



India's Multidimensional Poverty: Insights from the NITI Aayog 2023 Report

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Abstract:

India has responsibly committed to accomplishing the SDGs by adopting the expression "Sabka Saath Sabka Vikas" which means collective effort and inclusive growth. India made incredible progress towards the various goals, according to the Voluntary National Review of SDG (2017) report submitted to the UN. According to UNDP's review in 2018, India ranked 53rd out of 105 developing nations, with an MPI index of 0.121. This paper aims to evaluate the reliability of the government's claim that there has been a drastic reduction in poverty. The main contributors to India's multidimensional poverty are low nutrition, high child mortality and restricted access to clean water. To address the various factors that lead to poverty, India's multisectoral strategy has shown to be beneficial as seen by the large fall in both the MPI value and Headcount Ratio between 2015–16 and 2019–21. However sustainable employment is the key to reducing multidimensional poverty.

Keywords: *Multidimensional poverty, deprivation, NITI Aayog,*

Introduction:

To estimate the inequality in society various methods are being used like Gini Coefficient, Ratio method and Palma ratio etc. Apart from these methods India has use the Multidimensional Poverty Index (MPI) index to identify the poverty ratio. Compared to the HDI which relies largely on income level, the MPI is based on the Sabina Alkire and James Foster technique, which is relatively more inclusive. It takes into account deprivation in education, health and living standards. The UNDP and the Oxford Poverty and Human Development Initiative (OPHI) jointly designed the Global Multidimensional Poverty Index (GMPI). India's economic development has been examined using the MPI indicator. NITI Aayog has been tasked with developing the National MPI for the Indian states and union territories. In the context of this, an Inter-Ministerial Coordination Committee (MPICC) has been constituted by NITI Aayog in cooperation with the departments of health, education, nutrition, rural development, drinking water and sanitation. The UNDP and the OPHI Committee provide technical support for the index's construction.

Research Methodology:

Objectives:

1. To study the various aspects of the Multidimensional Poverty Index (MPI).
2. To evaluate Multidimensional Poverty Index (MPI) development in India.

Hypothesis:

1. India has reduced its multidimensional poverty.

Data Collection:

Data is collected from secondary sources. It includes the National Multidimensional Poverty Index, A Progress Review 2023 by NITI Ayog, National Family Health Survey (NFHS-5) 2019-21 by the Ministry of Health and Family Welfare, various research articles, newspapers etc.

About Multidimensional Poverty Index:

The term "multidimensional poverty" identifies a comprehensive view of poverty. It takes into account the fact that poverty encompasses not just a lack of resources but also the lack of basic amenities like clean drinking water, a suitable place to live, access to healthcare, etc. India's National MPI is weighted under three main dimensions i.e., the standard of living, health and education and they are divided into 12 indicators, which are given below.

Table 1: Dimensions in India's National MPI

Dimension	Weight (W)	Indicator
Health	1/3	1/6 Nutrition
		1/12 Child-Adolescent Mortality
		1/12 Maternal Health
Education	1/3	1/6 Years of Schooling
		1/6 School Attendance
Standard of Living (1/3)	1/3	1/21 Cooking Fuel
		1/21 Sanitation
		1/21 Drinking Water
		1/21 Electricity
		1/21 Housing
		1/21 Assets
		1/21 Bank Account
Total	1	1

Source: MPI: Progress Review 2023. Pg.09.

Based on the above dimensions and indicators following sub-indicators are being used in national MPI.

Headcount ratio (H): The headcount ratio is estimated by dividing the total population by the number of multi-dimensionally deprived people. It indicates the percentage of multidimensionally poor in the total population.

ii. Intensity of poverty (A): It is the average proportion of deprivations that people experience in multidimensional poverty. It identifies the scale of the deprivation. To calculate the degree of poverty the total number of deprived people is divided by the sum of their weighted deprivation ratings.

MPI value: The MPI value is estimated by multiplying the intensity of poverty (A) by the headcount ratio (H), which represents both the proportion of the population living in poverty and the level of deprivation.

$$\text{MPI} = \text{H} \times \text{A}.$$

A person is classified as MPI poor, as per the AF approach, if their deprivation score exceeds or equals 33.33%.

Analysis of India's Multidimensional Poverty Index:

Multidimensional Poverty in India: A Progress Review 2023, the national MPI's second edition, which was published in November 2021, produces MPI projections of poverty for all 36 states, union territories and 707 administrative districts in India. These estimates have been computed using data from the 5th round of the NFHS which was conducted in 2019–21 using the

same methodology as the baseline report. This report also shows the differences in multidimensional poverty between the NFHS - 4 (2015 – 16) and NFHS – 5 (2019 – 21) survey periods.

Table No. 2: Multidimensionally poor and deprived in each indicator (%)

Indicator	2015-16	2019-21
Nutrition	19.79	11.90
Child-Adolescent Mortality	1.87	1.18
Maternal Health	14.64	9.35
Years of Schooling	10.67	6.63
School Attendance	5.22	3.63
Cooking Fuel	23.03	12.30
Sanitation	21.20	9.25
Drinking Water	5.05	2.23
Electricity	8.28	1.84
Housing	20.48	12.07
Assets	8.84	4.72
Bank Account	5.36	1.09

Source : MPI: Progress Review 2023 pg. 37.

