

Who is poor in today's India? What an updated Rangarajan poverty line looks like

In a recent study, economists from the RBI updated the Rangarajan poverty line for 20 major states. The result showed Odisha and Bihar have made the biggest improvement over the last decade or so, albeit over a low base

Written by [Siddharth Upasani](#)

New Delhi | Updated: October 19, 2025 06:46 AM IST

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The level of poverty in India has been a matter of intense discussion for years. (Express Archive)

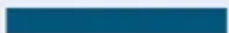
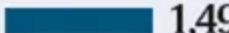
Almost 15 years ago, the erstwhile Planning Commission set up a committee headed by C Rangarajan, a former governor of the Reserve Bank of India (RBI), to review the methodology for measurement of poverty in the country. The committee, which submitted its report in June 2014, caused a stir when it estimated the national poverty line at Rs 1,407 in terms of monthly per capita expenditure for urban areas and Rs 972 for rural areas.

What this meant was that anyone spending more than Rs 47 per day in urban areas and Rs 32 per day in rural areas was not 'poor'. These thresholds led to the number of poor in India being pegged at 29.5 per cent of the population. Since then, no new poverty line, at least one backed by the government, has been created.

Odisha, Bihar big movers

Last week, economists from the RBI's Department of Economic and Policy Research published a paper in which they 'updated' the Rangarajan line for 20 major states of India using the government's Household Consumption Expenditure Survey (HCES) for 2022-23. The results showed Odisha and Bihar had posted the biggest decline in poverty levels between 2011-12 and 2022-23, with the proportion of the population below the updated version of the Rangarajan poverty line falling by around 40 percentage points.

HIGHEST THREE POVERTY LINES

RURAL	2022-23	2011-12
Delhi	 2,577	 1,492
Haryana	 2,083	 1,128
Punjab	 2,048	 1,127
URBAN	2022-23	2011-12
Maharashtra	 2,791	 1,560
Haryana	 2,696	 1,528
Gujarat	 2,664	 1,507

LOWEST THREE POVERTY LINES

RURAL	2022-23	2011-12
Jharkhand	 1,621	 904
Odisha	 1,608	 876
Chattisgarh	 1,586	 912
URBAN	2022-23	2011-12
Bihar	 2,277	 1,229
Odisha	 2,182	 1,205
Chattisgarh	 2,149	 1,230

Rural poverty in Odisha fell to 8.6 per cent in 2022-23 from 47.8 per cent in 2011-12 – the biggest decline of any state in India. On the urban side, the fall was the most for Bihar, with 9.1 per cent of the population below the updated poverty line, down from 50.8 per cent in 2011-12 as estimated by the Rangarajan committee.

On the other hand, the decline in the percentage of the population below the poverty line was the least in Kerala and Himachal Pradesh. However, both states have one of the lowest poverty levels. In 2022-23, the percentage of the rural population below the RBI staff's updated poverty line was 1.4 per cent in Kerala, down 590 basis points (bps) from 7.3 per cent in 2011-12. For urban areas, the decline was the least for Himachal Pradesh: from 8.8 per cent to 2 per cent, or 680 bps.

On the whole, rural poverty in 2022-23 was lowest in Himachal Pradesh (0.4 per cent) and highest in Chhattisgarh (25.1 per cent). Urban poverty, meanwhile, was lowest in [Tamil Nadu](#) (1.9 per cent) and highest, again, in Chhattisgarh (13.3 per cent).

It is worth pointing out that the all-India rural and urban poverty lines estimated by the Rangarajan committee were not updated by the RBI economists in their study.

Updating Rangarajan's lines

Unlike some others, the RBI staff study chose not to 'adjust' the old poverty lines using Consumer Price Index (CPI) [inflation](#) – because it's not accurate to do so as the CPI basket and the Rangarajan poverty line basket (PLB) are different: the weight of food in the rural Rangarajan PLB is 57 per cent compared to 54 per cent in rural CPI, while 47 per cent of the urban Rangarajan PLB is food compared to 36 per cent for urban CPI.

What they instead did was create a new price index – like the CPI – but one whose constituent items have the same weight as the Rangarajan PLB. This price index and the resultant inflation levels were then used to inflate each state's 2012 rural and urban poverty lines as estimated by the Rangarajan committee. Using 2022-23 HCES data, the percentage of households below the updated poverty lines was found.

Of course, as the RBI staff themselves noted, consumption patterns changed between 2011-12 and 2022-23, as the latter HCES showed. And just as this requires a change in the CPI basket – which the statistics ministry is in process of doing on the basis of the 2023-24 survey – the PLB and the poverty line too might require alterations.

Indian poverty debates

The level of poverty in India has been a matter of intense discussion for years. Earlier this year in January, State Bank of India Research estimated using 2023-24 HCES data that poverty in rural areas was 4.86 per cent and 4.09 per cent in urban areas. These estimates were based on inflation-adjusted 2023-24 poverty lines of Rs 1,632 for rural areas and Rs 1,944 for urban areas.

A couple of other attempts back in 2022 sparked what development economist Justin Sandefur called 'The Great Indian Poverty Debate, 2.0', alluding to the 2005 book by Nobel laureate Angus Deaton. In April 2022, two separate papers were published under the aegis of the International Monetary Fund (IMF) and the World Bank (WB), respectively. In the absence of HCES data post

2011-12, the two papers attempted to use alternate data sets to estimate poverty in India but reached rather different conclusions.

The WB working paper – helpfully titled ‘Poverty in India Has Declined over the Last Decade But Not As Much As Previously Thought’ – concluded that poverty stood at 10.2 per cent in 2019. The IMF working paper, co-authored by economist Surjit Bhalla – then the Indian government’s Executive Director at the Fund – asserted that the poverty rate was a much lower 0.8 per cent in 2019, aided by the government’s food transfers.

Multidimensional poverty

As far as the government is concerned, poverty lines are seemingly a thing of the past. What matters now is multidimensional poverty, which goes beyond just money and consumption. Based on the global Multidimensional Poverty Index (MPI), [the Indian MPI looks at poverty through three lenses](#): health, education, and standard of living. These are represented by 12 indicators: nutrition, child and adolescent mortality, maternal health, years of schooling, school attendance, cooking fuel, sanitation, drinking water, housing, electricity, assets, and bank account.

The global MPI does not take maternal health and bank accounts into consideration while measuring poverty.

The government said in January 2024 that 24.82 crore people had escaped multidimensional poverty in the last nine years, with multidimensional poverty reducing from 29.17 per cent in 2013-14 to 11.28 per cent in 2022-23. According to the World Bank, India’s poverty headcount ratio stood at 23.9 per cent in 2022 at the \$4.2 per day international poverty line for lower-middle-income countries.



Siddharth Upasani

