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India's Poverty Debate: Why Poverty Success Story Needs a Second Look

The latest World Bank estimates suggest that India has achieved one of the most dramatic reductions in poverty in recent decades, with hundreds of millions moving above international poverty thresholds. Yet this encouraging narrative sits uneasily alongside evidence of weak real wage growth, stagnant household incomes, slowing labour productivity and increasing dependence on welfare support. This report examines whether the sharp decline in poverty reflects a genuine improvement in livelihoods or is primarily the outcome of methodological changes, fiscal transfers and consumption support that have cushioned vulnerable households despite weak underlying income growth

The debate over India's rural economic condition refuses to die down. The latest *World Bank estimates* suggest a significant and sustained decline in poverty across multiple expenditure thresholds, reinforcing the narrative that India has made remarkable progress in reducing deprivation. However, a closer reading of both the data and the broader economic context raises important questions about the quality and sustainability of this decline (*see Exhibits 6 and 8*). While the headline numbers are impressive, they appear to sit uneasily alongside evidence on employment, wages, household incomes and consumption patterns.

What the World Bank Report Shows

According to the latest World Bank (WB) assessment, poverty has fallen sharply across all major expenditure thresholds. Measured at the international poverty line of $3 per day, the poverty rate declined to 2.6% in 2023-24 from 5.25% in 2022-23, and from as high as 27.1% in 2011-12. At the $4.2 per day threshold, poverty is estimated at 16.1%, down from 23.9% a year earlier and 57.7% in 2011-12. Even at the higher threshold of $8.3 per day, poverty fell to around 80% from 82.1% in 2022-23 and 92.5% in 2011-12 (*see Exhibits 6 and 8*).

Accordingly, between 2011 and 2023, an estimated 500 million people (or 68%) were lifted above the poverty line ($4.20/day, 2021 PPP) and 307 million (or 89%) out of extreme poverty ($3/day, 2021 PPP). **This is 4.1 and 1.6 times higher than the decline during 2004-2012** (*Exhibit 1*)**.**

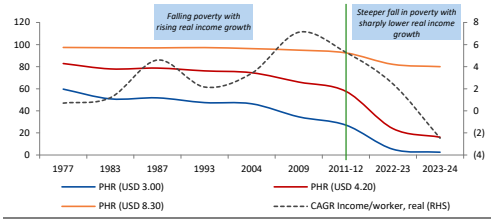
The WB *report* attributes this astounding decline in poverty to strong consumption growth, rising employment, especially among women, and expanded social transfers, including food subsidies. Based on the restarted Periodic Labor Force Surveys (PLFS), the WB report highlights that between 2017 and 2023, employment increased by about 134 million people (even higher than *RBI's KLEMS* estimate of 123 million), nearly twice the growth of the working-age population, with much of the gain driven by rural women entering work and rise in labor participation rate. The labor market continues to remain stable between Q1 FY2026 and Q1 FY2027.

The Utopian conundrum!!!

On the face of it, the WB report is significantly reassuring with a confluence of abundant employment and precipitous decline in poverty; read along with the robust official real GDP growth, this combination would seemingly characterise utopian growth model that India has never experienced before.

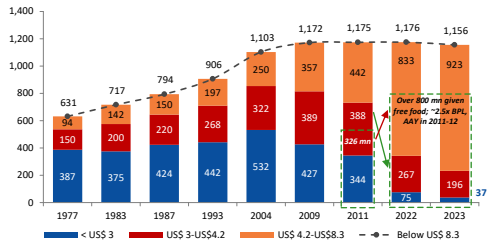
INDIA ECONOMY

Decline in poverty in 2023, 2024 appears markedly distinct from pre-2012



Source: WB, RBI KLEMS, MOSPI, Systematix Research

Population living below WB poverty line; US$ 3/ day, US$ 4.2/day & US$ 8.3/day (PPP), mn



Source: WB, Systematix Research

Dhananjay Sinha
dhananjaysinha@systematixgroup.in
+91 22 6704 8095

Shambhu Ghatak
shambhughatak@systematixgroup.in
+91 22 6704 8078

Mahendra Singh
mahendrasingh@systematixgroup.in
+91 22 6704 8094

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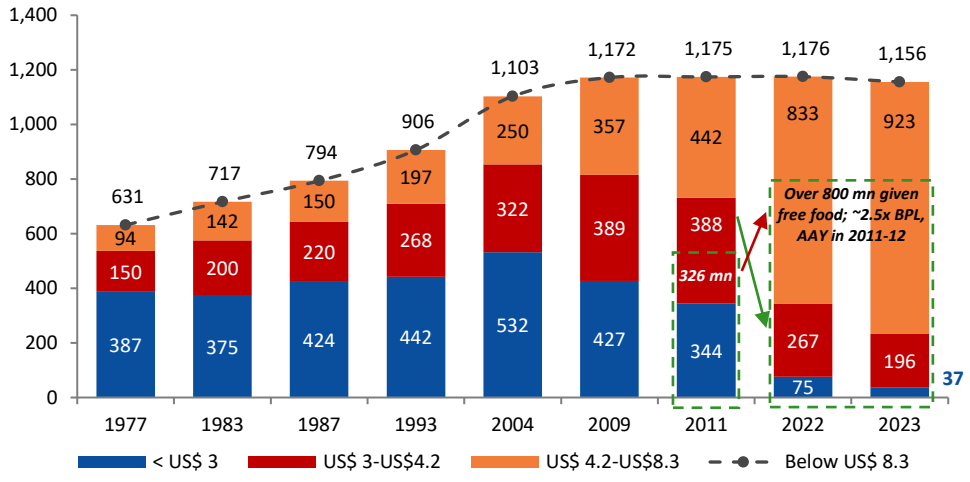
Although the share of Indians living below the $4.20/day poverty line fell sharply from 57.7% in 2011–12 to 16.1% in 2023–24, over 800 million people still rely on free food support—more than the 732 million estimated below that threshold in 2011 and 2.5 times the roughly 326 million BPL/AAY beneficiaries who received subsidised PDS grains in 2011–12. Nearly 80% of Indians have remained below ₹166/day for two decades, showing that declining extreme poverty has not eliminated widespread economic vulnerability

But the less highlighted aspect of WB reports are the caveats: First, pronounced inequality reflects in the median earnings among the top 10% of workers being about 13 times those of the bottom 10% in 2023. The actual inequality may be even starker given that survey-based data underrepresents the richest households. And secondly, youth unemployment remains elevated at 15.9% and rising even as real earnings remain stagnant due to increasing dependence on low-productivity jobs. Consequently, even as the poverty headcounts under the poverty lines of $3 and $4.2/day have declined, the broader poverty headcount (less than $8.3/day) has remained unchanged at over 1.1 billion for the past two decades (*see Exhibit 1*). That is about 80% of population living below INR 4,985 per month (*conversion* at ₹ 20.02 for $8.3/day PPP); WB notes that only 22% of Indian adults could sustain themselves for more than two months of expenses without income (*Global Findex 2025 survey*). These are telling data for an economy that boasts of being the sixth largest economy that is also the fastest growing.

