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Rethinking Social Safety Nets in a Changing Society: Evidence from the India Human Development Survey§

ABSTRACT With a growing economy and declining poverty, India faces a curious challenge in providing a social safety net to its citizens. Using data from three rounds of the India Human Development Survey (IHDS), collected in 2004-05, 2011-12, and 2022-24, this paper shows that households face considerable transition in and out of poverty as the economy grows. Historically, India's approach to social safety nets has involved identifying the poor and providing them with priority access to various social protection programs that include both in-kind and cash assistance—however, the nature of poverty

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changes with economic growth. This churn in households' economic circumstances makes it difficult to identify and target the poor precisely.

Using unique, newly collected, panel data, this paper makes three observations about India's anti-poverty programs: (1) Identification of households as poor (now dubbed priority households) relies on identification exercises carried out every 10-15 years and assumes that poverty status is relatively static. However, results presented in this paper document a substantial transition in and out of poverty. (2) This ex-ante identification of needy households leads to relatively weak correlation between households' actual economic status and access to social safety nets. This should not be assumed to be an example of elite capture but rather an artefact of a static program design. (3) Recognition of exclusion and inclusion errors led to an advocacy for a vast expansion of the population eligible for benefits. It was assumed that this expansion will reduce exclusion of the poorest, even if it leads to greater inclusion of the non-poor. However, experience of the National Food Security Act 2013, documented in this paper, shows that even as the proportion of households owning a Below the Poverty Line (BPL) card grew from 41 percent to 60 percent between 2011-12 and 2022-23, 30 percent of the poor were left out. This suggests that addressing inclusion and exclusion errors may be difficult, particularly in an era of economic growth. Social safety nets may need to be redesigned in a way that is responsive to changing economic conditions and unexpected events, both at the individual and the community levels.

Keywords: *Poverty, Social Safety Net, Consumption Expenditure, Welfare Subsidies, Policy, Poverty Transition, India*

JEL Classification: *I32, I38, D63, D15*

1. Introduction

The pandemic highlighted the need for governments the world over to intervene to ensure households could meet their basic needs. As the lockdowns were implemented, production and transportation bottlenecks led to shortages and price rises, and small businesses suffered tremendous losses. The pandemic experience also highlighted the importance of rethinking how governments provide social protection under unforeseen conditions.

The Indian approach to social protection was developed at a time when a vast proportion of the population lived below the poverty line and unequal access to productive resources such as land and education led to endemic poverty among some sections of the society (e.g., the Scheduled Castes and the Scheduled Tribes) and some areas (e.g., poorest districts such as Dahod, Gadhchiroli, and Dhubri). This has led to safety nets structured around identifying the poorest sections of society and providing them with a host of benefits ranging from subsidized or free foodgrains to health insurance and pensions.

However, a growing economy creates both new opportunities and challenges. This paper seeks to address whether this time-honored strategy continues to be relevant in 21st-century India. We rely primarily on three waves of the India

Human Development Survey (IHDS) conducted in 2004-05, 2011-12, and 2022-24. As a nationwide panel study of over 41,000 households, IHDS offers unique opportunities for exploring changes in the lifestyles of ordinary Indians; but it is even more useful in understanding changes and relationships over time than offering cross-sectional estimates of parameters of policy interest such as poverty. See Appendix A, with Tables A.1 and A.2, for a description of the IHDS sample and attrition over time. One caveat should be noted: while the weights in Appendix Table A.3 take into account differential urban and rural growth rates for each state based on the projections by the Ministry of Health and Family Welfare, in absence of a recent census, these weights remain an approximation; moreover at present, they do not take into account sample attrition.

With these caveats, some stylized observations on India's poverty transition and social protections are helpful as we reflect on emerging priorities in social protection.

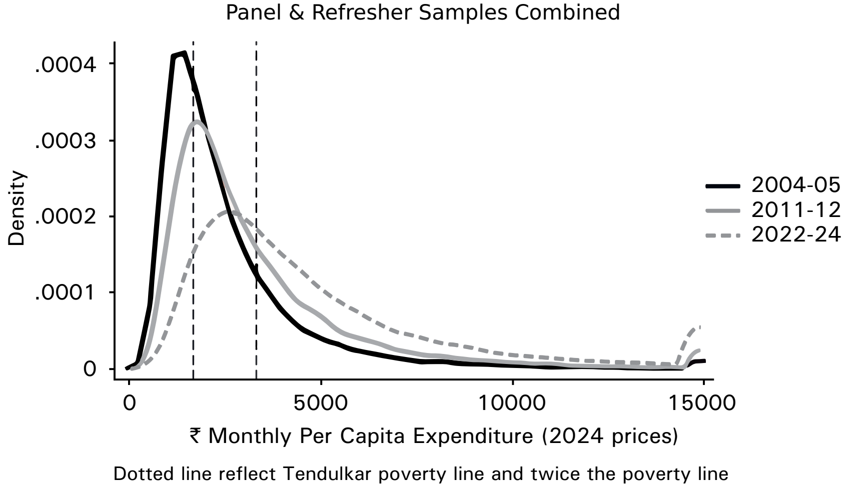
1.1. Poverty Has Declined Substantially

Estimating poverty in India has historically been a contentious issue (Deaton and Kozel 2005). In its modern avatar, a lively debate ranges about whether these poverty lines are too low and whether the consumption basket underlying CPI indices needs to be recalibrated (Ghatak and Kumar 2024). The absence of comparable consumption data, the staple source of poverty estimation in India, in recent years, has also led to divergent opinions on the extent of poverty decline in India, the divergence between results from employment data and consumption data, and the role of changing methodology on estimates of poverty (see an e-symposium on measuring poverty, Ghatak 2022). The recent release of the Household Consumption Expenditure Survey (National Sample Survey Office 2024) should lay to rest some of these controversies but will require detailed analyses to ensure comparability.

