

# The poverty monitoring agenda in India

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# Poverty monitoring background

- Large household surveys every five or six years
- Count of people below state & sector specific poverty lines
- Lines updated only for inflation
- More or less standard setup

# Experiments

- Between last two large rounds, experiments with reporting periods
- Shorter periods more expenditures for high frequency goods
- Longer periods less on average, but more at the bottom, for low frequency goods
- Modest net effect on total expenditure (+18%)
- Cuts measured poverty by half

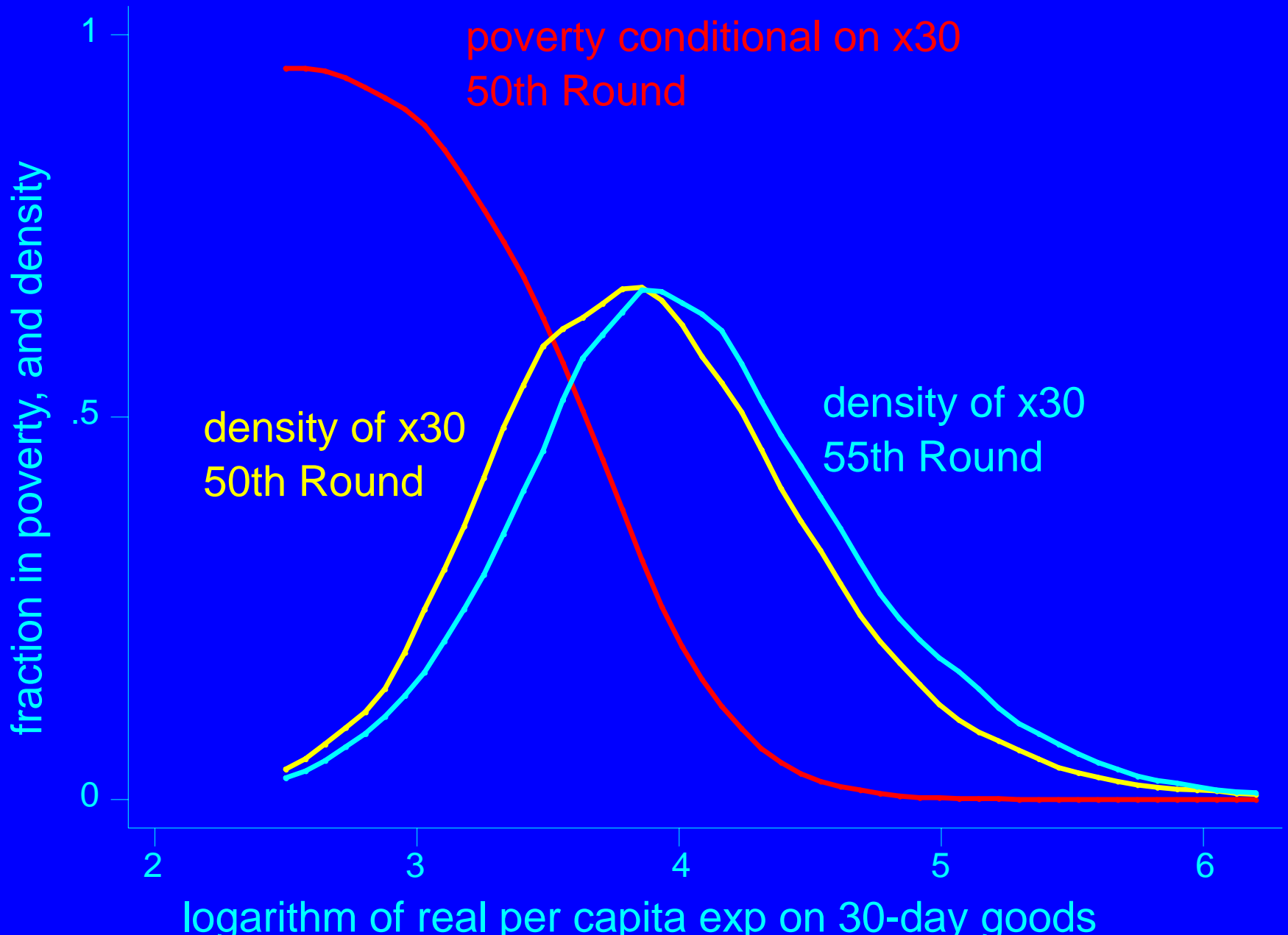
# 55<sup>th</sup> Round

- Controversy between left and right over design
- Compromise had “both”
- Neither schedule compatible with earlier rounds
- “Old” schedule most likely upwardly contaminated by presence of “new”
- Published official poverty rates too low
- Much debate: statistics and politics