The litmus test of the claimed eradication of poverty came during the pandemic lockdown, which exposed the extreme vulnerability of millions of households to economic shocks. This prompted the launch of the **Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY)**, which continues to provide free food support to over **800 million people**, nearly **57% of India's population**, alongside several other central and state welfare schemes.

Therefore, while the share of people living below the **$4.2/day poverty threshold** may have declined between **2011-12 and 2023-24**, the dependence of over **800 million people** on free food support continues, exceeding the **732 million** estimated below this threshold in 2011. It is also 2.5 times higher than an estimated **326 million** (*65.2 million families*) dependent on below poverty line (BPL) and Antyodaya Anna Yojana (AAY) beneficiaries that availed PDS foodgrain distribution in 2011-12 against subsidized prices. These suggest a deterioration in livelihood security rather than genuine improvement in living standards. The reduction in measured poverty appears largely driven by welfare transfers that sustain subsistence consumption. This stands in contrast to the poverty decline witnessed during **2004-2011**, which was underpinned by stronger income growth.

Exhibit 1: Population living below poverty line -- US$ 3/ day, US$ 4.2/day & US$ 8.3/day (PPP terms), mn



Note: 326 mn estimated beneficiary of subsidised food grain under BPL and AAY is based on 65.2 mn household beneficiaries of PDS in 2011-12 (Ministry of Consumer Affairs, Food & Public Distribution, 2013)

Source: World Bank estimates, Systematix Research

The Challenge of Comparability

The reported decline in poverty also be read carefully as the methodology has undergone significant changes.

The latest poverty calculations are based on the reintroduced Household Consumption Expenditure Survey (HCES), which resumed in 2022-23 after an eleven-year gap.

The HCES 2022-23 and 2023-24 introduced significant methodological changes compared with the 2011-12 CES (see *World Bank, 2025*). Key methodological changes included expanding the consumption basket (347 to 405 items), shifting to multiple questionnaires and monthly revisits and digital data collection (CAPI), adopting the Modified Mixed Reference Period (MMRP), and revising the sampling design, all of which affect comparability with earlier surveys.

Unlike the 2011-12 survey, MMRP combines 7 days, 30 days and 365 days recall windows for different sets of goods and services. As a result, the recent improved survey captures larger spending compared to earlier surveys that relied on Uniform Reference Period (URP) covering 30 days and Mixed reference period (MMR) covering 365 and 30 days.

The sharp decline in poverty, particularly after 2011-12, may partly reflect methodological and statistical changes. Survey design changes can materially affect poverty estimates, raising the risk of spurious changes in consumption and poverty levels. WB harmonisation exercise does not remove the possibility of overstated poverty decline

WB Harmonisation Does Not Eliminate the Risk of Overstating Poverty Reduction

While the WB's harmonisation exercise reconstructs welfare aggregates across survey rounds, including recalculating 2011-12 consumption estimates on an MMRP basis, it cannot fully eliminate differences in interview mode, questionnaire design, survey frequency, expanded consumption items, respondent composition and revised sampling strata. Consequently, the two survey rounds remain imperfectly comparable in the absence of a bridge or pilot survey (see *WB's technical note*).

The sharp decline in poverty, particularly after 2011-12, may therefore partly reflect methodological and statistical changes rather than genuine improvements in household welfare. Survey design changes can materially affect poverty estimates, raising the risk of spurious changes in consumption and poverty levels.

This concern is reinforced by changes in the CES sampling framework. The revised design in 2022-23 and 2023-24 is more likely to capture relatively better-off households in both rural and urban areas while underrepresenting poorer households. Changes in the definition and selection of second-stage strata increase the probability of sampling peri-urban households, potentially biasing consumption estimates upward and inequality estimates downward. Accounting for these sampling effects and the expanded consumption basket, recent MPCE estimates may be overstated by more than 3%, outweighing the estimated impact of an unchanged rural-urban population mix aligned to the 2011-12 census data. The evidence therefore suggests that recent MPCE levels, particularly for poorer households, are overstated, implying that poverty estimates are understated.

Notwithstanding the estimation biases real MPCE growth was only about 3.2%; it could be lesser excluding the effect of post-pandemic government transfers

Notwithstanding these biases, average MPCE growth slowed to around 9% CAGR during 2011-12 to 2023-24, compared with 15% in the preceding decade and 11% during the 2000s. In real terms, MPCE growth was only about 3.2%. Excluding the effect of post-pandemic government transfers, nominal MPCE would likely have been significantly below the reported ₹5,127 level (65% weight for ₹4,122 in rural India and 35% for ₹6,996 in urban India), implying underlying real consumption growth of less than 3%.

Since the harmonisation exercise does not fully address these methodological discontinuities, claims of a dramatic decline in extreme poverty should be treated with caution. The issue is compounded by the absence of an officially

accepted *2017-18 consumption survey*, despite evidence at the time suggesting weaker consumption trends and higher poverty incidence.

The challenge is further magnified because India has not adopted an independent poverty-line methodology since the *Tendulkar framework*, which set the poverty threshold at monthly per-capita consumption expenditure of ₹875 in 2011-12. Poverty estimates derived from WB's poverty line benchmarks are therefore highly sensitive to assumptions regarding survey comparability and measurement.

Paradox of falling poverty and declining real income

Traditionally, consumption expenditure is the preferred variable for assessing household situation as individual income is notoriously volatile. But given the incomparability of HCES methodologies with previous surveys makes it useful to consider long term trends in real incomes per worker that smoothens out short term volatility, to evaluate the structural decline in poverty.

An extended observation window bridges the gap between income and consumption metrics by revealing whether a household is permanently escaping poverty or remaining vulnerable to economic shocks.

RBI's KLEMS database that combines labor data from PLFS survey with NIA data on value addition to derive labor income. And using the long-term spliced CPI series for agriculture and industrial labor, and rural and urban series for recent years we derive the real income per worker. Additionally, an overview of alternate household surveys from RBI, NABARD, unincorporated enterprises, rural wage from the Labor Bureau and employment dimensions of PLFS survey provide supplementary evidence.

The post-2012 poverty narrative departs sharply from both economic logic and historical evidence. Earlier, poverty reduction was closely tied to rising real labour incomes, with every 100 bps increase in income growth reducing poverty by 300-400 bps. Given the marked slowdown in real labour income growth after 2012, poverty should have increased rather than declined as implied by current World Bank estimates

The Disconnect Between Labour Income and Poverty Estimates

Perhaps the strongest evidence challenging the recent poverty estimates emerges from the changing relationship between real labour income and poverty. Economic theory suggests that the correlation should be negative: poverty declines when real labour incomes rise. However, the recent data point to a very different reality.