Although crucial for estimating poverty, these debates are outside this paper's scope. As T.N. Srinivas noted, poverty lines serve two purposes, normative and monitoring, where normative standards reflect a social contract about the basic standard of living that should be available to all individuals, while monitoring standards track lifestyle changes over time (Srinivasan 2007). Following the monitoring approach, we focus on understanding the poverty dynamics at the household level, using panel data for the purposes for which they are designed, with no attempt at critiquing existing poverty lines.

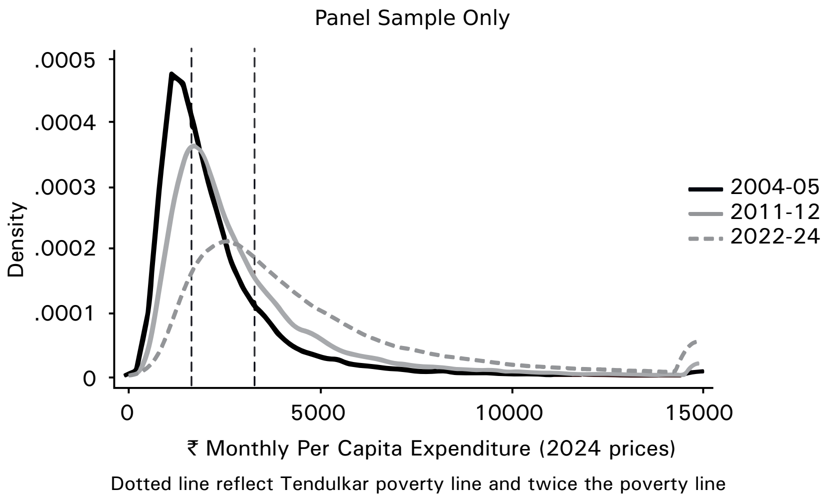
The three rounds of the India Human Development Survey (IHDS) administered identical questions to respondents about consumption of food and frequently used items with a reference period of 30 days and about infrequently purchased items with a reference period of 365 days, somewhat analogous to the Mixed Recall Period used by the National Sample Survey. However, since the IHDS relies on a more limited set of items than the NSS, it is not ideal for

FIGURE 1. Rightward Shift in the Distribution of Per Capita Consumption Expenditure (in 2024 Prices)



Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).

FIGURE 2. Household Consumption Has Grown Longitudinally for Panel Households in the IHDS (in 2024 Constant Prices)



Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).

estimating poverty levels (for a comparison of IHDS design characteristics with that of NSS, see Appendix B). Nevertheless, it offers comparable data for the same households over 20 years, allowing for critical analytical insights.

Figures 1 and 2 show the change in the distribution of monthly per capita consumption expenditure for the cross-sectional samples over the period 2004-05 and 2022-24 (containing both panel and refresher households) and only the panel households, respectively. These data are drawn from the IHDS, 2004-05, 2011-12, and 2022-24, described in Appendix Tables A.1 and A.2 and presented in constant values for 2024. Both figures document a rightward shift, showing increasing consumption in constant terms and a slightly greater dispersion.

Table 1 presents the Headcount Poverty Ratios (HCRs) based on the IHDS data using the inflation-adjusted poverty line recommended by the Tendulkar Committee (The Planning Commission 2013). Given the widespread agreement that the poverty line is set too low, we differentiate between the poor (individuals living below the poverty line recommended by the Tendulkar Committee) and the individuals who are near-poor, with monthly per capita consumption above the poverty line but below twice the poverty line. The results document a substantial poverty decline with many of the formerly poor moving up to a lower middle income but vulnerable category and households in this lower-middle-income category becoming non-poor and moving out of the vulnerability zone.

While the IHDS is not the best source of the contemporaneous estimate of poverty, directionally, it offers the same insights as other studies and validates the general conclusion that extreme poverty in India has declined substantially. According to the IHDS findings presented in Table 1, poverty declined significantly between 2004-05 and 2011-12 (from an HCR of 38.6 to 21.2), and it continued to decline between 2011-12 and 2022-24 (from 21.2 to 7.1) despite the challenges posed by the pandemic. The poverty line recommended by the Tendulkar Committee Report was set to ₹447 and ₹579 for rural and urban areas, respectively, but varied among states for 2004-05. These poverty thresholds were subsequently adjusted by The Planning Commission to ₹860 and ₹1000 for the year 2011-12. We have updated these thresholds using state- and sector-specific Consumer Price Indices provided by the Ministry of Statistics and Programme Implementation to calculate the HCRs. We have also highlighted the near-poor households as those located just above the poverty line and having monthly consumption expenditures below that of twice the poverty line.

