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Extreme Poverty in India :

Declining Poverty, Persistent Employment Challenges

Extreme Poverty in India Latest News

The World Bank's (WB) latest Poverty & Equity Brief indicates that India's extreme poverty rate has declined significantly.

However, persistent unemployment, stagnant real earnings and regional disparities raise concerns about the sustainability of poverty reduction.

The central challenge is to translate economic growth into productive employment, higher incomes and improved living standards, particularly in India's poorer states.

Declining Poverty - WB Estimates

Significant reduction in poverty:

- *Extreme poverty, measured using the World Bank's $3-per-day poverty line, declined from 5.3% in 2022 to 2.6% in 2023.*
- *Using the Lower Middle-Income Country (LMIC) threshold of $4.20 per day, poverty declined from 23.9% to 16.1%.*
- *The poverty rate under the $4.20 threshold is projected to decline further to 14.2% in 2026 and 12.1% by 2028.*

Employment remains the critical determinant:

- *The WB emphasises that future poverty reduction depends on the creation of productive jobs in India's poorest states.*

For example,

- *Youth unemployment increased to 15.9% over the preceding year.*
- *Real earnings have remained largely stagnant.*
- *The sustainability of poverty reduction depends on employment quality, not merely employment numbers.*

The 'Feeling' of Growth - A Disconnect Between GDP and Incomes

Economic growth without equitable gains:

- *India recorded GDP growth of 7.8% in the April–June quarter, exceeding most forecasts.*

Yet, the benefits of growth are not uniformly reflected in household incomes and living standards.

The International Labour Organization (ILO) highlights a weakening relationship between productivity and wages.

For example,

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- *The global share of income accruing to labour declined from approximately 54% in 2004 to 52.6% in 2025.*
- *Rising productivity does not necessarily translate into proportionately higher wages.*
- *This weakens purchasing power and limits the ability of economic growth to reduce poverty.*

Demographic dividend under pressure:

India's demographic dividend cannot be taken for granted.

For instance,

- *Youth unemployment and inadequate skills threaten the productive absorption of the working-age population.*
- *Excessive dependence on smartphones, social media and AI raises concerns about attention spans, cognitive skills and social well-being.*
- *Unlike earlier ageing economies, India must manage demographic pressures alongside rapid technological transformation.*

Regional Concentration of Poverty

A new BIMARU?

- *The World Bank estimates that 57% of India's poor live in a contiguous belt extending from UP to West Bengal.*
- *This recalls the term BIMARU, coined by demographer Ashish Bose to describe Bihar, Madhya Pradesh, Rajasthan and UP.*
- *The emerging poverty belt suggests a shift in the geographical concentration of poverty, with West Bengal becoming an important part of the region.*

Poverty estimates based:

- *The earlier Rangarajan Committee estimated the monthly per capita poverty line at - Urban areas: ₹1,407 (approximately ₹47 per day); and Rural areas: ₹972 (approximately ₹32 per day).*
- *It estimated India's poverty rate at 29.5%.*

State-wise poverty rates (2022–23):

Chhattisgarh (25.1% rural poverty, 13.3% urban), Jharkhand (16.6% and 12.6%), MP (9.6% and 11.6%), WB (7.5% and 12.4%), Bihar (5.9% and 9.1%), and UP (5.7% and 9.9%).

- *Despite relatively high poverty levels, these states have achieved substantial reductions between 2011–12 and 2022–23.*
- *Urban Bihar recorded the largest decline among states, from 50.8% to 9.1%.*

Employment Challenges - A New Reckoning

The WB estimates that employment increased by 13.4 crore between 2017 and 2023, nearly twice the increase in the working-age population. However, there is a mismatch between employment quantity and quality.

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Emerging concerns:

- *Wage stagnation: Factory workers' wages in Jharkhand declined by 5.2% in 2024–25, against an all-India increase of 5.3%.*
- *NEET youth: In 2025, 81% of Bihar's districts had more than one-fourth of their 15–29-year-olds neither employed nor in education or training (NEET).*
- *Regional disparities: Poorer states face inadequate industrial diversification, low productivity and limited access to quality employment.*
- *AI-driven disruption: Automation may intensify pressure on low-skilled workers and require large-scale reskilling.*

Nevertheless, progress is visible. UP recorded the largest increase in the number of factories in 2024–25, at 12.8%.

Way Forward

- *Labour-intensive manufacturing: Promote textiles, food processing, footwear and other employment-intensive sectors in poorer states.*
- *Human capital development: Strengthen foundational literacy, vocational education, healthcare and digital skills to improve labour productivity.*
- *Decentralised development: Improve infrastructure, logistics, urbanisation and investment conditions in lagging regions.*
- *Employment quality: Focus on formalisation, social security, minimum wages and productive self-employment.*
- *Evidence-based policy: Use updated consumption surveys, employment data and multidimensional poverty indicators to identify vulnerable groups.*

Conclusion

India's declining poverty is a significant development achievement, but sustaining it requires a transition from growth-led poverty reduction to employment-led inclusive development.

Creating productive jobs, improving real wages and addressing regional inequalities will be essential to realise the demographic dividend and achieve the vision of Viksit Bharat by 2047.