

POVERTY AND INCLUSIVE GROWTH

10.4 Incidence of poverty is estimated by the Planning Commission on the basis of the large sample surveys on household consumer expenditure conducted by the National Sample Survey Organisation (NSSO) on a quinquennial basis. The Uniform Recall Period (URP) Consumption distribution data of NSS 61st Round places the poverty ratio at 28.3 per cent in rural areas, 25.7 per cent in urban areas and 27.5 per cent for the country as a whole in 2004-05. The corresponding poverty ratios from the Mixed Recall Period (MRP) consumption distribution data are 21.8 per cent for rural areas, 21.7 per cent for urban areas and 21.8 per cent for the country as a whole. While the former consumption data uses 30-day recall/reference period for all items of consumption, the latter uses 365-day recall/reference period for five infrequently purchased non-food items, namely, clothing, footwear, durable goods, education and institutional medical expenses and 30-day recall/reference period for remaining items. The percentage of poor in 2004-05 estimated from URP consumption distribution of NSS 61st Round of consumer expenditure data are comparable with the poverty estimates of 1993-94 (50th Round) which was 36 per cent for the country as a whole. The percentage of poor in 2004-05 estimated from MRP consumption distribution of NSS 61st Round of consumer expenditure data are roughly comparable with the poverty estimates of 1999-2000 (55th Round) which was 26.1 per cent for the country as a whole (Table 10.2). Published estimates based

Table 10.2 : Incidence of poverty (per cent)

Sl. No.	Category	1993-94	2004-05
By Uniform Recall Period (URP) Method			
1	Rural	37.3	28.3
2	Urban	32.4	25.7
3	All-India	36.0	27.5
By Mixed Recall Period (MRP) Method			
		1999-2000	2004-05
4	Rural	27.1	21.8
5	Urban	23.6	21.7
6	All-India	26.1	21.8

Source : Planning Commission

on NSSO thin sample data and broadly similar methodology for 2005-06 indicate sizeable reduction in poverty between 2004-05 and 2005-06. This reduction is significantly higher (at 1.4 per cent or 1.6 per cent) than the trend rate of decline of 0.8 per cent observed between 1993-94 and 2004-05 from the estimates made by the Planning Commission [Datta, EPW (2008)].

10.5 The National Commission on Enterprises in the Unorganised Sector (NCEUS), in its report, suggested that 77 per cent of the total population of the country in 2004-05, had per capita consumption

expenditure of less than Rs. 20 per day. However, it has been observed, based upon calculations on data for 1999-2000 (NSS 55th Round) and 2004-05 (NSS 61st Round) that per capita consumption expenditure of 78.3 per cent of the rural population and 42.5 per cent of the urban population was less than Rs. 20 per day in 1999-2000. For the country as a whole, the per capita consumption expenditure of 68.1 per cent of the population was less than Rs. 20 per day. Per capita consumption expenditure of 71.9 per cent of the rural population and 32.3 per cent of the urban population was less than Rs. 20 per day in 2004-05. For the country as a whole the per capita consumption expenditure of 60.5 per cent of population was less than Rs. 20 per day.

10.6 There is a direct relationship between aggregate poverty and average consumption (Figure 10.1). Growth of aggregate income/consumption is therefore a sufficient condition for reduction of overall or aggregate poverty.

10.7 NSS consumption data relating to monthly per capita expenditure (MPCE) for three years between 2004-05 and 2006-07 indicates improvement in consumption pattern both across all MPCE levels as well as in rural and urban areas (Table 10.3). This is indicative not only of favourable poverty reduction trends but also of the inclusive nature of growth as consumption has improved across the entire distribution in 2005-06 and 2006-07, both for urban and rural population and more so for the latter (Figure 10.2). However, further research needs to be done to convert the current prices series into that based on constant prices to confirm if the results are replicated.

Table 10.3 : All-India percentage of rural and urban population by MPCE levels 2004-07

MPCE level (Rs.)	% population below the level		
	2006-07	2005-06	2004-05
(Rural)			
(at current prices)			
235	1.2	2.0	2.8
270	3.2	4.5	6.1
320	7.5	11.4	14.4
365	12.7	18.7	23.9
410	20.8	27.9	33.9
455	29.1	36.5	43.6
510	39.0	46.6	54.4
580	50.3	58.9	65.3
690	64.9	72.3	77.5
890	80.3	86.1	88.8
1155	90.6	93.2	94.7
(Urban)			
335	1.5	3.0	3.5
395	3.9	6.3	7.4
485	9.5	13.3	15.9
580	17.4	21.8	25.8
675	25.8	30.6	35.7
790	35.0	41.6	45.8
930	46.1	52.3	56.1
1100	57.2	62.7	65.9
1380	70.3	75.7	77.4
1880	82.9	86.5	87.8
2540	91.4	93.5	93.9

Source : NSS Report No. 527: Household Consumer Expenditure in India, 2006-07.

Figure 10.1 : Average MPCE (Rs.) in 2004-05 across states(rural) and corresponding popln. below poverty line(BPL)