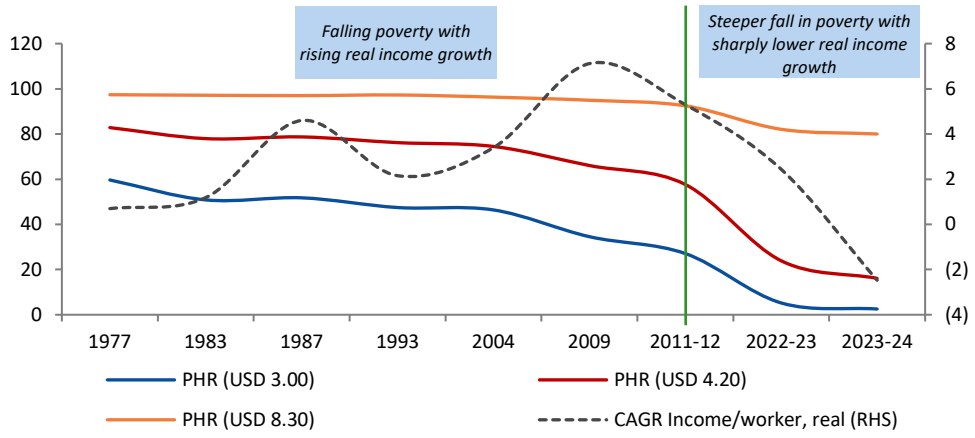
Mapping the employment gains highlighted in the World Bank report against the RBI's KLEMS database reveals that total employment increased by 2.7% annually during the twelve years ending in 2024, reaching 643 million workers. This marks a significant acceleration from the largely stagnant employment trend observed during 2012-18. More strikingly, 2024 alone is estimated to have added 46 million jobs, representing an extraordinary 7.7% increase in employment.

Despite this reported surge in employment, labour income growth has weakened sharply. Nominal income per worker slowed to an 8% CAGR, while **real income per worker grew by only 2% annually**, substantially below the 5.3% growth recorded during 2009-12 and the 7.1% growth achieved during 2004-09. This creates a major paradox: a steep decline in poverty is being reported alongside a pronounced slowdown in both real labour income and labour productivity.

The post-2012 experience also marks a departure from both economic logic and historical evidence. Prior to 2012, reductions in poverty were consistently associated with rising real labour incomes, particularly under the World Bank's $3.00 and $4.20 PPP poverty thresholds. Historically, every 100-basis point increase in real labour income growth was associated with roughly a 300-basis point decline in the poverty ratio measured at the $4.20 PPP threshold and a 400-basis point decline at the $3.00 PPP threshold. Given the sharp deceleration in real labour income growth since 2012, poverty ratios should have risen rather than fallen as suggested by current WB estimates (*see Exhibits 2, 3 and 4*).

The gap between **real labour income growth of just 2% and real MPCE growth of 3.2% during 2012-24** suggests that household consumption was increasingly supported by government transfers and welfare schemes, while MPCE estimates may also be overstated due to sample-selection bias toward better-off households (*Exhibit 5*). Other factors, including rising debt-financed consumption, may also have contributed. Yet the decline in poverty headcount ratios despite weak income and productivity growth suggests that household financial conditions remain fragile. The apparent improvement in poverty outcomes appears increasingly dependent on the fiscal capacity of governments to support consumption rather than on durable gains in productive employment and incomes.

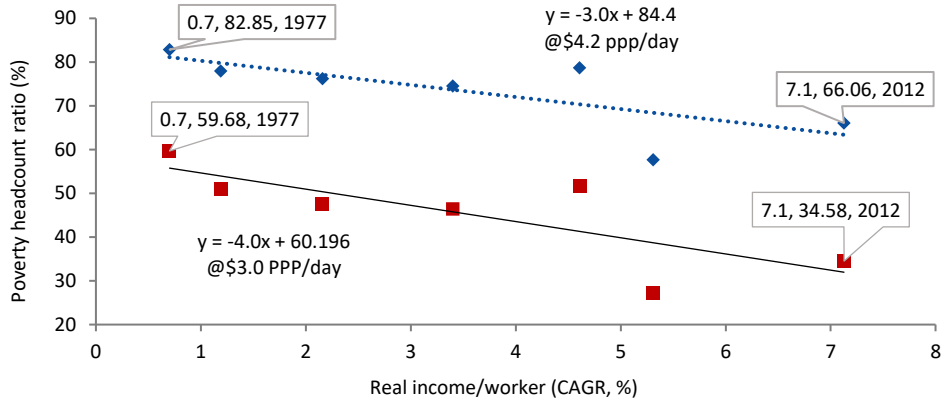
Exhibit 2: Decline in poverty in 2023, 2024 appears markedly distinct from pre-2012 estimates which was associated with rising real labour income growth



Source: World Bank data on poverty estimates, worker income from RBI KLEMS, CPI IL & AL from MOSPI

Exhibit 3: Inverse relation (1977-2012): Poverty headcount ratio vs real income/worker (CAGR %)

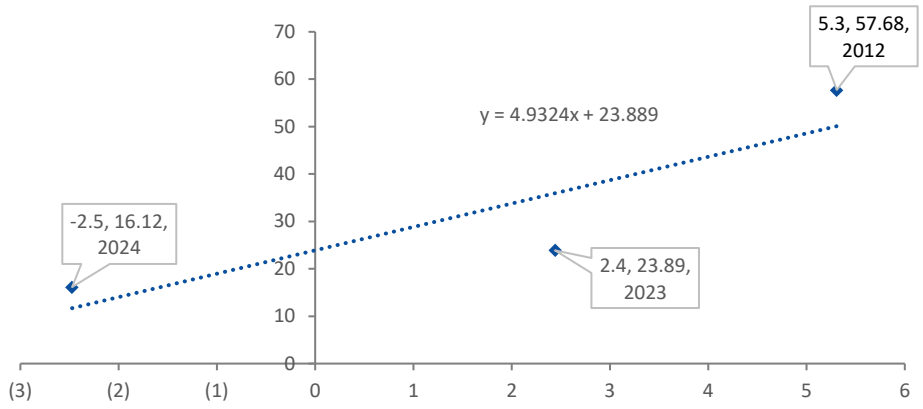
For 100bp rise in real income, poverty rate fell by 300bp for $4.2 ppp/day and 400bp for $3 pp/day



Source: World Bank data on poverty estimates, worker income from RBI KLEMS, CPI IL & AL from MOSPI

