

Extreme Poverty

Why in News?

Indian Government is developing national indicator to measure “extreme poverty”

What is extreme poverty?

- **Definition** - According to *World Bank*, the people in extreme poverty is who live on ***less than \$2.15 per day***.
- Currently, *around 700 million people* live on extreme poverty.
- **Vulnerability** - Extreme poverty remains concentrated in parts of *Sub-Saharan Africa, fragile and conflict-affected areas, and rural areas*.
- **Global measures** - The *United Nations* have adopted the Sustainable Development Goals (SDG) in 2015 and have set an explicit target of *eradicating extreme poverty by 2030*.
 - **SDG 1** - End poverty in all its forms everywhere
- **Challenges** - After decades of progress, the pace of global poverty reduction began to slow *by 2015, in tandem with subdued economic growth*.
- **Impact of COVID-19** - Global poverty reduction was dealt a severe blow by the COVID-19 pandemic and a series of major shocks during 2020-22, causing three years of lost progress.
 - In 2022, a total of 712 million people globally were living in extreme poverty, an *increase of 23 million people* compared to 2019.
- Low-income countries were most impacted and have yet to recover.
- **Impact of Climate change** - It is hindering poverty reduction and is a major threat going forward.
- The lives and livelihoods of poor people are the most vulnerable to climate-related risks.
- Millions of households are pushed into, or trapped in, poverty by natural disasters every year.

What is the status of Extreme Poverty in India?

- **Extreme poverty** - According to ‘The World Poverty Clock’ report in 2024, ***India’s extreme poverty at less than 3%***.
- It has taken \$2.15 a day income to present the finding.



- The number of people living in extreme poverty has come down to 2.4% from 3.3% in 2022.
- **Extreme poverty line** - India has been without an official poverty line for a while, and the policy has shifted to from income-based poverty estimates to one based on multi-dimensional deprivations.
- Now, India government reckons anyone with **income below \$1.25/a day as living in “extreme poverty”**.
- Interestingly, the World Bank definition of extreme poverty roughly corresponds to the poverty line computed by Tendulkar committee for 2004-05 (Rs 33 per day), if adjusted for inflation.
- **Niti Aayog** - It says that the proportion of men, women and children of all ages living in poverty in “all its dimensions” reduced to 14.96% in 2019-21 from 24.85% in 2015-16.
- An estimated 248.2 million people moved out of multidimensional poverty between 2013-14 and 2022-23, a key SDG goal.
- Multidimensional poverty index (MPI) estimates between 2005-06 and 2015-16, the headcount ratio for the year 2013-14 comes to 29.17%.
- **Consumption expenditure data for 2022-23** - It provided the first official survey-based poverty estimates for India in over ten years.
- High growth and large decline in inequality have combined to eliminate poverty in India for the PPP\$ 1.9 poverty line.

Poverty Headcount Ratio (HCR)

- It is a measure that indicates the percentage of a population living below the poverty line.
- It reflects the proportion of people in a specific region or country whose income or consumption levels fall below an established poverty threshold, such as \$1.90 or \$3.20 per day based on PPP.
- The HCR provides a clear picture of the extent of poverty and is used to compare poverty levels across different regions and over time.

- **Reason for India’s poverty reduction** - It has been possible due to sustained economic growth during the period (6.7% average growth between FY16-FY20), and implementation of several welfare schemes focused on
 - Nutrition
 - Health
 - Education
 - Housing

- Drinking water
- Sanitation
- Skill development
- Social protection
- **Future prospects** - India is much ahead of the target of reducing poverty in all its dimensions by half, by the year 2030

Why India needs a new method to count its poor?

- **Different methodologies** - There is *vast difference in poverty estimates* is the difference in the methodology of each paper.
- No official data - There are *no official poverty figures in India* between 2013 and 2023.
- **Data mismatch** - Various research estimates suggest that the people living in poverty varies from 2.5% to 29.5% of the population, depending on the source and the time between 2013 and 2023.
- India's current official poverty line *does not match its status as a lower-middle-income country*.
- The World Bank's \$3.20 PPP poverty line is designed for such countries and is suitable for measuring poverty, especially for international comparisons.

What lies ahead?

- There is a need to *address intertwined global challenges*, including slow economic growth, fragility and conflict, and climate change.
- Countries need to *improve people's well-being in a comprehensive way*, including through more equitable access to health, education, and basic infrastructure and services, including digital.
- Policymakers must intensify efforts to grow their economies in a way that *creates high quality jobs and employment*, while protecting the most vulnerable.
- Jobs and employment are the surest way to reduce poverty and inequality.
- Impact is further multiplied in communities and across generations by empowering women and girls, and young people.

References

1. [Financial Express| India is developing an indicator to measure Extreme Poverty](#)
2. [World Bank| Extreme Poverty across the World](#)