

Unmasking Poverty in India: What the World Bank Data Really Tells Us

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Poverty in India Latest News

- In recent months, India's poverty statistics have gained attention. In April 2025, the government cited a World Bank report claiming 171 million people were lifted out of extreme poverty over a decade.
- Later, the World Bank updated its poverty estimates, stating that only 5.75% of Indians now live in abject poverty, down from 27% in 2011–12.

Poverty Line

- A poverty line is the income threshold used to determine who is considered poor in a given economy.
- The poverty line varies with time and location. Income sufficient in 1975 may be inadequate today, and lifestyles differ across regions.
- There is no universal poverty line. Different benchmarks can be set based on context and purpose, allowing for more accurate analysis.

Reasons Behind India Using the World Bank's Poverty Line to Estimate Poverty

- India's last recognised poverty line was based on the **2009 Tendulkar Committee formula, using 2011-12 data**.
- In 2014, the Rangarajan Committee proposed a new method, but it was never formally adopted.
- Due to data gaps and outdated methods, India now relies on NITI Aayog's Multidimensional Poverty Index or the World Bank's poverty line.
- In the absence of updated national metrics, the World Bank's poverty line is increasingly used to estimate poverty trends in India.

About World Bank's Poverty Line

The World Bank's poverty line reflects the cost of basic living, adjusted to each country's **purchasing power parity (PPP)**, to allow fair comparisons.

Origins of the \$1-a-Day Benchmark

In 1990, researchers used PPP exchange rates to compare national poverty lines of the poorest countries, establishing the first global standard: \$1/day (1985 prices).

Adjustment for Inflation and Global Context

- As global prices rose, the World Bank updated its poverty line—most recently raising it to \$3/day in June 2025.
- At the 2025 PPP rate (₹20.6/USD), India's extreme poverty line equals ₹62/day. For comparison, the PPP rate is 0.67 for the UK and 3.45 for China.

Key Takeaways from the Latest World Bank Data on Poverty in India

There are few takeaways from the latest World Bank data shown on poverty in India.

Revised Historical Poverty Estimates

The World Bank's latest data shows India's past poverty levels were overestimated. For example, 1977-78 poverty was 47%, not 64%.

New Poverty Line: \$3 Per Day (PPP)

- The World Bank adopted a new poverty line of \$3/day (PPP-adjusted).
- Using this, India's poverty fell from 27% in 2011-12 to under 6% in 2022-23.

Sharp Reduction in Extreme Poverty

India's extreme poor declined from about 34.4 crore in 2011-12 to 7.5 crore in 2022-23 — a significant improvement.

Misconceptions About the Poverty Line

- A common mistake is converting \$3 using the market rate (₹85/USD).
- Instead, PPP conversion applies — approximately ₹20.6 per dollar — reflecting actual purchasing power.
 - The \$3/day poverty line is not a direct cash figure but reflects what \$3 can buy in India, adjusted for local costs.

India's Own Domestic Poverty Lines

- **Pre-Tendulkar (2009):** ₹17/day (urban), ₹12/day (rural)
- **Tendulkar Committee (2009):** Raised to ₹29/day (urban), ₹22/day (rural)
- **Updated for 2011-12:** ₹36/day (urban), ₹30/day (rural)
- **Rangarajan Committee (2014):** Recommended ₹47/day (urban), ₹33/day (rural)

Poverty in India: A Matter of Perspective

Despite India's history of poverty research, defining who is poor varies widely. Estimates range from 5.75% to 66%, depending on the benchmark used.

Multiple Measures, Conflicting Realities

- 5.75% live below the World Bank's \$3/day (₹62) poverty line.
- 24% is the poverty benchmark for lower middle-income countries.
- 20% voluntarily offer labour for minimal wages.
- 66% receive free food under government schemes.
- These diverse indicators present a conflicting picture of poverty.

Policy vs Reality: Income Tax Benchmark

The 2024 Union Budget waived tax for those earning up to ₹12 lakh/year (₹3,288/day), contrasting sharply with the ₹62/day poverty line — highlighting the vast income spectrum.

Two Ways to Interpret WB Data

- First, celebrate the reduction in extreme poverty.
- Second, reflect on broader economic hardship, as 83% of Indians live on just ₹171/day — a figure that includes total income or expenditure.

The Bigger Question: What Truly Defines Poverty?

The variation in definitions and data prompts a deeper inquiry into India's actual economic well-being and whether poverty is being accurately understood or just statistically managed.

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