The poverty figures presented by the IHDS in 2004-05 and 2011-12 are comparable to those estimated using the 61st and 68th rounds of the NSS data. For the last wave (2022-24), they are comparable for rural areas, estimated at 7.2 by the SBI Research using the fact-sheet for Household Consumption Expenditure Survey (HCES) data (National Sample Survey Office 2024). For urban areas, the IHDS-3 figures are slightly higher, at 6.5, as compared to the HCES data (estimated at 4.6 by the SBI) but they are generally very

TABLE 1. Head-count Ratios of Poverty Declined Substantially over the Three Waves of the IHDS between 2004-05 and 2022-24

		2004-2005					2011-2012					2022-24				
		HCR		*LCI*	*UCI*		*HCR*		*LCI*	*UCI*		*HCR*		*LCI*	*UCI*	
Rural	Poor	42.6	[	41.6	43.6	]	24.6	[	23.7	25.4	]	7.3	[	6.9	7.8	]
	Near-Poor	41.5	[	40.5	42.4	]	46.6	[	45.6	47.5	]	33.9	[	33.1	34.8	]
	Non-Poor	16.0	[	15.3	16.6	]	28.9	[	28.1	29.7	]	58.7	[	57.9	59.6	]
Urban	Poor	27.2	[	26.2	28.3	]	13.1	[	12.4	13.9	]	6.5	[	6.0	7.1	]
	Near-Poor	42.2	[	40.8	43.6	]	40.7	[	39.7	41.7	]	32.8	[	31.8	33.8	]
	Non-Poor	30.5	[	29.6	31.5	]	46.2	[	45.3	47.2	]	60.7	[	59.6	61.7	]
Total	Poor	38.6	[	37.8	39.4	]	21.2	[	20.6	21.8	]	7.1	[	6.7	7.5	]
	Near-Poor	41.7	[	40.9	42.5	]	44.8	[	43.8	45.2	]	33.6	[	32.9	34.2	]
	Non-Poor	19.8	[	19.2	20.3	]	34.0	[	33.7	35.0	]	59.3	[	58.7	60.0	]

Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).
Note: The poor have been defined using the Tendulkar poverty line and the near-poor have been defined as being above the poverty line but below twice the poverty line. LCI and UCI refer to upper and lower confidence intervals at a 95% level.

similar despite the differences between the IHDS methodology and the HCES methodology, which are presented in Appendix B. Given the small sample size of the IHDS as compared to the HCES (47,465 households for IHDS versus 2,61,746 households for HCES), fewer items included in the IHDS consumption module (52 versus 405), and limitations on sample representation due to a panel design, we recommend that for cross-sectional estimates of poverty, readers should refer to the HCES data, relying on the IHDS to explore the dynamic nature of poverty.

1.2. Accidents of Life Are Increasingly More Important

Even during periods of relative economic stability, when poverty rates move slowly, individual households may experience income and consumption changes as household composition changes, workers retire, and children grow up and find employment. Illness, job loss and natural disasters may influence incomes. However, the practice of measuring poverty based on consumption may dampen the impact of these life-cycle changes and sudden shocks as households calibrate their expenditures to their long-term incomes.[1] During relatively stable economic conditions, the forces that shape the long-term earnings of individuals, such as their human capital, health, local labor market conditions, labor market discrimination, and accidents of birth associated with caste, religion, inheritance of productive assets, and regional location may dominate economic fortunes of individuals. While both chronic and transient poverty affect household well-being, past research has tended to rely on cross-sectional data and has thereby tended to ignore transitions into and out of poverty. Nonetheless, a few longitudinal studies, described in Table 2, provide us some estimates of poverty transitions since the 1970s.

TABLE 2. Estimates of Poverty Transitions in the Late 20th Century Show Stagnation in Both Chronic and Transient Poverty

Poverty status	*% of Sample Rural Panel Households*			
	Gaiha (1968-70)	*NCAER (1970-71 to 1981-82)*	*Bhide and Mehta (1970-71 to 1981-82)*	*Dhamija and Bhide (1981-82 to 1998-99)*
Chronically poor	33	28	25	23
Entry	13	17	13	20
Exit	24	25	23	18
Non-poor	30	30	39	39

Source: Mehta et al. 2011, *India Chronic Poverty Report*. Table 3.3, p. 43.

How has the relative importance of these two aspects of poverty changed over time? Studies from the 1970s through the 1990s, summarized in Table 2, show a relatively large amount of chronic poverty as well as transient poverty during an era of relative economic stagnation with the number of non-poor (using a different poverty threshold) staying relatively stable.

The IHDS surveys cover an era of relatively high economic growth. India saw fairly high rates of economic growth between 2004-05 and 2022-24. Estimates from the Ministry of Statistics and Programme Implementation show that the average growth rate between 2004-05 and 2011-12 was about 6.8 percent while that between 20011-12 and 2023-24 was about 6.1 percent despite the disruption caused by the pandemic. Thus, it is not surprising that the IHDS data show considerable churn in the poverty status of the households and the growing importance of transitory poverty. Figures 3 and 4 summarize the changes in the poverty status of households between 2004-05 and 2011-12, and between 2011-12 and 2022-24, respectively.