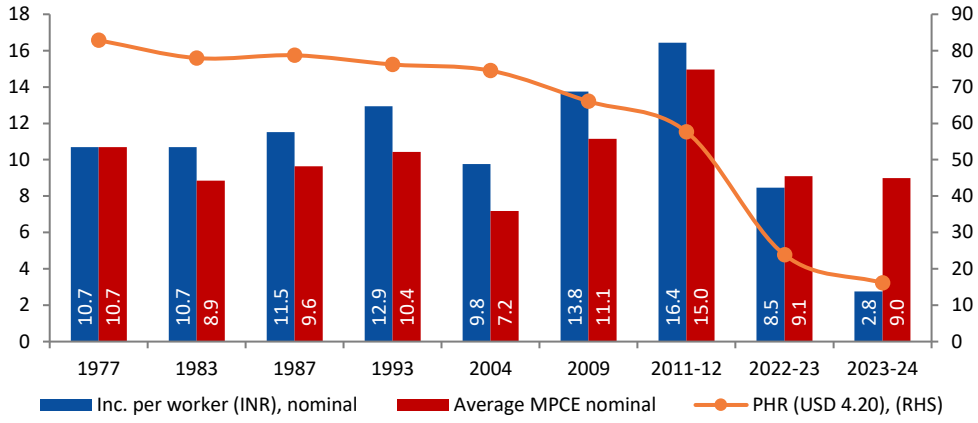
Exhibit 4: Positive relation (2012-2024): Poverty headcount ratio vs real income/worker (CAGR %)

For 100bp fall in real income, poverty rate fell by 500bp for $4.2 ppp/day and 300bp for $3 pp/day; this is counter-intuitive



Source: World Bank data on poverty estimates, worker income from RBI KLEMS, CPI IL & AL from MOSPI

Exhibit 5: PHR@ $4.2 ppp vs Nominal Income, MPCE (CAGR, %)



Source: World Bank, HCES, NSSO, KLEMS, Systematix Research

The Disconnect Between Poverty and Employment Trends

The *World Bank* attributes the decline in poverty to rising consumption and improved employment conditions. Yet the employment narrative itself remains contested.

The Periodic Labour Force Survey (PLFS), when first introduced, reported *unemployment reaching 6.1%* during 2017-18, the highest level in four decades. Since then, employment indicators have improved, but much of the improvement reflects a dramatic expansion of less productive activities**. RBI's KLEMS database shows that at 643mn jobs in FY24, India added 168 million since FY18, implying that over a fourth of the total were added in just 6 years, higher than the additions in the previous 33 years since 1985!!** (read *KLEMS data: Unravelling RBI's unemployment Houdini!!*, July 2024*; Rise of Unpaid Family Helpers; Evidence on distress driven employment growth in India*, Maitreesh Ghatak *et al*, LSE Research Jan 2026).

India's apparent employment boom masks a deeper crisis of low-quality, low-productivity work: the PLFS shows labour-force participation rising from 49.8% in 2017-18 to 60.1% in 2023-24 and unemployment falling from 6% to 3.2%. But much

RBI's KLEMS database shows that at 643mn jobs in FY24, India added 168 million since FY18, implying that over a fourth of the total were added in just 6 years, higher than the additions in the previous 33 years since 1985!!

Interestingly the 5-year CAGR of real worker income decelerated to 4.7% (FY18-FY23) and a 28-year low of 3.8% between FY19 and FY24, down from 8% in FY09

of the reported 168-million increase in jobs since FY18 reflects self-employment, unpaid family labour, and agricultural "disguised unemployment" rather than productive wage-paying work.

Using the KLEMS data and a counterfactual capital deepening progression, our estimate indicated that about 156 million of the 597 million employed in FY23 were in disguised unemployment or low-productivity roles—72% of them in agriculture. This contrasts sharply with the official 3.2% unemployment rate and with independent economists' median estimate of 10% unemployment (ranging from 7-35%, see: *Denial of acute unemployment continues*, July 2025).

The second characteristic of disguised unemployment is the decrease in labor productivity and real earnings. According to the 2018-23 KLEMS data, real value added per worker decreased by 0.4% (5-year CAGR), the lowest since FY86. However, employment increased by 4.7% (compared to 5.5% in FY19-24). Thus, the national GVA growth to 4.2% CAGR is due to deteriorating worker status and increased labor participation. Interestingly the 5-year CAGR of real worker income decelerated to 4.7% (FY18-FY23) and a 28-year low of 3.8% between FY19 and FY24, down from 8% in FY09.

Consequently, the rise in employment reflected may not necessarily represent a proportional increase in labour productivity or household earnings. On the contrary it reflects growing household dependence on informal and low-productivity work rather than meaningful economic advancement.

This creates a challenge when employment improvements and incomes are cited by WB as a primary driver of the decline in poverty.

Evidence from various surveys, including those undertaken by NABARD, RBI and surveys of unincorporated enterprises, suggests that nominal worker income growth has remained modest over the past several years

Other surveys confirm weak Income Growth

The contradiction becomes even more apparent when examining household income trends. Evidence from various surveys, including those undertaken by *NABARD*, *RBI* and surveys of *unincorporated enterprises*, suggests that nominal worker income growth has remained modest over the past several years.

RBI rural survey indicates monthly income growth of 5.8% annually over 2024-26, which is barely sufficient to offset inflation. In real terms, household incomes have therefore remained broadly stagnant. Annual surveys of unincorporated enterprises (ASUSE, *Exhibit 9*) suggest that average earnings have risen at only around 3% annually over the last four years (2025), implying negligible gains after adjusting for inflation.

Urban households reporting employment gains fell sharply to the lowest since 2012, outside of the COVID lockdown shock (RBI), their income survey also remain muted. Rural income and employment situation has also dropped sharply, amid reduced transfers, stagnant real rural wages, and higher perceived inflation (*Exhibits 15-18*).

Real Rural Wage Growth Has Lost Momentum

A similar divergence is visible in wage data. Prior to 2014, rural wages were growing robustly, with nominal wage growth often exceeding 17% and real wage growth remaining comfortably positive at 7.5% (Labour Bureau, *Exhibit 12*). Wage gains were supported by stronger economic expansion, higher labour demand and rising productivity.

Over the past decade nominal rural wage growth has decelerated to just 5%, implying stagnant or declining real wages. Adjust for the recent change in sampling methodology, nominal rural wage growth has decelerated further during 2026

indicating deeply negative real wages as rural inflation has surged past 6% (*Exhibits 10-11*, see *India's anomalous rural wage bounty*, HBL Jun 2026)**.**

Historically, rapid poverty reduction has coincided with strong growth in household incomes and purchasing power. The current trend is unusual, as poverty is reported to be falling sharply despite weak real income growth, raising questions about the sustainability and underlying drivers of this decline in measured poverty.

