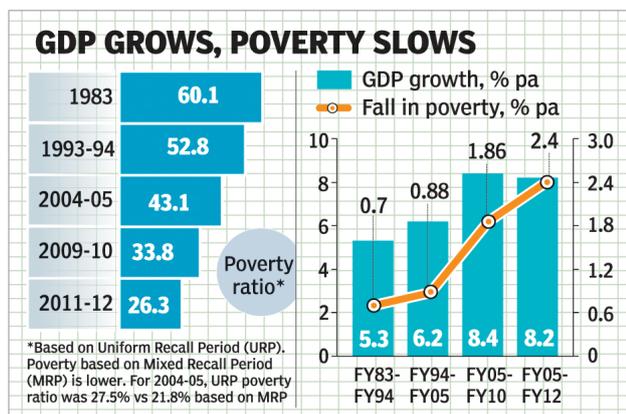


Sunil Jain and Raj Kumar Ray

## Consumption surge sees FY12 poverty fall to 26.3%

President Pranab Mukherjee may have said that growth alone doesn't lead to reduction in poverty levels, but the government has worked in double quick time to show he is wrong: New consumption data released on Wednesday show poverty levels in India fell to 26.3% during July 2011-June 2012 based on preliminary calculations on the data by Surjit Bhalla — that's a massive 2.4% per annum decline, a number never seen before in India's history.



Though the field work for the National Sample Survey Office's 68th round was completed on June 30, the government rushed preliminary results out in just a month, a record given such data usually take a year or so to come out.

Based on the 68th round, the government reported an average monthly per capital expenditure (MPCE) of R2,401.68 for urban areas and R1,281.45 for rural areas. In real terms or 2004-05 prices, rural MPCE rose to R707.24 in 2011-12 from R558.78 in 2004-05 while for urban areas MPCE grew to R1,359.75 from R1,052.36. That's a 26.6% increase for rural areas and a 29.2% rise in urban areas, making it an average of 27.38% per month or 4.2% per annum.

The data is based on the uniform recall period (URP) where those surveyed are asked for data on consumption over the last 30 days. In India, however, poverty is traditionally calculated on the basis of the mixed recall period (MRP) where data is elicited for 365 days. Poverty levels based on MRP are generally lower than those based on URP. For 2004-05, for instance, URP poverty was 27.5% while MRP poverty was a lower 21.8%. While URP monthly per capita expenditure for 2009-10 was R927.70 for rural areas, based on the MRP, it was a higher at R953.05. Even a modified mixed recall period (MMRP) is sometimes used, and rural MMRP consumption in 2009-10 was R1,053.64.

In the case of urban areas, while URP consumption was R1,785.81 in 2009-10, this was R1,856.01 based on MRP and R1,984.46 based on MMRP.

The 2011-12 survey is similar to the 2009-10 one in terms of its large sample. But since 2009-10 was a drought year, it was felt its results understated the income rise. Which is why a fresh survey was done in 2011-12.

According to the 2011-12 survey, the average MPCE in 2011-12 was estimated at R2,401.68 for urban India, which was 87.4% higher than R1,281.45 for rural population.

The poorest 10% of India's rural population had an average MPCE of R503.49 while the poorest 10% of the urban population had an average MPCE of R702.26.

The top 10% of the rural population had an average MPCE of R3,459.77, about 6.9 times that of the bottom 10%. The top 10% of the urban population had an average MPCE of R7,651.68, about 10.9 times that of the bottom 10%.

In rural India, half of the population belonged to households with MPCE below R1,030 (median value) and nearly 40% of the rural population of India had MPCE below R922.

About 60% of rural population had MPCE below Rs 1,162. About 10% had MPCE above Rs 2,054.

In urban areas of India, half of the population was living with MPCE below Rs 1,759, about 70% of population had MPCE above Rs 1,295, nearly 30% had MPCE above Rs 2,464, and 20% had MPCE above Rs 3,077.