According to MPI projections, the proportion of the population living in multidimensional poverty decreased from 24.85% to 14.96% in the said period. This reduction of 9.89 % points indicates that about 135.5 million people are now out of poverty compared to the population predicted in 2021. By extrapolating the MPI, the analysis reveals that between 2014 – 15 and 2022 – 23 over 25 crore people have been pulled out of poverty.

Although the level of deprivation has dropped by over 6% from the previous review, 31.52% of Indians are still considered to have inadequate access to optimum nutrition services in terms of indicator-wise performance. Therefore, deprivation in nutrition is observed at 11.9%. Cooking fuel and housing indicators are showing the highest deprivation in MPI. Despite the lack of base work for these predictions, no one can deny that a number of the MPI's indices have witnessed improvements over the past 20 years, particularly considering the serious health-related and economic setbacks like the COVID-19 pandemic. But it's important to note that over the duration poverty has decreased.

India's Headcount Ratio, Intensity and MPI: It is crucial to recognise the efforts made by the states and union territories to reduce the proportion of multidimensional poverty. The progression is illustrated in the following table.

Table no. 3: MPI index of India

Year	Headcount Ratio (H)	Intensity (A)	MPI (HxA)
2015-16	14.96	44.39	0.066
2019-21	24.85	47.14	0.117

Source: MPI: Progress Review 2023 pg.37.

The states like UP, Bihar, Madhya Pradesh, Odisha and Rajasthan had the biggest drops in the proportion of MPI deprived. In terms of state achievement, Bihar has shown the greatest decrease in multidimensional poverty. The findings are expected because Bihar has the greatest proportion of multidimensionally poor in all indicators. When indicator and state-level

performance were taken into account, Bihar came in first for the "nutrition" indicator's deprivation, with 42.20% of the population lacking access to adequate nutrition. The next states in order of ranking were Jharkhand (40.32%), Gujarat (38.09%), UP (36.43) and Chhattisgarh (35.12%). Many variables, such as unsanitary environments, contagious transmission, malnutrition, lack of access to healthcare and iron deficiency, affect the mortality rate of children and adolescents.

In India, where 80% of births are now take place in medical centers, a higher percentage of institutional deliveries did not translate into a higher rate of newborn survival. Despite the existence of district healthcare systems, there is insufficient coverage of the health system to save the lives of newborns, therefore improving institutional delivery is the main objective of current policy. Since newborn survival is a challenging task in a situation where the quality of the health system for maternity care is deficient. Therefore, it is necessary to address the quality of health services and access in order to minimise the burden of neonatal mortality.

According to the "education" indices, a household is deemed to be in deprivation if all 10 years of age or older have not completed six years of education. The states with the lowest performance are Telangana, Jharkhand, Andhra Pradesh, Meghalaya and Bihar. Similarly, a household is considered to be deprived if any of its school-age children drop out before turning 18. UP had the highest level of deprivation followed by MP, Jharkhand, Meghalaya and Bihar.

According to the standard of living dimension, if a house lacks access to any kind of toilet, it would be considered deprived under the sanitation indicator. 57% of the population of Bihar does not have access to the required resources, followed by Jharkhand (43.36%), Odisha (39.85%), MP (35.51%) and Manipur (35.23%). A home is deemed to be poor in cooking fuel if it requires wood, charcoal or any other primary source of fuel. 69.12% of the population in Jharkhand was considered to be the most deprived followed by Meghalaya, Chhattisgarh, Odisha and Bihar. Under drinking water criteria, a family that is either within walking distance of their home or have access to a clean water supply is not deprived. With 26.77%, Manipur had the worst performance in relation to this indicator. Meghalaya, MP, Jharkhand and Assam come in decreasing order. If a home did not have electricity, it would be considered unsuitable. UP with 9.16% of people living under deprivation in this indicator. For a family to be considered non-deprived, it is necessary that the floor and the roof be made completely of non-primitive materials such as mud, clay or dung. With 75.50% of the population living without access to a pucca house, Manipur came in bottom. Following in order are Arunachal Pradesh (74.34%), Assam (69.37%), Tripura (66.83%) and Bihar (65.37%). A bank account is a further indicator that falls within the standard of living dimension. In general, 96% of Indians maintain bank accounts. With only 9.01% of the population without a bank account, Meghalaya emerged as the state with the fewest bank account holders. But since that financial inclusion is not always correlated with maintaining a bank account. Experts have questioned the usefulness of using this metric alone to gauge MPI as an improvement yardstick. These reports suggest that during the pandemic years, bank account ownership remained unchanged, the number of persons saving in financial institutions decreased and the possession of debit and credit cards decreased. According to asset ownership criteria, a residence is deemed devoid if it is missing more than one from the following, a computer, a radio, a TV, a telephone, an animal cart, a car or truck, a bicycle or motorbike or any combination of these. 37.07% of people in Meghalaya lacked the necessary possessions. People in Nagaland, Bihar, MP and Jharkhand followed in decreasing order in terms of not possessing assets.