The Question of Inequality

The *WB's Brief* reports also suggest that inequality has moderated with a consumption Gini of 23.0 for 2023. These figures should be read with caution, for three reasons.

- **Outdated urban-rural weights:** The survey weights are anchored in the 2011 Census frame. The report itself says this likely understates the urban population share and overstates the rural share, given urbanisation since 2011. If a large number of rural households (lower MPCE) have effectively become urban households (higher MPCE), inequality estimates may be understating actual disparities.
- **Undercounting of the wealthy:** The report notes that the surveys may not fully capture the consumption of wealthier households and likely understate inequality. Household surveys generally miss top earners, which lowers measured consumption inequality.
- **Earnings gaps remain wide:** Median earnings among the top 10% of workers were about 13 times those of the bottom 10% in 2023.

Claims that inequality is declining should therefore be treated with caution, particularly since they sit uneasily with the work of *Bharti, Chancel, Piketty and Somanchi (2026)*. They estimate that by 2022-23 India's top 1% held 22.6% of national income and 40.1% of total wealth, the highest shares on record. *(Income inequality: Is it misinformation or a conceptual faux pas?)*

The Uneasy Growth-Inequality-Poverty Nexus

Development theory suggests that poverty declines as incomes rise, but the relationship between growth, inequality and poverty is more complex. While rapid growth typically reduces poverty, it can also increase inequality when the gains accrue disproportionately to capital owners, highly skilled workers and dominant firms (*Links Between Growth, Inequality, and Poverty: A Survey, IMF, 2021*).

India's recent experience presents an unusual combination of strong GDP growth, stagnant real worker incomes, rising inequality and a sharp decline in poverty. This apparent paradox may reflect several structural factors

India's recent experience presents an unusual combination of strong GDP growth, stagnant real worker incomes, rising inequality and a sharp decline in poverty. This apparent paradox may reflect several structural factors:

First, growth has become increasingly concentrated in the formal and organised sectors, while repeated shocks such as demonetisation, GST implementation, the NBFC crisis and the pandemic disproportionately hurt the informal economy, weakening income growth for large sections of the workforce (*State of Working India 2021*). The revised GDP series (base year 2022-23) have corroborated that the headline GDP numbers, particularly services sector and private final consumption expenditure were overstated because of its reliance on formal-sector indicators to extrapolate informal sector activities (*India's 20 Years of GDP Misestimation: New Evidence*, *Issues in GDP computation*).

Second, poverty can decline even when income inequality rises because modest improvements in consumption at lower spending thresholds are sufficient to lift households above poverty lines. The rapid expansion of cash transfer programmes

across states illustrates how welfare support can improve measured poverty outcomes despite weak income growth (*New Buffer for India's Household Consumption*).

Third, supply-side policy measures have not generated the expected investment and employment multipliers. Instead, rising public debt, higher tax incidence on households, elevated household indebtedness and declining savings may have constrained consumption demand, private capex and job creation (*Is Capex Multiplier Overestimated?*; *Corporate India Needs Buyers, Not Just Tax Breaks*, *Savings fall reflects income crisis*).

Fourth, a growing share of economic gains appears to be accruing to capital rather than labour. Rising concentration and the increasing dominance of "superstar firms" have strengthened pricing power and encouraged capital-intensive production. *Viral Acharya* argues that large conglomerates capture a disproportionate share of economic surplus, while *Santosh Mehrotra* highlights weak job creation, informalisation and wage stagnation as key constraints on labour income growth.

Finally, skill-biased technological change, financial globalisation and rising housing costs have further widened income disparities and weakened the transmission of aggregate growth into broad-based gains for workers.

Recent poverty gains appear increasingly dependent on welfare transfers rather than sustained income growth. With private investment, savings and quality job creation remaining weak, and support programmes such as VBGRAM-G seeing reduced allocations, much of the reported decline in poverty remains vulnerable to policy shifts and economic shocks. Without stronger growth in labour productivity, real wages and employment, these gains may prove far less durable than headline estimates suggest.

Thus, strong GDP growth can coexist with stagnant worker incomes and rising inequality when growth is concentrated in capital-intensive sectors and dominant firms. In such circumstances, modest welfare transfers may still reduce poverty at low consumption thresholds, but these gains differ fundamentally from poverty reduction driven by productive employment, rising real wages and broad-based income growth. While social protection remains essential, durable poverty reduction ultimately depends on stronger livelihoods, higher productivity and more inclusive growth.

This dependence on welfare transfers comes at a time when several structural constraints persist, including subdued private investment, weak household savings, elevated public debt and rising household indebtedness, all of which limit the economy's capacity to generate quality employment opportunities. The risks are not merely theoretical. The sharp reduction in expenditure under the new employment programme, VBGRAM-G, following its transition from MGNREGA (*VB-G RAM G: Reading the fine print*), together with the broader moderation in rural development allocations, underscores the fragility of recent poverty gains (*Exhibits 13-14, 19-20*).

Consequently, rather than signalling a decisive victory over poverty, the evidence points to continued economic vulnerability. Even after two decades of rapid economic expansion, more than one billion Indians continue to live below the World Bank's $8.3 PPP threshold. Many households appear to have only marginally crossed lower poverty lines, aided by methodological changes in poverty estimation and fiscal transfers, leaving them vulnerable to slipping back into poverty if inflation remains elevated, global economic disruptions persist, or government support is scaled back. Without sustained improvements in labour productivity, real wages and quality employment generation, the reported decline in poverty may prove far less durable than headline estimates suggest.

Conclusion: The Mirage of Poverty Eradication

While the World Bank's estimates point to a sharp decline in poverty, the broader economic evidence calls for caution. Weak real wage growth, stagnant household incomes, modest productivity gains and persistent employment challenges are difficult to reconcile with a narrative of rapidly improving living standards. Moreover, recent declines in poverty are heavily influenced by the introduction of the revised

Household Consumption Expenditure Survey (HCES), whose expanded consumption basket, altered survey design and improved data collection methods make comparisons with earlier surveys problematic. The resulting World Bank poverty estimates may therefore reflect methodological changes as much as genuine improvements in household welfare.

The evidence suggests that a significant part of the recent reduction in poverty has been supported by welfare transfers, food subsidies and other government interventions that have sustained consumption in the post-pandemic period. While these programmes have been vital in protecting vulnerable households, they represent a safety net rather than a durable source of prosperity. Sustainable poverty reduction ultimately depends on rising real incomes, stronger productivity growth and the creation of quality employment opportunities.

