

METHODOLOGY FOR ESTIMATION OF POVERTY LINES

The Planning Commission as the Nodal agency in the Government of India for estimation of poverty has been estimating the number and percentage of poor at national and state levels. Since, March 1997 it has been using the Expert Group Method (Expert Group on Estimation of Proportion and Number of Poor) to estimate poverty. According to this method the estimates of poverty are made from the large sample survey data on household consumer expenditure conducted by the National Sample Survey Organization (NSSO) of the Ministry of Statistics and Programme Implementation. Using this methodology the Planning Commission, in the past, has released poverty estimates for the year 1973-74, 1977-78, 1983, 1987-88 and 1993-94 by the Government of India, Press Information Bureau on 11th March 1997. Subsequently, the poverty estimates for 1999-2000 were released by the Government of India, Press Information Bureau on 22nd February 2001. While releasing the estimates of poverty for 1999-2000, it had been noted that these estimates were not strictly comparable with the estimates for the previous years.

2. The state-wise rural and urban poverty lines for the year 2004-05 are estimated using the original state-specific poverty lines identified by the Expert Group and updating them to 2004-05 prices using the Consumer Price Index of Agricultural Labourers (CPIAL) for rural poverty lines and Consumer Price Index for Industrial Workers (CPIIW) for urban poverty lines.

3. The NSSO has now released the result of the latest large sample survey data on household consumer expenditure (NSS 61st Round), covering the period July 2004 to June 2005 [Report No.508 (61/1.0/1)]. From this data, two different consumption distributions for the year 2004-05 have been obtained. The first one from the consumption data collected using 30-day recall period (also known as reference period) for all the items. The other distribution is obtained from the consumer expenditure data collected using 365-day recall period for five infrequently purchased non-food items, namely, clothing, footwear, durable goods, education and institutional medical expenses and 30-day recall period for the remaining items. These two consumption distributions have been termed as Uniform Recall Period (URP) consumption distribution and Mixed Recall Period (MRP) consumption distribution respectively. The Planning Commission, using the Expert Group methodology has estimated poverty in 2004-05 using both the distributions.

4. The state specific percentage and number of poor in rural and urban areas estimated from URP consumption distribution. The state specific percentage and number of poor in rural and urban areas are estimated from MRP consumption distribution.

5. The percentage and number 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. The percentage and number of poor in 2004-05 estimated from MRP consumption distribution of NSS 61st Round of consumer expenditure data are roughly (but not strictly) comparable with the poverty estimates of 1999-2000.

6. The URP-consumption distribution data of the 61st Round yields a poverty ratio of 28.3 percent in the rural areas, 25.7 percent in the urban areas and 27.5 percent for the country as a whole in 2004-05. The corresponding figures obtained from the MRP-consumption distribution data of the 61st Round are 21.8 percent in the rural areas, 21.7 percent in the urban areas and 21.8 percent for the country as a whole.

7. The poverty estimates in 2004-05 based on URP consumption distribution (27.5 percent) is comparable with the poverty estimates of 1993-94, which was 36 percent. (Table-1)

The poverty estimates in 2004-05 based on MRP consumption (21.8 percent) is roughly (but not strictly) comparable with the poverty estimates of 1999-2000, which was 26.1 percent. (Table-2).

Table1: Comparison of Poverty Estimates Based on Uniform Recall Period

	1993-94	2004-05
Rural	37.3	28.3
Urban	32.4	25.7
Total	36.0	27.5

Table-2 Comparison of Poverty Estimates Based on Mixed Recall Period

	1999-2000	2004-05
Rural	27.1	21.8
Urban	23.6	21.7
Total	26.1	21.8