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**Redefining Poverty Line**

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## **Abstract**

*Throughout the various plan years, efforts have been made consistently to reduce the poverty levels of the country through various programmes including Integrated Rural Development Programme, Jawahar Gram Samriddhi Yojana and many more, but India is still far away from achieving the Sustainable Development Goal 1 (SDG1). These large numbers of poverty alleviation programmes function in silos. There is no systematic attempt to identify people who are truly in poverty, determine their needs and address them. The base of any of these programmes is correct on the ground data. India's definition of poverty has been frequently debated by developmental economists from around the world, with several finding it to be too low and leaving out a handsome number from the benefits of Government schemes. Confusion erupts as multiple expert groups have worked upon a new methodology to measure poverty. This paper is thus an attempt to revisit India's poverty line trajectory and recommend a finer definition to eradicate Social Inequality in the country.*

**Keywords:** *Poverty, SDG1, Poverty Line, Social Inequality, Government Schemes*

## **1.0 Introduction**

Poverty can be defined as a condition in which an individual or household lacks the financial resources to afford a basic minimum standard of living. However, the perception regarding what constitutes poverty may vary over time and across countries. The conventional approach to measuring poverty is to specify a minimum expenditure (or income) required to purchase a basket of goods and services necessary to satisfy basic human needs. This expenditure is called the poverty line. (Ministry of Rural Development, 2020) Eliminating poverty has remained a major challenge right from independence, making its firm ground in the Fifth five-year plan (1974). Although efforts have been made and those have yielded some fruitful results in the right direction but they lack a multidimensional, holistic outlook of the situation.

To resolve the complex problem of poverty, a comprehensive and integrated study is the need of the hour. Measurement of poverty serves as the base to strategize solutions for the eradication of the same. Although by the national estimates, the poverty line stands at 21% implying that in the second most populated country of the world, a mere 2 lakh people are starving of food and income, that should suggest that other 79% have access to enough food and have balanced calorie intake, "The State of Food Security and Nutrition report" provides

otherwise. According to the report, 189.2 million people in India are undernourished and 40 million are stunted representing a dismal state of the nation. (*The State of Food Security and Nutrition in the World 2020 | FAO | Food and Agriculture Organization of the United Nations, 2020*)

Thus, poverty in India is defined in a manner that visualizes it in more human and humane terms ignoring the hard ground realities (Guruswamy & Abraham, 2006). We find extreme poverty in India to be much more than the existing figure. The objective of the paper is to understand the calorie intake criteria of the poverty line and measure its effectiveness and thereby review working/expert group recommendations on measurement of the poverty line to find out a more comprehensive definition of poverty, thus, looking for the possibility of using a Multidimensional Poverty Index (MPI) approach.

## **2.0 History of Poverty Line**

There has been a gradual change in the definition of the poverty line from the 19th century to the 21st century. The earliest effort to estimate the poor was that by Dadabhai Naoroji's "Poverty and Un-British Rule in India" in which he estimated a subsistence-based poverty line of 1867-68 prices. Using the diet prescribed to "supply the necessary ingredients for the emigrant coolies during their voyage living in a state of quietude" which included "rice or flour, dhal, mutton, vegetables, ghee, vegetable oil and salt", he came up with a subsistence cost-based poverty line, ranging from Rs.16 to Rs.35 per capita per year in various regions. In 1938 national planning commission (NPC) formulated its poverty line based on a minimum based living perspective where the nutritional chart was unacknowledged. NPC estimated the poverty line ranging from Rs.15 to Rs.20 per capita per month but in 1994 the authors of Bombay Plan suggested a poverty line of Rs.75 per year.

One of the live-through puzzles related to economic development in India over the past decades has been the "calorie consumption puzzle". Why calorie intake has been a key factor and indecorous at the same time in measuring the poverty line in India.

Some of the reasons which show why calorie intake as a part in measuring poverty line:

1. It was one of the essential parts of sustaining human life.
2. It was important to maintain human need in terms of body shape and avoid a large number of population to put into various health issues.

3. In those days farming was a key part of India's workforce so to keep a good check on that and keep the flow intact.

It suited the best choice to bring calorie consumption into measuring poverty line, calorie intake consumption was directly relatable to the expenditure of an individual.