A lasting reduction in poverty requires a shift from welfare-driven support to employment-led growth based on higher investment, stronger manufacturing, rising productivity and growing household incomes. As fiscal constraints tighten, poverty gains sustained largely through transfers may prove fragile, underscoring that durable improvements in living standards ultimately depend on productive jobs and rising earnings rather than welfare expansion or statistical revisions

The contrast with the 2004-12 period is instructive. Earlier poverty reduction was accompanied by rapid income growth, rising real wages and stronger job creation. In contrast, the post-2012 experience marks a clear departure from historical relationships between labour income growth and poverty reduction. Given the sharp slowdown in real labour income growth, poverty should have fallen far less than current estimates suggest.

The greater risk, therefore, is not merely statistical error but policy complacency. Interpreting declining poverty estimates as evidence that India's livelihood challenge has been resolved could divert attention from enduring structural weaknesses, including weak labour income growth, underemployment, low productivity and inadequate manufacturing-led job creation.

A durable poverty reduction strategy requires a shift from transfer-led support to employment-led growth, centred on higher investment, stronger manufacturing, rising labour productivity and expanding household incomes. As fiscal constraints intensify and spending on rural development and employment programmes comes under pressure, poverty gains built primarily on transfers may prove fragile. India's long-term success will depend not on welfare expansion or favourable statistical revisions, but on its ability to generate productive jobs, rising earnings and resilient improvements in living standards.

Exhibit 6: Poverty declines in 2023, 2024 likely reflects changes in household expenditure and employment measurement methodologies rather than a genuine improvement

NSS Surveys	Poverty Headcount Ratios (%)			CAGR (%)				
	PHR (USD 3.00)	PHR (USD 4.20)	PHR (USD 8.30)	Employment	Value added/ worker, nominal	Income/ worker, nominal	Income/ worker, real	CPI inflation
1977#	59.68	82.85	97.41	2.2	10.9	10.7	0.7	10.0
1983	50.86	77.97	97.18	2.0	11.0	10.7	1.2	9.4
1987	51.78	78.73	97.02	1.6	11.3	11.5	4.6	6.6
1993	47.48	76.2	97.30	2.3	13.2	12.9	2.2	10.6
2004	46.42	74.51	96.34	1.8	10.6	9.8	3.4	6.2
2009	34.58	66.06	94.96	0.8	14.2	13.8	7.1	6.2
2011-12	27.12	57.68	92.48	0.4	10.6	16.4	5.3	10.6
2022-23*	5.25	23.89	82.06	2.3^	9.2	8.5	2.4	5.9
2023-24*	2.57	16.12	79.98	7.7^	2.7	2.8	-2.5	5.4

*Notes: *PHR estimates based on Household consumption expenditure surveys 2022-23, 2023-24 which adopted a different methodology than earlier, restarted after an 11-year lag; ^ PLFS survey show abnormal rise in employment, labor force participation rate since 2018; CPI inflation based on spliced CPI industrial (IL) and agriculture (AL) labour, base years 1960, 2012, #*

Source: World Bank India poverty estimates, RBI KLEMS, PLFS

Exhibit 7: How employment and worker income have progressed over past 50 years

NSS rounds	Employment (mn)	Value added/ worker (INR)	Income/ worker (INR), nominal	Income/ worker (INR), real
1977*	262	3,162	1,725	2,464
1983	298	5,893	3,174	2,645
1987	318	9,049	4,909	3,167
1993	364	19,081	10,188	3,600
2004	442	57,830	28,397	5,201
2009	461	1,12,163	54,081	7,338
2011-12	467	1,51,632	85,354	8,570
2022-23	597	3,98,261	2,08,401	11,174
2023-24	643	4,09,050	2,14,142	10,898

*Note: real income derived by deflating CPI indexed to 1980, Value added per worker derive by using labor income share, Employment numbers in RBI's KLEMS data based on PLFS survey data. 2022-23 & 2023-24 Value added is based on new GDP series (2022-23); *KLEMS data available from 1980-81, 1977 estimates approximated from national accounts statistics on per capita disposable income*

Source: RBI KLEMS, PLFS

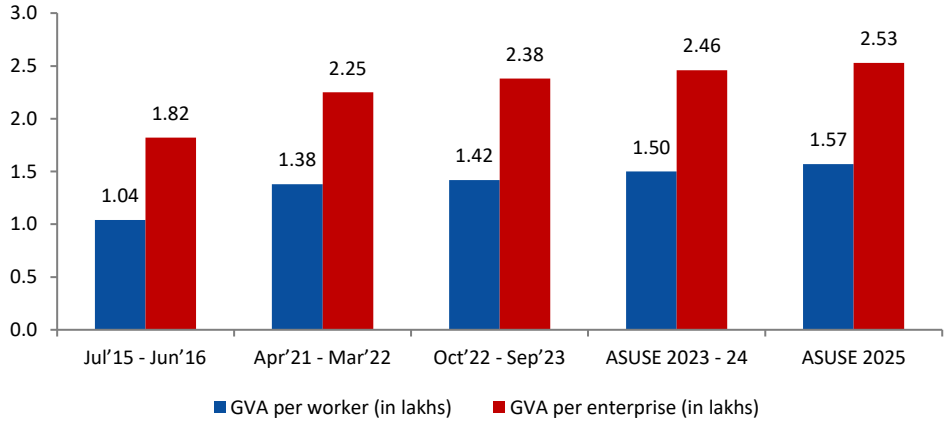
Exhibit 8: Headcount Poverty Ratio based on various Poverty Lines of the World Bank (%) and reduction over the years

Poverty Lines	2004	2011-12	2022-23	2023-24
US$ 3 per day per person (%)	46.42	27.12	5.25	2.57
Reduction per year (pp)		*(-2.4)*	*(-1.99)*	*(-2.7)*
US$ 4.2 per day per person (%)	74.51	57.7	23.9	16.12
Reduction per year (pp)		*(-2.1)*	*(-3.07)*	*(-7.8)*
US$ 8.3 per day per person (%)	96.34	92.5	82.06	79.98
Reduction per year (pp)		*(-0.5)*	*(-0.94)*	*(-2.08)*

Note: pp means percentage points; Figures in brackets show the reduction in headcount poverty per year for the periods: 2004 to 2011-12, 2011-12 to 2022-23 and 2022-23 to 2023-24

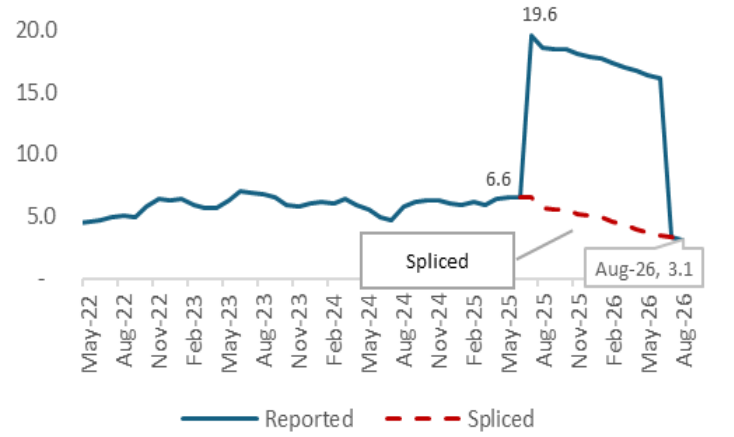
Source: World Bank, Systematix Research

Exhibit 9: Informal sector earnings have grown by ~3% over past four years, much below the CPI inflation at 6%



