

'Our estimates & those on Tendulkar formula show poverty fall over 12 yrs'

Economists C Rangarajan and S Mahendra Dev have come up with poverty numbers based on the latest Household Consumption Expenditure Survey by updating poverty lines recommended by the committee headed by the former. Estimates by the two economists show that the poverty rates declined in both urban and rural areas during 2022-23 over those in 2011-12. However, these are higher than the ones put out by SBI Research (see chart). Even then, the rate of decline in percentage points was higher in urban areas over this period according to the Rangarajan-Dev estimates than what SBI Research showed.

RANGARAJAN talks to Indivjal Dhasmana on these issues. Edited excerpts:

Why was the rate of decline in poverty rates higher in urban areas in 2022-23 than in 2011-12 if your poverty lines are taken into account vis-à-vis SBI Research, which updated the Tendulkar poverty lines?

First of all, our poverty lines are higher than the one based on the Tendulkar Committee report. This is particularly true about urban areas since the poverty line given by us was much higher in urban areas than estimated by the Tendulkar Committee —

₹1,047 per person per month compared to ₹1,000 by the Tendulkar Committee for 2012-13. The reason was that we took many other parameters such as spending on conveyance and house rent to calculate poverty in urban areas. The point to note is that poverty rates declined in 2022-23 compared to 2011-12 both in our estimates and the one based on the Tendulkar Committee (SBI Research for 2022-23). However, the

rate of decline shown by us in percentage point terms was higher in urban areas over this period than the one through the Tendulkar estimates — 18.4 versus 9.1. However, the decline in poverty in rural areas was almost the same by both methods. The possible reason for this may be the free foodgrain scheme of the government, which works better in urban areas. A bigger point is that both our estimates and those on the Tendulkar methodology show a decline in poverty

over a decade or so.

For the government, whose estimates are better? Yours or the one calculated on the basis of the Tendulkar poverty lines?

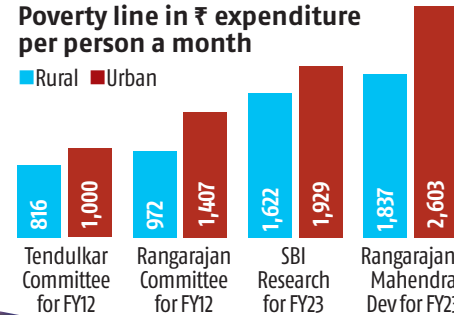
My report was neither accepted nor rejected by the government. Now, the government is not looking at either of the estimates — Tendulkar's or mine. They have come up with their own



MIXED BAG

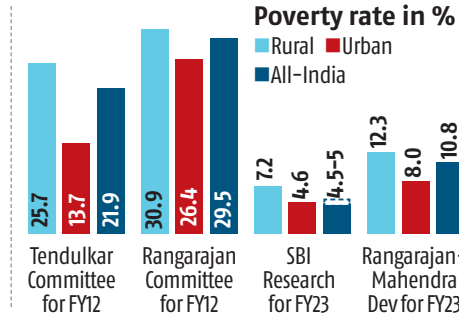
Poverty line in ₹ expenditure per person a month

■ Rural ■ Urban



Poverty rate in %

■ Rural ■ Urban ■ All-India



Sources: Planning Commission, Press Information Bureau, SBI Research, Rangarajan Committee, Rangarajan-Mahendra Dev Estimates

“THERE IS A LACK OF INFORMATION ON THE MULTIDIMENSIONAL POVERTY INDEX. THERE ARE SO MANY ASSUMPTIONS ON THE BASIS OF WHICH THE INDEX IS FORMED. THERE IS NO SINGLE METHODOLOGY TO CALCULATE PARAMETERS IN THE INDEX. THERE ARE STATISTICAL PROBLEMS IN THE CURRENT COMPUTATION OF THE INDEX”

poverty figures based on the multidimensional poverty index.

Which is a better way to assess poverty — poverty lines based on the Household Consumption Expenditure Survey (HCES) or multidimensional poverty index?

I feel the HCES is a better way to look at poverty estimates. Poverty is a lack of purchasing power. If there are good

surveys or income estimates, they are the best in calculating poverty lines. However, the point is after so many improvements, consumption calculated by the HCES is still half the one estimated by the National Accounts.

With the difference between estimates of consumption by the HCES and National Accounts being very large, is this survey still better than

multidimensional poverty rates?

Yes, it (HCES) is still much better (than the multidimensional poverty index). Theoretically, one should look at both. But there is a lack of information on the multidimensional poverty index. There are so many assumptions on the basis of which the index is formed. There is no single methodology to calculate parameters in the index. There are statistical problems in the current

computation of the index.

What are your suggestions to improve the findings of the HCES so that it does not show a figure of consumption much different from that in the National Accounts?

There is no problem in sampling. The problems may arise in the way the data is collected. The enumerators are not permanent government staff. Those in charge of the surveys should sit together and see how their results could be reconciled with those of the National Accounts.

The unit-level detail survey for 2022-23 is yet to come. The revised consumer price index (CPI) would be calculated on that basis. In the meantime, how can the Monetary Policy Committee gauge the impact of the survey on inflation while deciding on the policy rate and other measures?

This survey is enough to calculate the revised CPI. You don't need a detailed survey for that. Revised weightings of various items in the CPI can be calculated on the basis of this survey. The share of food items has not declined very sharply in the 2022-23 HCES compared to the 2011-12 survey. The share of fruit has increased, while that of eggs, fish and meat has remained the same. The MPC can factor in these findings.