

## Poverty in India since 1983: New Poverty Counts and Robust Poverty Comparisons

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*This is the third in a set of papers discussing Poverty Lines (PL) and poverty aggregates in India published in this journal (Dubey and Palmer-Jones, 2005a; 2005b). In earlier papers we criticised the Unit Value based CPIs and the method of computing PLs from these UV CPIs which have been proposed as an improvement over the official CPIs used to compute PLs and poverty by the Indian Planning Commission (PC) (Deaton and Tarrozi, 1999; Deaton, 2003a). We proposed some improvements but noted remaining lacunae. In this paper we report these PLs and the poverty aggregates we have calculated from them (without adjustment to the 55<sup>th</sup> Round).*

*Our results suggest somewhat higher PLs in western India compared to eastern and central India, as do those of Deaton. This translates into only slightly more poverty because the distributions of per capita expenditure dominate these comparisons in relation to variations in poverty lines. Our urban PLs are higher than Deaton's but still lower than the Official PLs; they are lower in smaller than larger towns. Our poverty counts are higher than Deaton's but lower than the OPCs. Hence our state poverty counts generally lie between the OPCs and Deaton's.*

*"Robust" poverty comparisons using stochastic dominance tests largely confirm the rankings of states by simple poverty aggregates, but do not overcome the problems with the use of inaccurate expenditure deflators. That there are such problems suggested by the relatively low correlations between these poverty aggregates and some other indicators of well-being that can be drawn from the Indian Census and the Indian Demographic and Health Surveys. We conclude that poverty counting may be useful to confirm that there is a lot of poverty, but are of little value in analysing policies to address ill-being, at least using current practices.*

*Several priorities emerge for improvements to current practices for measuring poverty; the two most important are a radical overhaul to the official price indexes and changes in the NSS Consumer Expenditure Survey so that it can be used to produce credible welfare comparisons. The changes to the CPIs will involve both the production of the price data and the compilation and updating of weights. The CES need changes to both the survey schedule and the compilation of welfare aggregates. Maintaining continuity with earlier series on poverty should not be the over-riding concern, since this series is clearly thoroughly flawed and it is unlikely that widely agreeable comparisons can be salvaged. A final conclusion must be that existing explanations of levels and changes in poverty using traditional poverty calculations will need reconsideration in the light of uncertainty as to validity the current poverty estimates.*

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