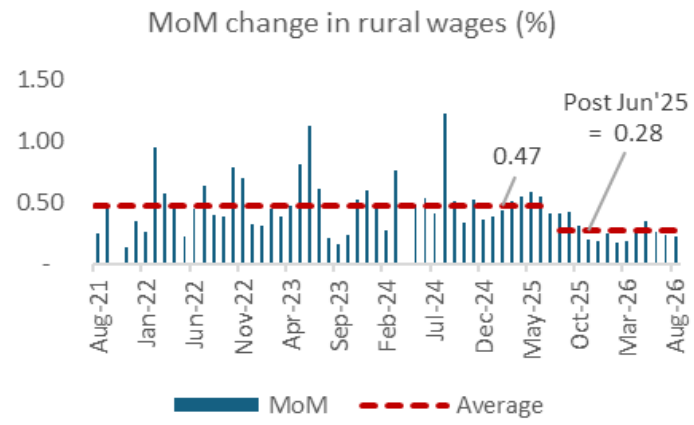
Source: Annual survey of unincorporate enterprises, Systematix research

Exhibit 10: Rural wages: Anomalous step up in 2025 due to change in sampling has ebbed, now growth at 3%



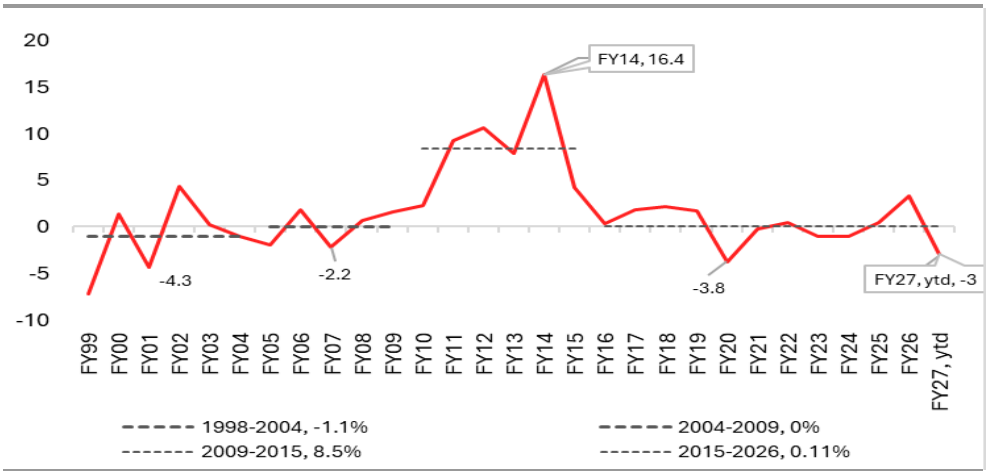
Source: Labor Bureau, Systematix Research

Exhibit 11: MoM change in rural wages (%), Sharp deceleration in recent month (spliced since Jul'25)



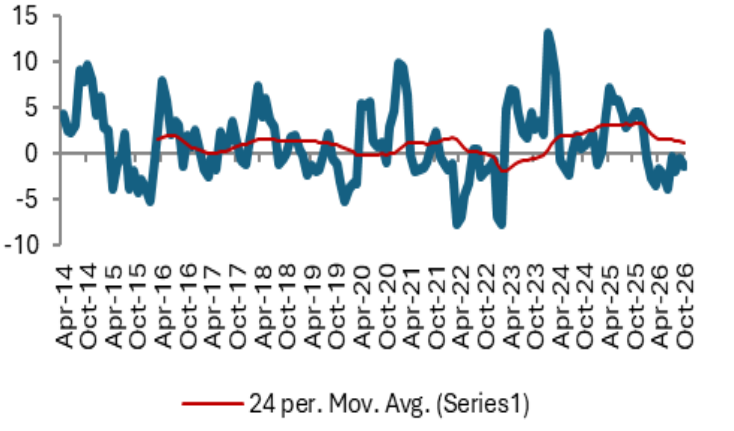
Source: Labor Bureau, Systematix Research

Exhibit 12: Real rural wages (% YoY & period averages)



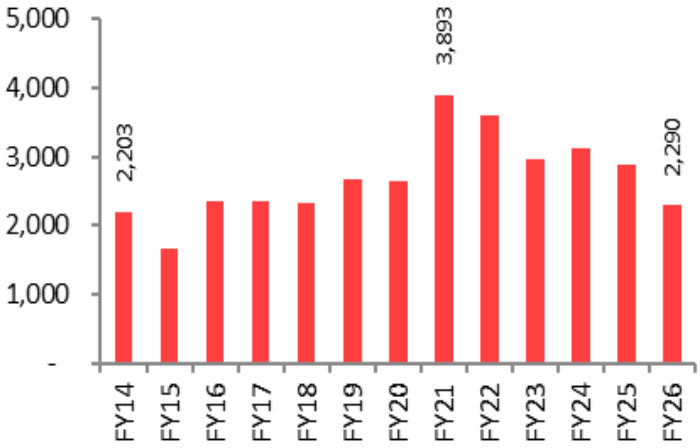
Source: Labor Bureau, MOSPI, Systematix Research, YTDFY27 is for Aug 2026, using CPI AL

Exhibit 13: %YoY growth rate in real MGNREGA wage rate slipping into negative growth



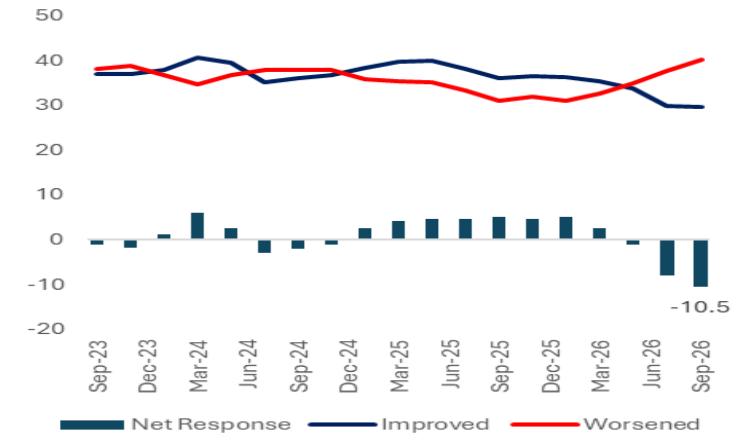
Source: MGNREGA, Systematix Research; VBGRAMG from Jul'26