1. For one of the earliest investigations linking income and consumption for India, see Bhalla 1979.

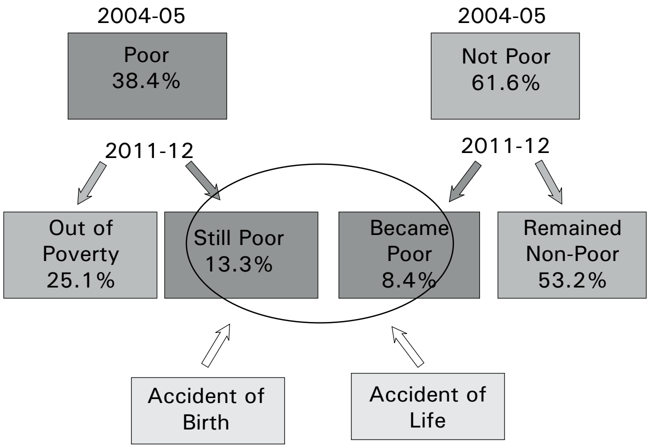
During an era of economic growth, when opportunities increase, the long-term determinants of poverty may decline in significance while accidents of life associated with natural disasters, illness, and death, and changes in occupation-specific opportunities may become more important. Accidents of birth are more likely to affect long-term chronic poverty, whereas accidents of life may have a transitory effect on moving in and out of poverty.

Figure 3 documents the movement in and out of poverty for 38 percent of the households that were poor in 2004-05 and 62 percent of the households that were not poor. By 2011-12, poverty had declined, and 25 percent of the families had moved out of poverty, with 13 percent still mired in poverty. At the same time, of the 62 percent of households that were non-poor in the prior wave, 8 percent had now become poor. These newly poor comprised about 39 percent of all the impoverished households in 2011-12. A similar exercise undertaken with 2022-24 data in Figure 4 shows a similar trend, with 18.4 percent of the households moving out of poverty and 4.4 percent falling back. The change between the two sets of transitions is that the overall poverty level in 2022-24 is substantially lower, and the newly poor form a more significant part of all poor households, at about 60 percent. Most of the households falling into poverty come from the group we have classified as near-poor–between the poverty line and 200 percent of the poverty line.

For the poverty transitions in 2011-12, we have undertaken a detailed analysis of the characteristics of entry into and exit from poverty (Thorat et al. 2017), which documents that this movement out of poverty is greater for historically disadvantaged groups like the Scheduled Castes (SCs). However, these groups retain higher vulnerability to falling back into poverty, suggesting a precarious perch in lower-middle-class status. Other studies using data from IHDS Waves 1 and 2 have tried to examine underlying conditions at Wave 1, such as household size, presence of the elderly, land ownership, and caste/religion that may predict the potential of slipping into poverty in Wave 2 (Bandyopadhyay and Bhattacharya 2022) and found that their ex-ante vulnerability measure is a positive and significant predictor of future poverty but the coefficients are relatively small, reflecting our inability to predict accidents of life ex-ante perfectly. This is in sharp contrast to the observations from studies in the twentieth century (Mehta et al. 2011), which found considerable persistence of chronic poverty among SCs, Scheduled Tribes (STs), land-less households, and large households. It is important to note that STs remain consistently mired in chronic poverty in both the twentieth and twenty-first century studies.

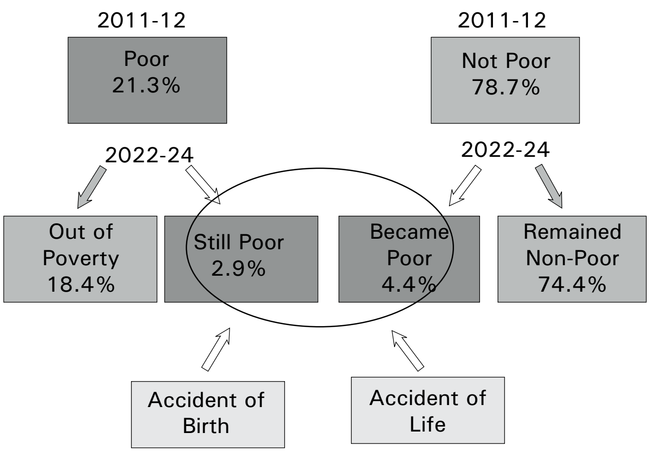
While this study highlights the vulnerability of the near-poor who fall into poverty, as they are neglected in the policy discourse, accidents and disasters also affect the extreme poor and may increase their depth of poverty. However, as we discuss below, strategies for addressing increasing deprivation due to unforeseen emergencies for both groups remain similar.

FIGURE 3. Poverty Transition between IHDS Waves 1 and 2 Documents Both Chronic and Transient Poverty, While Overall Poverty Declined



Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).

FIGURE 4. As Poverty Further Declined, Transient Poverty Became More Important between IHDS Waves 2 and 3



Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).

