

ExplainSpeaking: The truth about poverty in India

Bizarre as it may seem, especially for a country with so many people at low levels of income and consumption, as well as a country with an enviable record of studying poverty, India's poverty lies in the eyes of the beholder. Here is why.

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Poverty lines make sense only when they can capture the context, like the purchasing power at a particular time and place. (Express photo by Tashi Tobgyal)

Dear Readers,

Over the past few months, there's been a flurry of news about India's poverty rate, or the ratio of people who are considered

officially poor.

First, on April 25, the Government of India came out with a press release titled “India’s Triumph in Combating Poverty”, where it used the World Bank’s “Poverty and Equity Brief” of April 2025 to state that “171 million lifted from extreme poverty in 10 years”.

Then, earlier this month, the World Bank came out with [an update on the methodology](#) and level of its poverty line and stated that just 5.75% of Indians now live under abject poverty — down from 27% in 2011-12.

What has the latest World Bank data shown on poverty in India?

There are two key takeaways.

One, according to new WB estimates, India’s poverty levels in the past were actually lower than previously estimated (see TABLE 1). For instance, in 1977-78, India’s poverty level was not 64% but 47%. The dialling back of poverty rates continues through the decades.

INDIA'S HISTORICAL POVERTY RATE (AT INTERNATIONAL \$2.15) HAS BEEN REVISED DOWNWARDS

Year	September 2024	June 2025
1977-78	64.00%	47.00%
1983	57.00%	38.00%
1987-88	51.00%	39.00%
1993-94	48.00%	34.00%
2004-05	41.00%	33.00%
2009-10	33.00%	23.00%

Source: World Bank's Poverty & Inequality Platform (PIP)
Note: In purchasing power parity terms,

1 international dollar is equal to ₹20.6

Table 1.

The second key change in the WB update was the adoption of a new poverty line — \$3 a day — and according to this new income level, the proportion of Indians living in abject or extreme poverty has fallen from 27% in 2011-12 (around 344.4 million or 34.44 crore Indians) to just under 6% (around 75.22 million or 7.5 crore) in 2022-23.

As heartening as this news is, there are several common misconceptions about how to read this data, what it actually means and why many question it.

For instance, when you look at the \$3-a-day poverty line, do you multiply it by 85 (the current market exchange rate between the US dollar and Indian rupee) to arrive at Rs 255 a day as the income level for ascertaining whether an Indian is poor or not?

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If you do that, you are mistaken because the \$3 poverty line is calculated on a purchasing power parity (PPP) basis, and the conversion rate to Indian rupee is not 85 but 20.6.

What is a poverty line?

Simply put, it is the level of income used as a cut-off point for deciding who is poor in any economy. It is important to note here

that the context (both time period and location) is critical to arriving at a meaningful poverty line.

For instance, an Indian receiving a salary of Rs 1,000 a month may not have been considered poor in 1975, but today that income (Rs 33 a day) will barely buy anything.

Similarly, a monthly salary of Rs 1,00,000 (or Rs 3,333 a day) in today's Patna will be comfortable for a person to live by, but the same salary in Paris or New York may not buy the same lifestyle.

Since there is no one level of poverty — what is a comfortable level for one is just okay for another and barely enough for the third — one can create several poverty lines to match the context and analytical use.

What is the point of a poverty line?

Governments, especially in developing and poor countries, want to identify the extent of poverty in their countries. This has two uses.

One, to help them gauge the extent of poverty and shape welfare policies for the poor.

The second use is for governments, policymakers and analysts to understand whether a set of policies has actually worked over time to reduce poverty and improve wellbeing.

Why is India using the World Bank's poverty line to estimate poverty?

Historically, India had been a leader in poverty estimation and India's poverty line methodology and data collection influenced the rest of the world in how to study poverty.

However, India's last officially recognised poverty line was in 2011-12. It was built on a 2009 formula suggested by a committee led by noted [Delhi](#) School economist Suresh Tendulkar. Since then, there has been no update on the method.

In 2014, a committee led by former RBI Governor C Rangarajan was commissioned to provide a new method, but this recommendation was never officially accepted.

Since then, thanks to gaps and changes in relevant data collection, India has increasingly used either the Niti Aayog multidimensional poverty index (which is fundamentally different in how it measures poverty) or relied on the World Bank's poverty line.

What is the World Bank's poverty line? How is it calculated?

As explained, poverty lines make sense only when they can capture the context, like the purchasing power at a particular time and place. That is why for WB's poverty line to make sense, it has to be based on the purchasing power parity calculations.

The first-ever poverty line was set at a dollar a day. Here's how it came about:

"In 1990, a group of independent researchers and the World Bank examined national poverty lines from some of the poorest countries in the world and converted those lines into a common currency by using purchasing power parity (PPP) exchange rates. The PPP exchange rates are constructed to ensure that the same quantity of goods and services are priced equivalently across countries. Once converted into a common currency, they found that in six of these very poor countries around the 1980s the value of the national poverty line was about \$1 per day per person (in 1985 prices). This formed the basis for the first dollar-a-day international poverty line," according to the World Bank.

Over time, as prices went up in every country, the WB had to raise its poverty line. In June, they have now raised it to \$3 a day.

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The PPP exchange rate for Indian rupees in 2025 is 20.6. As such, the poverty line delineating abject or extreme poverty for an individual in the US is an income of \$3 a day, while for India it is Rs 62 a day.