# Correction procedures

- A number of these by Indian commentators, Bank, and outside researchers
- My work relied on the existence of a collection of goods whose reporting periods had not changed
- Large increase in these expenditures
- Use to calibrate implied increase in total expenditure

# RURAL INDIA



# Results

- Show that most of the official reduction in poverty is real, perhaps 75 percent
- Other methods somewhat similar results
  - role of the conference in January 2002
- A partial consensus on key poverty numbers
  - always open to revision
  - widely accepted in GOI
  - predicts forward

# Large remaining agenda

- How are future surveys to be run?
- Subsequent experiments tended to favor original (long) reporting period for food
- So likely go back to 30 days
- Probably 365 for low frequency items
  - understates poverty compared with earlier surveys

# Sampling issues

- Thin rounds (between major rounds) gave odd results between 1993-94 to 1999-2000
- Hard for them to be correct if corrections to 1999-2000 are accepted
- These surveys have a different frame
  - unlikely to be the problem
- Rumors of sampling SNAFUs
  - no official confirmation
- Latest thin round looks OK

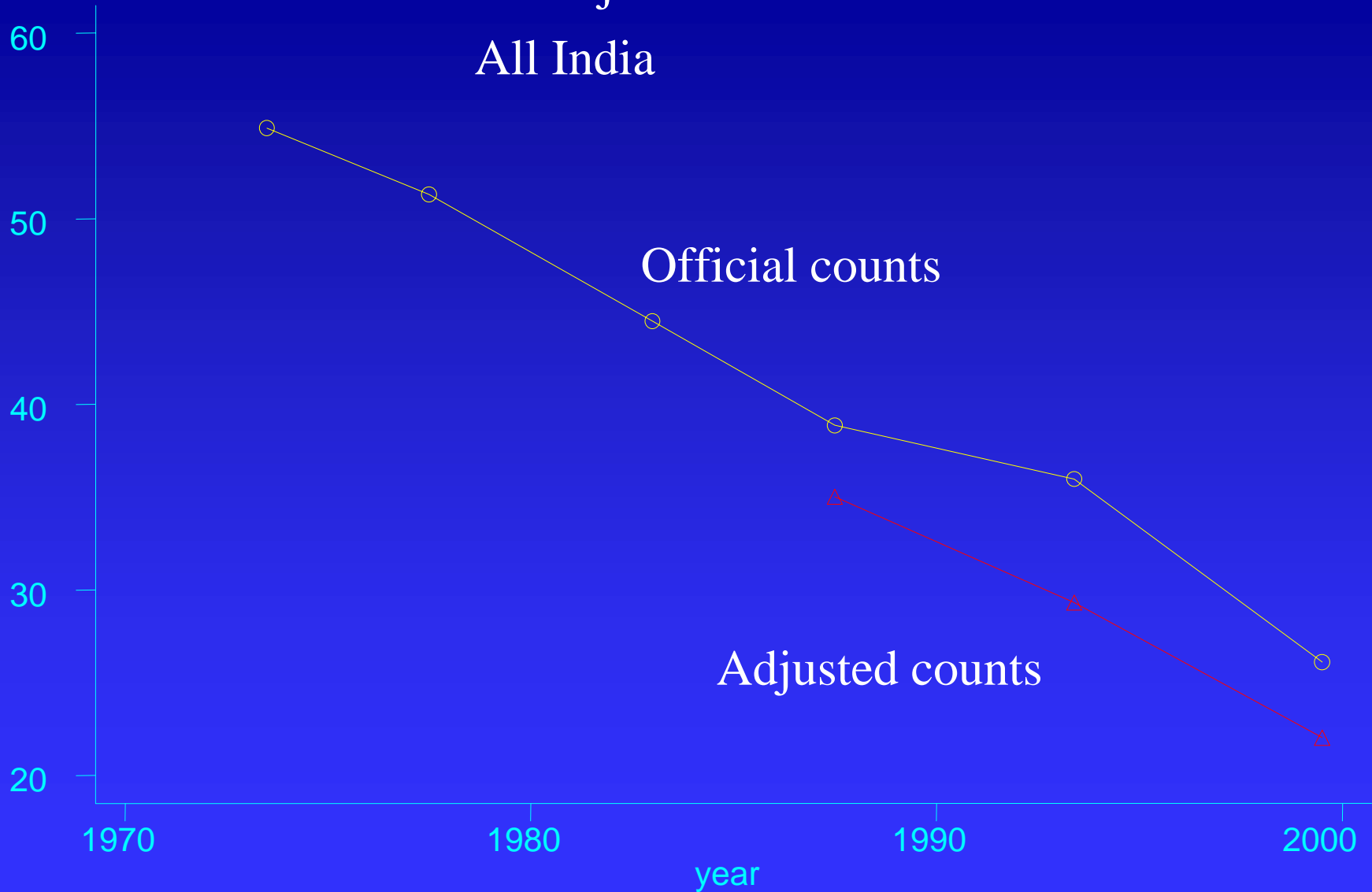
# Official and adjusted headcount ratios