1.3. Food Subsidies Have Grown Substantially, Further Reducing Poverty

India established a Public Distribution System (PDS) in the early periods after Independence when food shortages necessitated large food imports under PL-480 grants from the United States. This program was continued and substantially expanded with internal resources after the PL-480 grants ended. In its early years, PDS was focused on urban areas and regions with food shortages, but as we will show below, this bias has reversed now. In 1997, the PDS was streamlined by introducing the Targeted Public Distribution System (TPDS), in which households were divided into BPL (Below Poverty Line) and APL (Above Poverty Line) families, with BPL households receiving subsidized grain and APL households receiving grains at an economic cost. Moreover, sugar and kerosene were also distributed through the PDS shops (known as ration shops). PDS also covers several other categories of households at extremely low cost and higher allocation. This includes Antyodaya Anna Yojana (AAY), directed at extremely poor households, and Annapurna Yojana for the elderly poor. The National Food Security Act (NFSA), passed in 2013, expanded the pool of households eligible for subsidized rations to 50 percent of the urban households and 75 percent of the rural households; it also added millets and pulses to the list of items to be covered under NFSA.

During the pandemic, access to food through the PDS was expanded through the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), providing an additional 5 kg of rice or wheat and 1 kg of pulses to eligible individuals at no cost. This was in addition to the regular entitlement of 5 kg of cereals under the NFSA. The APL or Non-Priority households also received an allocation during the pandemic, but this was discontinued thereafter.[2]

The overall estimates of food subsidies in the three rounds of IHDS surveys, along with their implied impact on poverty estimates, are presented in Tables 3 and 4. It is essential to highlight that between IHDS Waves 2 and 3, food subsidies grew. However, sugar and kerosene subsidies were withdrawn from most of the states. Thus, the overall increase in PDS subsidies from a household perspective is moderated, though the access to foodgrains has widened substantially.

While calculating the PDS benefits to the households, it is important to recognize that PDS has existed for a long time, and households in all three waves of IHDS benefited from it. However, in contrast to the first two waves, which recorded the use of PDS for foodgrains as well as sugar and kerosene, the majority of the PDS usage in the third wave relates to foodgrains only. For example, among the 78 percent of the households, which made some purchase from the PDS shop in 2011-12, only 54 percent of them purchased grain; in contrast, in 2022-24 all of the purchases were for food items. We calculate the value of the PDS subsidy by subtracting the amount spent at ration shops for rice, wheat, other cereals, kerosene, and sugar from the market price. Since pulses are only now being distributed under PDS, data on the PDS purchase of

2. However, since some of our interviews took place in 2022 before discontinuation of the APL allocation and some states like Tamil Nadu are far more generous in their eligibility criteria, some of the IHDS non-BPL households also report PDS grain allocation.

pulses is only available for Wave 3. Table 3 shows basic statistics on the type of PDS purchase and the imputed subsidy value.

TABLE 3. PDS Usage and Imputed Value of Subsidies Increased over Time and Moved to Cover Foodgrains Instead of Kerosene and Sugar

	Rural	*Urban*	*Total*
2004-05			
Any PDS Purchase	78%	47%	69%
Any grain purchased vis PDS	35%	22%	31%
Imputed PDS subsidy per person per month (in 2024 prices)	48	34	44
2011-12			
Any PDS Purchase	84%	62%	78%
Any grain purchased vis PDS	57%	45%	54%
Imputed PDS subsidy per person per month (in 2024 prices)	108	85	101
2022-23			
Any PDS Purchase	77%	65%	73%
Any grain purchased via PDS	77%	65%	73%
Imputed PDS subsidy per person per month (in 2024 prices)	139	122	134

Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).

TABLE 4. Adding Imputed Value of Subsidy to Consumption Reduces Poverty HCR Substantially

		2004-05					*2011-12*					*2022-24*				
		HCR		*LCI*	*UCI*		*HCR*		*LCI*	*UCI*		*HCR*		*LCI*	*UCI*	
							Without PDS Subsidy									
Rural	Poor	42.6	[	41.6	43.6	]	24.6	[	23.7	25.4	]	7.3	[	6.9	7.8	]
Urban	Poor	27.2	[	26.2	28.3	]	13.1	[	12.4	13.9	]	6.5	[	6.0	7.1	]
Total	Poor	38.6	[	37.8	39.4	]	21.2	[	20.6	21.8	]	7.1	[	6.7	7.5	]
							Including Imputed Value of PDS Subsidy									
Rural	Poor	40.9	[	39.9	41.9	]	21.3	[	20.5	22.1	]	5.9	[	5.5	6.3	]
Urban	Poor	26.2	[	25.2	27.2	]	11.5	[	10.8	12.2	]	5.5	[	5.0	6.0	]
Total	Poor	37.2	[	36.4	38.0	]	18.4	[	17.8	19.0	]	5.7	[	5.4	6.1	]

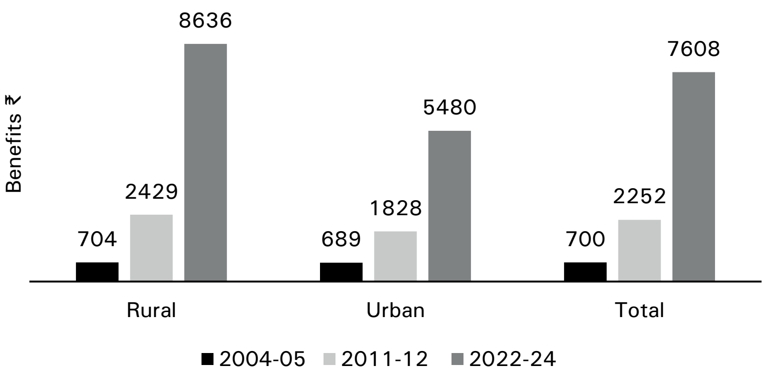
Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).

