

Poverty, Wellbeing, Hunger: Where Do We Stand?

India's progress may have been affected by growth slowdown from 2016-17 to 2019-20

C Rangarajan & S Mahendra Dev



This article examines the question – how best to measure poverty? It (a) looks at indicators and trends of some poverty-estimation

methods and (b) stresses that poverty based on consumption is still important and there is a need for strengthening the quality of consumer expenditure data.

Consumption, MPI, GHI

In the consumption method, any household failing to meet the minimum level of consumption expenditure or poverty line can be treated as a poor household. This minimum level of consumption expenditure can be derived from minimum expenditure on food and non-food items.

The Multidimensional Poverty Index (MPI) developed in 2010 by the Oxford Poverty & Human Development Initiative (OPHI) is based on 10 indicators related to health, education and standard of living. A person is MPI poor if they are deprived in at least one-third of the weighted MPI indicators. Recently, Niti Aayog, using the same methodology, released the report 'India: National Multidimensional Poverty Index, Baseline Report'.

The Human Development Index (HDI) is a summary measure of achievements in three key dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living.

Global Hunger Index (GHI) is based on four indicators: undernourishment, child stunting, child wasting and child mortality. The scores are aggregated to calculate the GHI score for each country. Countries are ranked based on the GHI score.

Consumption method best

It is clear that consumption-based method can determine the poverty line and poverty ratio. But the multi-dimensional poverty index arbitrarily sets a



Count us right

cut-off of one-third of weighted indicators. The same criticism applies to Niti Aayog's MPI for India. HDI only shows country rankings. And GHI is a partial index, not related to entire household poverty.

Let us now examine trends in consumer-based poverty from all methods. Estimates of poverty based on consumer expenditure, using the Tendulkar Committee methodology, show over a seven-year period between 2004-05 and 2011-12, the poverty ratio came down from 37.2% to 21.9% and the number of poor came down by 137 million, despite an increase in population.

According to the Rangarajan Committee methodology, the decline between 2009-10 and 2011-12 is 92 million, which is 46 million per annum. GDP growth was strong during this period around 8% per annum. However, with the decline in GDP growth rate from 8.3% in 2016-17 to 4.0% in 2019-20, there are reasons to believe that there may not be any decline in poverty ratio. There is no way of verifying it in the absence of official data after 2011-12.

MPI of Oxford University and UNDP was almost halved between 2005/6 and 2015/16, climbing down to

27.5%. Human Development Reports of UNDP show that trends in HDI values for India increased significantly from 0.536 in 2005 to 0.624 in 2015 and to 0.645 in 2019.

Recently, there have been comments that hunger in India has increased based on the GHI 2021 report that showed a decline in India's ranking to 101 from 95 in 2020. GHI rankings are subject to the number of countries and that has varied between 76 and 119. Scores are relative to other countries. There is improvement in the index but changes are smaller than those for MPI or HDI.

Huge statistical gap

What is disturbing while considering consumption-based estimates is the alarming difference between aggregate private consumption expenditure in the National Sample Survey and the figure provided by the National Accounts Statistics. These two estimates of consumption (NSS and NAS) do not match in any country; India is no exception.

What is perplexing is that the difference in India between the NSS and the NAS consumption has been widening over time. From a difference of less than 10% in the late 1970s, it has widened to 53.1% in 2011-12.

Are there problems in collecting the data on consumer expenditure? We do not have officially released estimates after 2011-12. We urge that the data on consumer expenditure for the latest normal year should be collected.

The NSSO Advisory Group or the National Statistical Commission must study the problem and come out with possible suggestions for improving the collection of data through both routes and narrowing their differences. The National Statistical Office can collect the consumer expenditure data for a normal year after analysing the reasons for difference between NSS and NAS estimates.

C Rangarajan is former Chairman of the Economic Advisory Council to the Prime Minister and former Governor, RBI, and S Mahendra Dev is Director and Vice-chancellor, Indira Gandhi Institute of Development Research, Mumbai