



# **DAILY EDITORIAL ANALYSIS**

TOPIC

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**INDIA'S POVERTY DECLINE: A  
WORLD BANK ANALYSIS**

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## INDIA'S POVERTY DECLINE: A WORLD BANK ANALYSIS

### Context

- Recently, the **World Bank's** released **Poverty and Equity Brief on India** offers a complex picture of the socio-economic landscape of India, and raises questions about **broader economic inequality** and the **reliability of data** in capturing socio-economic trends.

### Key Findings of Poverty and Equity Brief on India

- Decline in Extreme Poverty:** Extreme poverty, defined as living on less than \$2.15 per day (2017 PPP terms), fell from 16.2% in 2011-12 to 2.3% in 2022-23, lifting 171 million people out of poverty.
  - Rural extreme poverty dropped from 18.4% to 2.8%, and urban extreme poverty from 10.7% to 1.1%, narrowing the rural-urban gap.
- Lower-Middle-Income Poverty Line:** The World Bank introduces a broader measure of **poverty at \$3.65 a day (PPP terms)**, reflecting the challenges faced by low and middle-income countries.

### MEASURING STANDARDS

Poverty at different lines                      2022-23  
poverty rate (%)

International poverty line (\$2.15/day)	2.3
Lower middle-income class poverty line (\$3.65/day)	28.1
Multidimensional poverty measure	15.5

Source: World Bank

- Using it, poverty fell from 61.8% to 28.1%, lifting 378 million people out of poverty.
- Rural poverty declined from 69% to 32.5%, and urban poverty from 43.5% to 17.2%, further **reducing the rural-urban gap**.
- Regional Contributions:** Five populous Indian states — Uttar Pradesh, Maharashtra, Bihar, West Bengal, and Madhya Pradesh — accounted for 65% of the country's extreme poor in 2011-12 and contributed to two-thirds of the overall decline by 2022-23.

#### Gini Index

- It is a measure of **income inequality** within a population, **ranging from 0 to 1**
- 0 represents perfect equality;
- 1 represents perfect inequality;

- Inequality Trends:** The consumption-based **Gini index** improved from 28.8 in 2011-12 to 25.5 in 2022-23, indicating reduced inequality.
  - However, income-based inequality remains high, with the median earnings of the top 10% being 13 times higher than the bottom 10%.
- Employment Growth:** It has outpaced the working-age population since 2021-22, with rising employment rates among women.
  - Urban unemployment fell to 6.6% in Q1 FY24/25, the lowest since 2017-18.

### Challenges Highlighted By World Bank

- Income & Gender Disparities:** The median earnings of the top 10% were 13 times higher than those of the bottom 10% in 2023-24, reflecting persistent income inequality.

- ♦ **Gender disparities** also persist, with 234 million more men in paid work compared to women.
- ♦ **Youth unemployment** remains high at 13.3%, increasing to 29% among tertiary education graduates.
- **Urban-Rural Divide:** While the urban-rural gap has narrowed from 84% in 2011-12 to 70% in 2023-24, disparities in access to opportunities and resources remain significant.
- **Conflicting Observations on Migration Trends (Data Inconsistencies):** The brief notes a recent shift of male workers from rural to urban areas since 2018-19, which contradicts **Periodic Labour Force Survey (PLFS)** data showing an increase in agricultural employment.
- ♦ A 2024 study by the **Economic Advisory Council** to the Prime Minister reported a decline in rural-to-urban migration, creating data inconsistencies that require closer examination.

### Key Factors Behind the Decline in Extreme Poverty

- **Impact of Household Consumer Expenditure Surveys (HCEs) Methodology:** The decline is captured through the revised methodology of the HCEs of 2022-23 and 2023-24, allowing a more granular understanding of consumption patterns.
  - ♦ While extreme poverty is fading, the data reveals that **many individuals still struggle with basic living costs.**
- **Food Security Schemes:** The distribution of food grains to 80 crore people has played a pivotal role in reducing extreme poverty.
  - ♦ These measures have ensured basic survival needs for millions, contributing to the sharp decline in poverty rates.
- **Direct Benefit Transfers (DBTs):** Programs like **Jan Dhan Yojana** and **PM Kisan Samman Nidhi Yojana** have provided financial support to vulnerable populations.
  - ♦ The impact of these schemes, though not fully understood, has been captured through revised methodologies in the HCEs of 2022-23 and 2023-24.

### Other Flagship Initiatives

- **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA):** It provides 100 days of guaranteed wage employment annually to rural households.
  - ♦ It focuses on strengthening the livelihood resource base of marginalized communities.
- **Mission Antyodaya:** A convergence framework to optimize resources allocated by 26 ministries for rural development.
  - ♦ Gram Panchayats serve as focal points for implementation.
- **Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM):** It empowers rural women through community institutions that provide financial, technical, and marketing support.
  - ♦ It facilitates access to government schemes like Swachh Bharat Mission and Poshan Abhiyan.
- **Pradhan Mantri Awas Yojana – Gramin (PMAY-G):** It aims to provide housing for the poorest segments of society.
  - ♦ It uses a three-stage validation process to ensure aid reaches deserving individuals.
- **Pradhan Mantri Gram Sadak Yojana (PMGSY):** It aims to provide connectivity to unconnected habitations as part of a poverty reduction strategy.
  - ♦ It ensures high technical and management standards for rural road networks.
- **Multidimensional Poverty Reduction Initiatives:** India's multidimensional poverty declined from 29.17% in 2013-14 to 11.28% in 2022-23, lifting 24.82 crore people out of poverty.
  - ♦ The **National Multidimensional Poverty Index (MPI)** assesses deprivation across **health, education, and living standards.**

### Conclusion

- India's remarkable reduction in extreme poverty demonstrates the effectiveness of targeted government programs and robust food security measures.
- However, challenges such as persistent inequality, inconsistent data, and the struggle of millions to sustain a basic standard of living highlight the need for continued efforts.

- As India moves forward, balancing welfare schemes with sustainable economic policies will be crucial for building an equitable and inclusive society.

Source: BL

### Mains Practice Question

[Q] Examine the factors contributing to the decline in extreme poverty in India as highlighted in the World Bank's 'Poverty and Equity Brief.' How do government initiatives impact poverty alleviation, and what challenges remain in addressing income inequality and economic disparities?