In each of the three waves, adding this imputed value to household consumption reduces the proportion of households that are poor. However, this effect is largest for the third wave in proportional terms, suggesting that expanding food subsidies while curtailing sugar and kerosene subsidies led to a more pro-poor outcome. Other research undertaken by the NCAER National Data Innovation Centre immediately before and after the pandemic also suggests that enhanced access to PDS rations kept food consumption stable during the pandemic even as household incomes declined (Choudhuri and Desai 2025).

1.4. Government Benefits Have Expanded Substantially since 2012

Even between 2004-05 and 2011-12, the share of government benefits in total income had increased from 0.7 percent to 2 percent and played a small but important role in the poverty decline during that period (Balcázar et al. 2016). Since then, several new programs have been introduced, and the benefits given through existing programs have increased, and we anticipate that future analyses with these data will show an even larger role of subsidies.

FIGURE 5. Government Benefits Increased over Time, with a Sharp Jump between Waves 2 and 3



Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).
Note: All figures in 2024 are at constant prices.

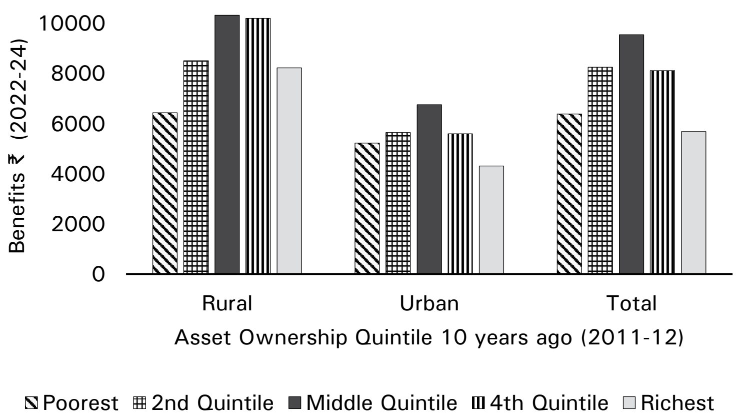
Subsidies include Old Age Pension Programs and Widow Pension Programs for the poor, additionally PM-KISAN provides cash benefits to farmers. Many states have introduced their own version of these programs, such as Rythu Bandhu in Telangana, and Kalia in Odisha. While these are the major programs, there are many other benefit schemes, including maternity schemes, girl child welfare schemes, and scholarship programs.

In each of the waves of IHDS, an effort was made to capture the benefits that households receive from major social programs. As Figure 5 shows, the total benefits received from these programs have increased substantially in 2024 constant prices.

The number of welfare schemes in any district is large, and survey respondents often cannot distinguish between Centrally-sponsored and state schemes. However, two schemes predominate: PM-KISAN, which provides cash benefits to farmers (and its different state-level formulations, such as Kalia in Odisha), and the old age pension scheme. Consequently, as Figure 5 documents, the distribution of these benefits is somewhat skewed towards rural areas.

Exploring the pro-poor nature of benefits, or lack thereof, is hampered by the endogeneity of consumption expenditure to increased income through benefits, particularly since the value of benefits is substantial in 2022-24. Hence, Figure 6 shows the extent of benefits received in Wave 3 by households at different levels in the ownership of assets, a slow-moving measure of economic well-being. Our past research (Barik et al. 2018), as well as work by others, suggests that ownership of consumer durables and housing conditions act as a long-term marker of household economic status (Filmer and Pritchett 2001), while consumption expenditure is more short-term in nature. Nonetheless, to avoid potential endogeneity, we index household economic status by data collected over ten years ago in 2011-12. The results suggest that benefits are reasonably evenly distributed across households at different asset ownership levels in rural areas, with a concentration among households located in the third and fourth quintiles in the prior wave. In contrast, in urban areas, households in the middle receive slightly more benefits than those in the upper asset quintiles, but on the whole, the benefits receipt is evenly spread across all income groups. How these benefits shape the well-being of households in the current period and influence their consumption behavior is an area that deserves future attention.

FIGURE 6. Benefits in Rural Areas Seem to be Skewed towards Upper Income Groups (in 2024 Constant Prices)



Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).

1.5. Identification of Poor through Proxy-means Testing Is Imperfect

The prior section suggests that though many benefits were meant to target the poor, this targeting is imperfect. It is important to locate the targeting process in a historical context to understand the processes leading to this weak correlation.