Exhibit 14: MGNREGS employment provided (person days), decline by 41% since COVID to a decadal low



Source: MGNREGA, CMIE, Systematix Research

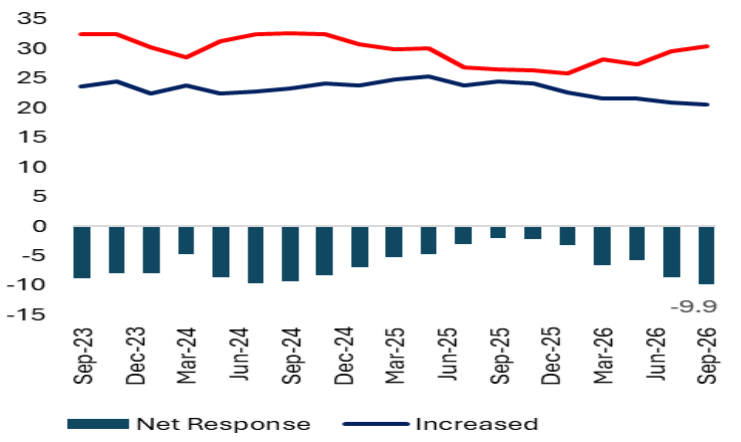
Exhibit 15: Rural employment perception RBI survey: El Niño effect and restrained public spending



Note: Net response = Improved - Worsened

Source: RBI-RCCS, Systematix Research

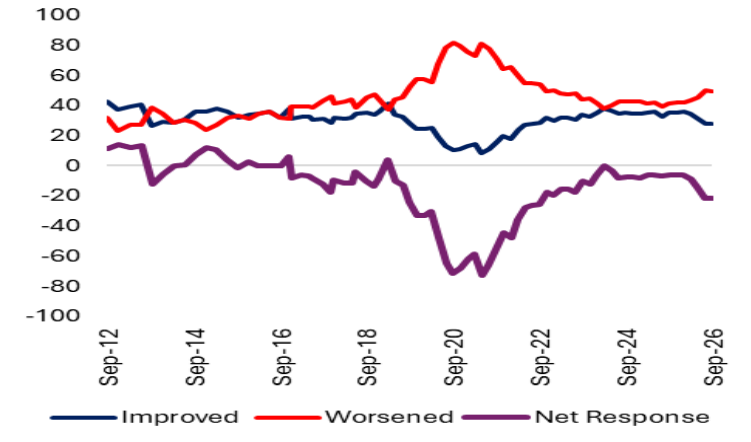
Exhibit 16: Rural income perceptions, RBI survey: Consistently negative, worsened recently



Note: Net response = Improved - Worsened

Source: RBI-RCCS, Systematix Research

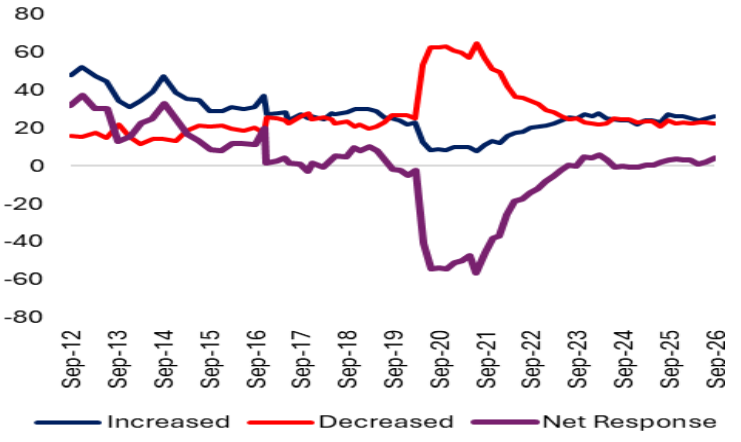
Exhibit 17: Urban employment perception RBI survey: Sharply worsened recently, lowest since 2012 ex COVID



Note: Net response = Improved - Worsened

Source: RBI-RCCS, Systematix Research

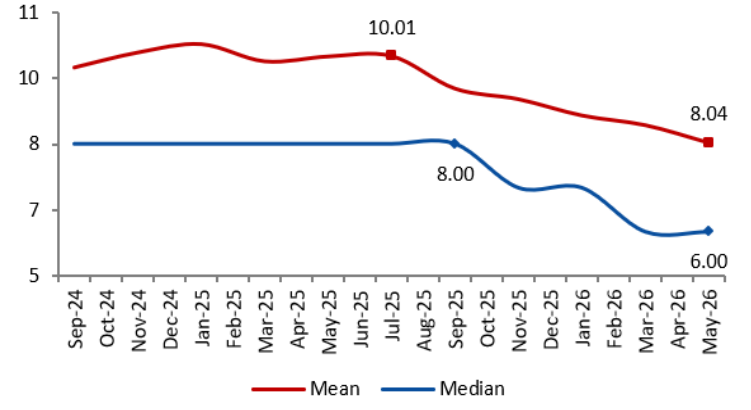
Exhibit 18: Urban income perceptions, RBI survey: modestly positively, but significantly lower than 2012



Note: Net response = Improved - Worsened

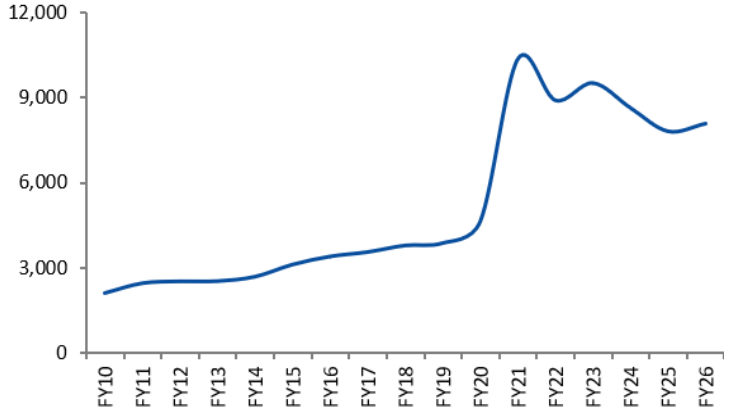
Source: RBI-RCCS, Systematix Research

Exhibit 19: Share of government subsidies/transfers in monthly household income in rural areas has declined since July–September 2025



Source: NABARD Rural Economic Conditions & Sentiments Survey, Systematix Research

Exhibit 20: Centre's rural-sector spending has declined in absolute terms since Covid (INR bn)



Source: GoI Budget, Systematix Research

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