, a private data company. The authors re-weight the survey sample and apply a method-of-moments approach to make consumption data collected in CPHS more comparable to NSSO collected consumption data. The international poverty estimates are based on the \$2.15 per person per day in 2017 PPP terms. The national PPP is disaggregated into rural and urban PPP to reflect cost-of-living differences in these areas.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

HARMONIZATION

The numbers in this report are based on SARMD. The South Asia Micro Database (SARMD) is a regional database of socio-economic indicators established in 2014 managed by SARTSD. It includes 40 surveys covering 8 countries. It follows the Global Monitoring Database (GMD) Harmonization guidelines, including the construction of the welfare aggregate which is used for the Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.