While consumption expenditure surveys provide estimates of poverty in the country, they do not tell us who is poor when it comes to delivering social safety nets. The crucial link between poverty estimates and safety nets is provided by designating households as being poor, or in the words of Indian officialdom, being "Below Poverty Line" or BPL households.[3] The Ministry of Rural Development made this identification through nationwide censuses in 1992, 1997, 2002, and 2011 (Saxena 2015). The latest exercise in 2011 was carried out through the Socio-Economic Caste Census (SECC) conducted by the Ministry of Rural Development in rural areas and the Ministry of Housing and Urban Poverty Alleviation in urban areas. Identification of households as being deprived was based on criteria for automatic exclusion (e.g., having an automobile or government job), automatic inclusion (e.g., primitive tribal groups or people living on alms), and a graded score based on occupation, living conditions, caste/tribe, and family composition. These criteria were selected for use in rural areas based on the recommendation of a working group headed by Dr N.C. Saxena for rural areas (Ministry of Rural Development 2009) and Professor Hashim for urban areas (The Planning Commission 2012). Local government authorities make a provision for the validation of the target households. While this method produces a ranked list, the cut-off of households deemed eligible is determined by the proportion of households deemed poor in a State based on the 2011-12 National Sample Survey.

Proxy-means testing for social benefits when verifiable income is not available, has a long history (Akerlof 1978; Banerjee et al. 2024). However, the validity of specific criteria used in identifying deprived households as a part of issuing BPL cards has come under considerable criticism (Alkire and Seth 2013; Dreze and Khera 2010; Sharan 2011), even from one of the originators of the identification schema (Saxena 2015). These reviews found that many poor households were excluded from the BPL list, while many non-poor households were included. With some innovation, it may be possible to improve the identification of the poor using carefully crafted inclusion and exclusion criteria (e.g., see Asri et al. 2022), but little attention has been paid to how these targeting strategies may fare in a rapidly changing economy. As we have shown earlier, the movement of households in and out of poverty becomes increasingly important as chronic poverty declines, but the cost and logistic difficulties in undertaking major initiatives like SECC imply that these exercises will be infrequent and may not be effective in an era of rapid change.

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3. In recent years, the terminology has changed to Priority Households as the segment covered has grown to expand a larger share of the population, but BPL remains popular in common parlance and we continue to use it in this paper.

Using data from different waves of IHDS, we examine the correlation between possession of BPL cards and per capita consumption expenditure. Table 5 shows ownership of BPL/AAY/Annapurna card for households in different economic strata. The results highlight that while the poor are more likely to hold a BPL card, we find both types of households at each expenditure level. While the distributions have progressively converged (results not shown), exclusion and inclusion errors continue to operate.

TABLE 5. Access to BPL/AAY/Annapurna Card Grew over Time, but Errors of Exclusion Persist

		2004-05	*2011-12*	*2022-24*
Rural	Poor	50%	61%	71%
	Near-Poor	40%	49%	69%
	Non-Poor	30%	37%	62%
Urban	Poor	35%	49%	62%
	Near-Poor	22%	36%	56%
	Non-Poor	12%	18%	46%
Total	Poor	47%	59%	69%
	Near-Poor	35%	45%	65%
	Non-Poor	23%	29%	57%
All India	All	36%	41%	60%

Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).

At the time of IHDS Waves 1 and 2, the BPL cards would have been issued using the 2002 survey, but by IHDS Wave 3, the SECC survey of 2011 was used for BPL designation. The total number of households eligible for BPL cards expanded slightly between IHDS-1 and IHDS-2 but expanded substantially by the time IHDS-3 was conducted. This expansion was due to implementation of the National Food Security Act (NFSA), which mandated that 75 percent of rural and 50 percent of urban households should be covered for highly subsidized food distribution. This massive expansion should have addressed the exclusion errors, and all poor households should have received BPL (or PHH-Priority Household) cards. In contrast, inclusion errors would have increased due to the program's expansion, an acceptable form of error under NFSA.

This hope has been only partially fulfilled. As Table 5 shows, while BPL cards became more common, about 31 percent of the poor do not have access to them, nor do 35 percent of the households above the poverty line, which are still in a zone that they can slide into poverty. Ironically, between Waves 2 and

3, the access of poor households to BPL cards increased from 59 percent to 69 percent, but the expansion for non-poor households was far greater, from 29 percent to 57 percent. Research shows that elite capture and social networks play an important role in who can get a BPL card (Besley et al. 2005; Panda 2015).

However, focusing on elite capture may overstate the issue. A part of the exclusion of the poor may be due to the original design for BPL cards being linked to residential locations, which led to the exclusion of migrants. The One Nation, One Ration card (ONOR) initiative may help enhance the portability of BPL cards, reducing vulnerability among poor urban migrant workers. A larger problem may be that this inconsistency is due to poverty decline, with many poor households (which correctly held BPL cards when the cards were issued) having now moved up to the non-poor category but retaining these cards due to infrequent identification of the poor. Conversely, households that were not poor during the SECC survey may have fallen into poverty or the non-poor but vulnerable category, but their initial designation could not be changed without new assessment and they were hence excluded from gaining BPL cards.

This imprecision in the identification of the poor has concrete consequences. Eligibility for many benefits, particularly access to government-provided health insurance under the Ayushman Bharat Yojana, is tied to the household's designation as being poor though working in selected occupations may also confer some of these benefits. We find that households in different consumption categories, with and without BPL cards, differ substantially in their access to public insurance. Whether they are poor, vulnerable, or rich, among households with a BPL card, about 40-43 percent have access to government insurance including both Central and State schemes, but without a BPL card, this number drops to about 23-25 percent. While private insurance access is also rising, it does not fill the hole for the poor households without a BPL card.