For the UK, the PPP conversion rate is just 0.67, while for China it is 3.45 and for Iran it is a whopping 1,65,350.

What were India's domestic poverty lines in the past?

India's own (domestically formulated) poverty line in 2009, before the Tendulkar recommendation, was Rs 17 a day per person for urban areas and Rs 12 a day per person for rural areas.

In 2009, Tendulkar raised the poverty line to Rs 29 per day per person in urban areas and Rs 22 per day per person in rural areas, and later to Rs 36 and Rs 30, respectively, in 2011-12.

In 2014, Rangarajan recommended raising the domestic poverty line to Rs 47 per person per day in urban areas and Rs 33 in rural areas.

Why are poverty estimates about India contested by many?

Many economists, such as Himanshu, professor of economics at the Jawaharlal Nehru University in New Delhi, and someone who worked with Tendulkar during the formulation of the last official poverty line, have written extensively on the subject.

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He showed how, in the absence of a robust and updated domestic poverty line and given the gaps and changes in data collection, India's poverty estimates exhibit wide variation, creating both confusion and controversy (see TABLE 2).

ESTIMATES OF INDIA'S POVERTY RATE VARY WILDLY BASED ON THE CHOICE OF POVERTY LINE, SOURCE DATA, AND METHODOLOGY

Method	2011-12	2022-23
Tendulkar methodology@	21.90%	9.9%*
Rangarajan methodology&	29.50%	12.2%*
World Bank's latest abject poverty line for low income countries [int-\$3 a day (or Rs 62 a day)]#	27.10%	5.30%
World Bank's latest poverty line for lower middle income	57.70%	23.90%

World Bank's latest poverty line for lower middle-income countries [int-\$4.2 a day (Rs 87 a day)]#		
World Bank's latest poverty line for upper middle-income countries [int-\$8.30 a day (Rs 171 a day)]#	92.50%	82.10%
Sethu et al (using Rangarajan methodology)	29.50%	26.40%
Bhalla and Bhasin (using World Bank's int-\$1.9 a day poverty line)^	12.20%	2.00%
Bhalla and Bhasin (using World Bank's int-\$3.2 a day poverty line)^	53.60%	20.80%

2021 PPP estimates | @ The last officially recognised methodology on poverty estimates (2009) | *Calculation by

Himanshu et al (2025) | & The officially commissioned methodology on poverty estimates (2014) | ^2017 PPP estimates
Note: In purchasing power parity terms, 1 international dollar is equal to ₹20.6
Source: Himanshu et al (2025), World Bank, Bhalla et al (2024), Indian Express Research

Table 2.

Poverty in India could be as low as 2% or as high as 82% depending on the choice of poverty line and methodology. The same trend of variation exists in the reduction in poverty rates — they could be steep or fairly gradual.

Upshot

Bizarre as it may seem, especially for a country with so many people at low levels of income and consumption, as well as a country with an enviable record of studying poverty, India's poverty lies in the eyes of the beholder.

How do you know if a person is poor or not? How many are poor? Should one quote 5.75% who live in abject poverty (Rs 62 a day)?

Or look at 24%, the poverty line for “lower middle-income countries” such as India? Should one consider 20% as the rate, the proportion of Indians who voluntarily line up to offer labour instead of a paltry amount? Or 66% who are provided free food by

law?

TABLE 3 attempts to provide some context on the World Bank's poverty lines and how they compare with India's reality as evidenced by official government surveys and data.

INDIA'S POVERTY LINE (PER PERSON PER DAY): IN PERSPECTIVE

₹62

World Bank's poverty line for abject poverty in India. In 2022-23, 7.5 crore Indians (5.25% of total population) lived at this level or less

₹63

Price of a litre of Amul milk in 2022

₹87

World Bank's poverty line for "lower middle-income" countries such as India. In 2022-23, 34.23 crore Indians (that is, 23.89% of all Indians) lived below this daily expenditure level

₹171

This is the World Bank's poverty line for "upper middle-income" countries. In 2022-23, 117.57 crore (or 82.7% of India's population) lived

below this daily expenditure level

₹286 This was the average daily income of a woman working as a casual labourer (think construction worker)

₹398 This was the average daily income of casual labourers when when incomes of both men and women were taken into consideration

₹432 This was the average daily income of a self-employed person in 2022-23

₹533 If the total GDP of India in 2022-23 was divided equally into all citizens then this would be the daily GDP (think income) created per Indian

₹651 This was the average daily income of a salaried person in 2022-23

₹3,288

This is the daily income of an Indian who earns ₹12 lakhs per annum but enjoys complete exemption from Income Tax

Source: MoSPI, PLFS, Indian Express Research

Table 3.

Earlier this year, when the [Union Budget](#) was unveiled, the government waived off all income tax for those earning an income upto Rs 12 lakhs per annum — that works out to be Rs 3,288 per day. In essence, the government believes that imposing any income tax on such an Indian will be overtaxing them and holding back their consumption and the growth of the broader economy.

There are two ways to look at the WB data, although they are not mutually exclusive.

One, to celebrate the reduction in the proportion of Indians living in what is defined as abject poverty (\$3 or Rs 62). Two, to give ourselves pause to understand the actual state of economic well-being (or the lack of it) of an average Indian when as many as 83% of Indians are living off Rs 171 a day. Remember, these poverty lines are inclusive of all income or expenditures.

How much did you spend or earn today?

Share your views and queries on udit.misra@expressindia.com

Take care,

Udit