Bihar continues to be the poorest state in India in all respects. Odisha was the next to Bihar. Bihar and Uttar Pradesh together have more than 320 million multidimensionally poor. In MP and UP over 40% of the populace, as well as over half of Bihar's, suffer from multiple forms

of poverty. Conversely, only 1% of the population in Kerala and 4 to 7% of the population in Delhi, Punjab, Goa, Sikkim and Tamil Nadu are multidimensionally poor.

Multidimensional Poverty in India's Rural and Urban Areas:

According to Sutirtha Sinha Roy et al. (2022), extreme poverty decreased by 12.1 % points between 2011 and 2019 in rural areas, but urban area poverty increased by 2 % points in 2016.

Table no.4: Multidimensional Poverty in India's Rural Areas

	2015-16	2019-21
Headcount Ratio (H)	32.59	19.28
Intensity (A)	47.38	44.55
MPI (HxA)	0.154	0.086

Source : MPI: Progress Review 2023 pg.56.

Rural and urban regions differ in their multidimensional poverty. The proportion of multidimensionally poor in rural areas was 19.28% in 2019–21 compared to 5.27% in urban areas. The estimate shows that MPI values declined faster in rural than in urban areas. The average rate of poverty fell from 32.59% to 19.28% in rural areas and in urban areas it declined from 8.65% to 5.27%. However, the gap in the number of deprived individuals living in urban and rural areas remains worrisome.

Table no. 5: Multidimensional Poverty in India's Urban Areas

	2015-16	2019-21
Headcount Ratio (H)	8.65%	5.27%
Intensity (A)	45.27%	43.10%
MPI (HxA)	0.039	0.023

Source: MPI: Progress Review 2023 pg.56.

There is currently a noticeable gap between the richest and poorest members of the country. Chancel and Piketty use income tax data as a measure of inequality to calculate the share of the top 1% in national income. They found that this percentage was 22% in 2013–14, higher than in any other year since India's implementation of the Income Tax Act 1922. This percentage has dropped to 6% in 1982. In the last year for which they generated an estimate, 2014–15 things remained largely unchanged.

Critical Findings and Observations:

Government jobs fell after 2017–18 or it is completely negative. Therefore, the primary sources of employment growth are self-employment and unpaid helpers. Only 2.4 % of people in India employ others. Of those in employment, 17.67 % earn an average wage of up to ₹ 20000 pm. The majority of seasonal workers 34.78 % earn less than ₹10000 pm. The average monthly salary of the 23% of self-employed individuals is approximately ₹13000 and the remaining 22% are unpaid assistants. Government figures show that a farmer's family's average monthly income is ₹ 12000. Since 2014, farm labourers' wages have been constant. Thus, it doesn't appear that raising employment has decreased poverty.

In India, the NFHS-5 sample size consists of more than 6 lakh homes and 12 lakh women. As such, the results are regarded as highly trustworthy. NITI Aayog estimated the number of people who left multidimensional poverty between 2013–14 and 22–23 using the same data. But the main problem is that NFHS-5 was held in the years 2019–21 and NFHS-4 was held in the years 2014–15. It means that the differences between the 2004–05 and 2014–15 data were

estimated in order to determine the 2015–19 figures. In short, these are assumptions rather than facts. These assumptions might be exaggerated due to some limitations.

A family scoring 0 is considered to be not deprived in any criteria but a family scoring 1 is considered deprived in all criteria. According to NITI Aayog method, if a household gets a score of 0.33 or more, it is considered multidimensionally poor. However, this approach needs to be reviewed in light of the following facts.

According to maternal health, a family would be deemed to be deprived if a birth has occurred within the last five years and there was no skilled health care system accessible at the time of delivery or if the mother has not received at least four antenatal check-ups. However, according to several statistics, 75% of women have not given birth in the previous five years and this may be the reason the birth rate is falling. Therefore, NITI Aayog should reconsidered before labeling families as deprived based on maternal health. For the same reason the women in that household cannot be said to be in good health, neither can a household in which there has been no childbirth.

Another point for the consideration for NITI Ayog is that in the housing criteria density in the house must be taken into account. In metropolitan cities, people live in pakka houses but density is high i.e., approximately 10 to 15 people in 10 x 20 sq.ft. area. People living in these pakka houses cannot be categorised as deprived according to housing criteria, but in actuality, they are living in poverty.

Despite the government's claim that open defecation has stopped in India, the NITI Aayog report itself shows that 30.13% of people need toilets and 43.90% of people need supply of energy for cooking. Therefore, the claims made by the government are in question.

The government opted not to publish the survey that the NSSO was scheduled to publish in 2017–18. Furthermore, India has not disclosed its poverty statistics since 2011. Therefore, to estimate the MPI rather than predictive reliable data is required.

Suggestions:

To address the issue of multidimensional poverty, the government can take into consideration the following suggestions.

- i. Government initiatives aimed at reducing poverty are supply-side in nature. However, demand factors should also be considered because they are essential to economic growth and poverty reduction.
- ii. Policies should be developed by the government to ensure that everyone has access to sustainable employment.

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