There were three reports that came in the pre-independence era:

### **2.1 Dadabai Naoroji through his book “Poverty and Unbritish rule in India”**

He estimated a subsistence-based poverty line using the diet prescribed to “supply the necessary ingredients for the emigrant coolies during their voyage living in a state of quietude”, which includes “rice or flour, dhal, mutton, vegetables, ghee, vegetable oil and salt”, he came up with a subsistence cost-based poverty line, ranging from Rs. 16 to Rs. 35 per capita per year in various regions of India.

### **2.2 National Planning Committee (1938)**

In 1938 a national planning committee was set up by Subhash Chandra Bose under the chairmanship of Jawaharlal Nehru for the purpose of outlining an economic plan with the fundamental aim to ensure a passable standard of living for the masses. The National Planning Committee (NPC) estimated a poverty line ranging from Rs 15 to Rs 20 per capita per month. Like the earlier method, the NPC also formulated its poverty line based on a minimum standard of living perspective in which nutritional requirements are unacknowledged.

### **2.3 The Bombay Plan (1944)**

Proponents had suggested a poverty line of Rs.75 per capita per year. This proposal was proposed by a small group of influential business leaders in Bombay in the sense for the development of a post-independence economy.

There has been a lot of debate about keeping calorie intake in measuring the poverty line. Three reasons for understanding the decline in calorie intake.

**First**, Deaton and Drèze (2009) show that even though anthropometric measures, such as height-for-age, weight-for-height, and weight-for-age among children, and adult Body Mass Index (BMI) have improved in India, they are still among the worst in the world.

More importantly, improvements in these measures are slow relative to what might be expected given recent rates of economic growth.

**Second**, calorie intake in rural areas in 2009-10 with the Indian Council for Medical Research (ICMR) norms of 2009 (ICMR 2009), we see that the vast majority of the population consumes less than the required daily intake of calories. This leads us to suggest that a voluntary reduction in calorie intake (as implied by the explanation of the declining need) cannot be the whole story, since it entails people voluntarily reducing calorie intake while failing to put adequate nutritional requirements.

**Third**, an implication of increasing average real expenditure and declining average calorie intake is divided between expenditure-based measures of poverty and calorie-based measures of undernutrition. Even as the headcount ratio has declined over time, the prevalence of undernutrition has increased, a paradoxical phenomenon that has been studied previously (Mehta and Venkatraman 2005, Patnaik 2007, Ray 2007, Smith 2013).

Taken all together, the continued poor performance of India in improving child and adult nutrition and the relatively low levels of calorie intake to a significant proportion. Factors outside the control of households may also be at work.

### **3.0 Evolution of Poverty Line Post Independence :**

#### **3.1 Planning Committee Report- 1961**

It defines the poverty line as Rs. 20 per person per month in rural areas and Rs. 25 per person per month in urban areas. Now, the report did not identify the logic and the rationale or the reasoning or formula on the basis of which this criterion was determined. Nutritional requirements for the family, expenditure calculation for health and education were not considered to arrive at a vague figure of Rs. 20. (Guruswamy & Abraham, 2006)

#### **3.2 VM Dandekar and N Rath**

They made the first systematic assessment of poverty in India in 1971, based on the National Sample Survey (NSS) data from 1960-61. They argued that the poverty line must be derived from the expenditure that was adequate to provide 2250 calories per day

in both rural and urban areas. This, however, generated debate on minimum calorie consumption norms while estimating poverty and variations in these norms based on age and sex. (Dandekar and Rath, 2013)

### 3.3 Yoginder Alagh Committee- 1979

They used a more scientific approach and defined the poverty line on the basis of calorie intake requirements of an individual. The reason for their non-inclusion of education and health expenditures was given that, since these services are provided by the government free of cost, they shouldn't be included. Thus, it defined a calorie intake level of 2100 kilocalories per day for every individual in rural areas and 2400 kilocalories per day in urban areas. (2013)

Table 1: **Minimum calorie consumption and per capita consumption expenditure as per the 1979 Planning Commission task force Alagh Committee estimation**

| Area  | Calories | Minimum consumption expenditure<br>(Rs per capita per month) |
|-------|----------|--------------------------------------------------------------|
| Rural | 2400     | 49.1                                                         |
| Urban | 2100     | 56.7                                                         |

### 3.4 Lakadhwala Committee- 1993

Lakadhwala Committee indexes the poverty line figures on the basis of inflation using the Consumer Price Index for agricultural labourers and CPI- Industrial workers. The defined poverty line was not sufficient to buy specified calorie requirements let alone other household expenses. There was no attempt of changing the consumption basket, the same type of foods included in 1973 were included 2 decades down the lane. Change in people's preferences or consumption patterns was not at all accounted for. The result of the same was the decrease in the percentage of people below the poverty line from 54% to 36%, however, no subsequent improvements in malnourishment levels were seen in the country (Perspective Planning Division, Planning Commission, India, 2012).

