



## The Lack Of Poverty Data and Its Questionable Statistics Have Once Again Flared The Great Indian Poverty Debate. Explain. (250 Words / 15 M) ( GS-2 Issues of Poverty )

### Approach:

1. Introduction
2. Mention the stalling of release of poverty estimates.
3. Explaining the debate by citing recent researches with their contrasting findings.
4. Conclusion – need to reinstate the integrity of poverty statistics.

In the early 2000s, economists had engaged in a heated debate about **how much India's 1990 liberalization had reduced poverty**. Christening it ***The Great Indian Poverty Debate***, Nobel Laureate Angus Deaton and Valerie Kozel noted "the various claims have often been frankly political, but there are also many important statistical issues."

**No official poverty numbers** : From a technical perspective, this debate is interesting because the data are so bad because the integrity of India's statistical system has come into question over recent years.

Official poverty measurement essentially **stopped in 2011-12**. Leaked data from the 2017-18 National Sample Survey showed a startling **3.7% decline** in real consumption over six years, and the survey was never released. In the absence of official survey data, two new papers offer creative solutions to fill in the gaps, and reach different conclusions about what might be happening to poverty.

- **A new paper by World Bank researchers :**

Using data from the **Consumer Pyramid Household Survey** (CPHS) run by the Centre for Monitoring the Indian Economy, they have come up with a new estimate of Indian poverty. The CPHS sample appears to **undercount poor households**, and even **small differences** in how consumption questions can make a big difference. This new paper explains how they **reweight the CPHS data** to make it comparable to the NSS series. The end result though is cautiously optimistic. The paper titled, ***'Poverty in India Has Declined over the Last Decade But Not As Much As Previously Thought'***, makes four basic claims :

- Extreme poverty **fell 12.3% points** from 2011 to 2019 using the World Bank's **\$1.90** per day line in purchasing-power parity terms.
- Poverty stands at **2% in 2019**, considerably higher than earlier projections based on consumption growth observed in national accounts.
- **Urban poverty rose by 2% points** during the **2016 demonetization**, and **rural poverty reduction stalled by 2019**, when the economy slowed.
- **Inequality** has **stopped rising** since 2011.

Consumption growth in the CPHS survey also looked **surprisingly high** in the latter years,



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especially **2019-20**. That year the **index of industrial production** for consumer goods registered an **absolute decline of 3.8%** (even more in per capita terms), **real rural wages declined**, and **real urban wages grew less than 2%**—meanwhile the CPHS showed growth in **real per capita consumption** of **6.2%**.

- **IMF Working paper** : they start from the last official 2011-12 survey and shift the distribution in line with the growth of consumption in the national accounts, and then add in explicit allowance for government food subsidies. They conclude that :
- India has essentially **eliminated extreme poverty**. They estimate the proportion of the population **below \$1.90 in PPP terms** at just **8%** before the pandemic.
- The **pandemic didn't increase poverty**. Rather, "food transfers were instrumental in ensuring that it remained at that low [0.8 percent] level in pandemic year 2020."
- **Inequality has fallen** to the **lowest level** since 1993-94, with a Gini after transfers of 0.29.

It makes an interesting claim that **previous estimates have overestimated poverty** because they **rely only on survey measures** of actual expenditure on food items, **implicitly omitting the government subsidy** embodied in India's massive Public Distribution System (PDS). The deeper challenge with this **"zero poverty" calculation** is its **reliance on official national accounts data**, which has exaggerated the true poverty reduction.

In sum, it is unlikely to be any resolution to this debate any time soon, but reliance on national accounts is even more fraught and politicized territory. As it stands now, we have a wide range of estimates for poverty changes since the last accepted estimate of **22.5%** for **2011-12**: from an increase (unreleased NSS, 2017-18) to a near-elimination by 2019. Until the **integrity of the official household surveys is restored**, any judgment on the government's efforts to reduce poverty appears tentative at best, and **the great Indian poverty debate will go on**.