All India

headcount ratio, percent

Official counts

Adjusted counts



# Official and adjusted headcount ratios

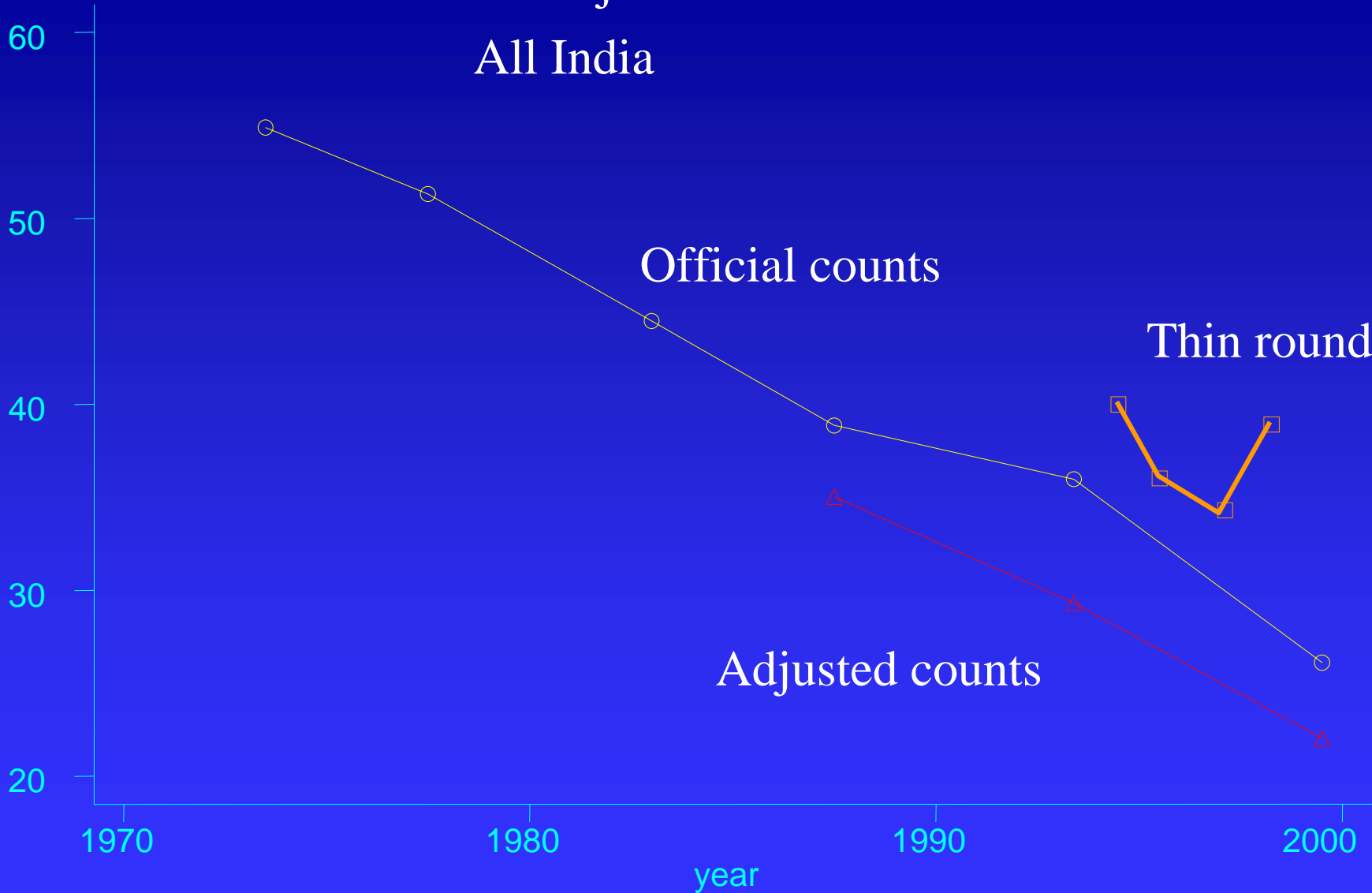
All India

headcount ratio, percent

Official counts

Thin rounds

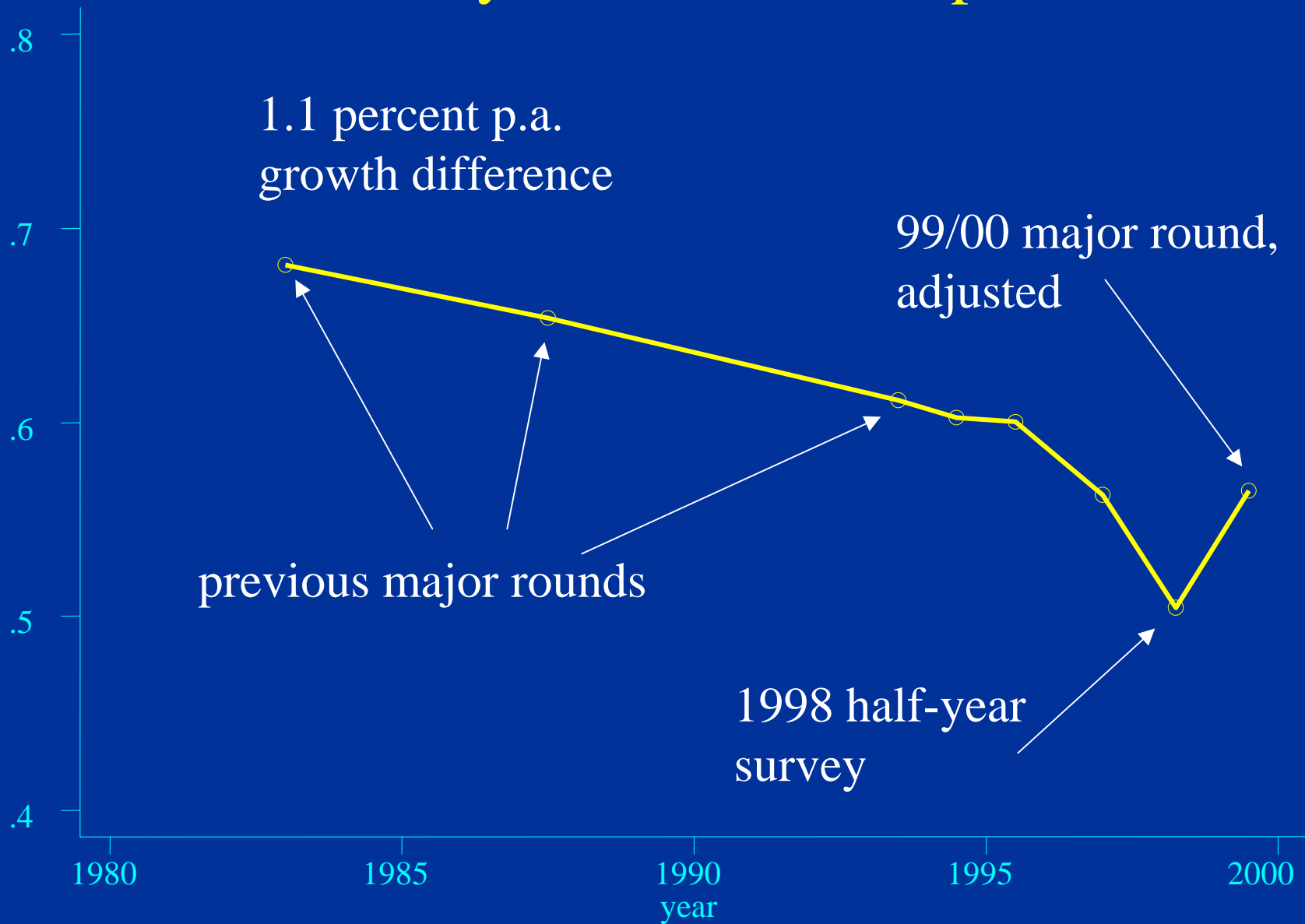
Adjusted counts



# Incompatibility of NSS & NAS

- Survey and NAS estimates of consumption have been growing at different rates for many years
- Some of this is FISIM & NPISH
- Some is owner occupier rents
- Some is that growth systematically biases upward NAS consumption measures
- Some is undoubtedly survey problems?
  - under-sampling the rich for example

# INDIA: Survey to NAS consumption ratio



Note: Survey estimates calculated by AD, NAS from latest NA

# NAS and NSS

- Need more work on compliance in NSS
- Even if NSS are OK for the poor, poverty is likely to be overestimated, and other statistics are unreliable

# Poverty lines

- Pattern of poverty lines across states and between urban and rural is *crazy*
- Urban lines are generally too high, so urban poverty is overstated relative to rural
- Particularly bad in some states, such as AP
- Need some domestic process that will rewrite these
  - likely to be difficult

# Measurement of prices

- Surveys contain unit values: used these to recalculate local, sectoral, and intertemporal indexes
- Comparison with official price collection needed
- Price indexes for the poor: link with PPPs, and especially PPPs for the poor
  - India v Indonesia using surveys, for example