### **3.5 Tendulkar Committee - 2009**

Tendulkar Committee delinked the idea of poverty measurement from calorie intake and focused upon non-nutritional requirements and the cost in fulfilling those. The focus was primarily kept on two such items including health and education. The rationale given was that the Government's efforts to provide for health and education has been very limited and large no. of such establishments are private requiring a huge amount of out of the pocket expenditure. Thus, shifting the focus of the poverty line from mere minimum calorie requirement to National Minimum Living Standard. It proposed to do away with the rural-urban criteria as well.

But, no committee is without its flaws, the poverty line recommended by the Tendulkar committee was Rs. 32, considered to be low at that point of time. Also, it completely did away with the calorie intake requirement, thus it paved the way for the Rangarajan Committee (Perspective Planning Division, Planning Commission, India, 2012).

### **3.6 Rangarajan Committee - 2011**

It did not focus only upon calories in terms of nutritional requirements but went on to include the cost of protein as well as fats that an individual would require to consume for a healthy living. The committee had a more comprehensive idea of non-nutritional requirements and identified 4 areas; clothing, rent, conveyance and education as the 4 areas, apart from nutritional requirements whose cost of acquisition also needs to be calculated if at all a poverty line has to be calculated. Though the Rangarajan Committee methodology gives a higher level of absolute poverty ratio, the reduction in poverty ratio from the Rangarajan method is not very different from that of the Tendulkar method (Perspective Planning Division, Planning Commission, India, 2012).

#### **4.0 Reviewing possible indices to effectively measure poverty**

Oxford researchers Sabina Alkire and James Foster back in 2011 devised a more comprehensive measure capturing standard of living effectively called **Multidimensional Poverty Index (MPI)** to capture poverty including indicators like nutrition, child mortality, years of schooling, school attendance, ownership of assets, and access to a proper house, electricity, drinking water, sanitation, and clean cooking fuel. A sound definition should focus on more measurable outcomes like undernourishment rather than inputs like income spent on food or calorie intake.

The latest MPI analysis put the multidimensional poverty at 53.7% in India – over 650 million poor people [much higher than 363 million of the most recent Rangarajan formula]. Based on Multi-Dimensional Poverty Index (MPI), which places 33% weight on education and number of schooling years in its definition of poverty, and places 6.25% weight on income and assets owned, suggests there were 650 million people (53.7% of the population) living in MPI-poverty in India. 421 million of MPI-defined poor are concentrated in eight North Indian and East Indian states of Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal. (*Poverty: Definitions, Measurement and Controversies | Part 2 – Civildaily, 2013*)

According to **Amartya Sen's Capability Approach to poverty**, rather than being concerned about whether a person is earning Rs.26 per day or Rs.30 per day or Rs.40 or Rs.50, and what should be the level at which we should draw the poverty line and below which individuals are considered as poor by the government, Sen defines it according to the potential of individuals.

According to him, any individual who is not able to access basic education, basic healthcare, basic sanitation and a minimum amount of food security is to be considered as poor as a denial of basic education, healthcare, food security actually hampers the ability of an individual to realize their potential and this entraps them in a chronic state of poverty. (Wells, n.d.)

## 5.0 Conclusion

Poverty is not an income issue, it is a human development issue. It is a state of multiple deprivations resulting from several factors including social, political, cultural, not merely lack of income. The official poverty estimates are no more than number games of retired bureaucrats in which no one really believes. (Perspective Planning Division, Planning Commission, India, 2012) The one-dimensional poverty line concept used today accounting just income levels is obsolete in today's world where modern researchers have given the concepts of a multidimensional approach. Thus, it might be a good idea for India to adopt an approach similar to that of MPI or any updated version in the Indian context.

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