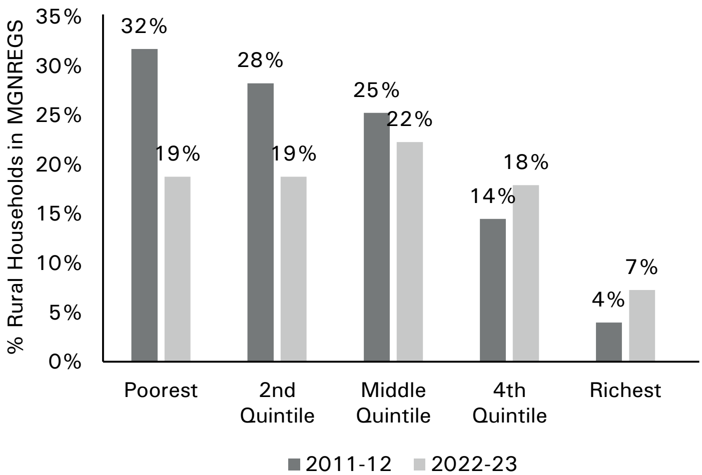
Universalizing benefits or expanding the number of eligible recipients may be seen as one way of addressing imperfect targeting. However, as discussed above, even the tremendous expansion of eligible households under NFSA has yet to eliminate the exclusion of some poor households.

Universalization of employment guarantee programs offers a different perspective on this issue. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) of 2005 adopted a rights-based approach to guarantee 100 days of manual labor for any household that asked for it. Tremendous safeguards were put in place to ensure that the financial allocation would not be siphoned off into administrative expenses or the procurement of materials. This involved mandating that 60 percent of all funds be allocated to labor costs, work undertaken through the program should not replace other regular employment, and households (and states and districts) should not face any eligibility restrictions in their ability to obtain work under the MGNREGA program.

The program relied on natural targeting, assuming that households with other sources of income would not want to undertake manual work in MGNREGA, creating a natural self-targeting mechanism. While early evaluations of this program were highly positive, noting various benefits, including a decline in debt and improvement in household welfare (Desai et al. 2015), some of its fissures in reaching the most vulnerable have begun to emerge in recent years, as Figure 7 shows.

The data from IHDS Waves 2 and 3 presented in Figure 7 are not strictly comparable and should not be used to compare the proportion of households that worked in the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) during the two waves. However, we can examine the existence of this natural targeting mechanism by looking at work in the program for different social classes defined by asset ownership within each wave. The data suggest that the natural targeting aspect of MGNREGS has declined over time at an all-India level. While in 2011-12, households in the bottom three quintiles were most likely to be employed in MGNREGS, by 2022-24, employment in the third and fourth quintiles (defined by asset ownership in the prior wave) has outpaced employment in the bottom 40 percent.

FIGURE 7. Self-targeting Feature of MGNREGS Has Been Progressively Diluted with Middle-Income Households More Likely to Work than the Poorest



Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).

A deeper analysis in Table 6 shows that this decline is mainly due to differential access to MGNREGS work between states, with differential income growth between the southern states and the northern plains creating the unanticipated relationship documented in Figure 7.

TABLE 6. Regional Differences in Economic Status and Implementation Dilute the Self-Targeting Nature of MGNREGS

Asset Quintile	*Asset Quintile Distribution*		*NREGS Employment*	
	Northern Plains	*Southern States*	*Northern Plains*	*Southern States*
Poorest	39%	8%	17%	37%
2nd Quintile	25%	14%	13%	41%
Middle Quintile	18%	32%	10%	42%
4th Quintile	11%	28%	5%	36%
Richest	8%	19%	2%	13%
Total	100%	100%	13%	37%

Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).
Note: * Only data for IHDS Wave 3 (2022-24) are presented for parsimony.

The IHDS data are not representative below the all-India level but combining the five southern states (Karnataka, Tamil Nadu, Kerala, Andhra Pradesh, and Telangana) on the one hand, and the North-Central states (Madhya Pradesh, Uttar Pradesh, Bihar, Chhattisgarh, and Jharkhand) on the other, offers interesting insights. Within each region, the program continues to be self-targeting, with higher-class households less likely to obtain work in MGNREGS than poorer households. However, overall, the program usage in the southern states is higher than that in the northern states, and more households in the southern states are likely to be in the upper asset quintiles, thus diluting the self-targeting at an all-India level.

The conundrum of richer states accessing MGNREGS more than the poor states is well recognized in policy discourse (Chatterji 2022), but its implications for households are less clearly recognized. A clearer understanding of program structure (mandated by the MGNREGA) that may reduce the effectiveness of this highly popular and important program to be pro-poor deserves greater attention.

2. Key Challenges

The sub-sections in the preceding section have tried to provide empirical contours to declining poverty and changes in social safety nets over the past two decades, mainly using data from the three waves of IHDS. As we think about implications of these trends for public policies, it is important to keep in mind two observations that emerge from the data presented above, which are delineated below.

2.1. Dealing with Uncertainty

The uncertainty of predicting the future based on current conditions has increased, as evidenced by the increasing importance of events resulting in non-poor households falling into poverty. Life events such as death, illness, and job losses combined with external disasters like drought and pandemics, cannot be predicted. As long as chronic hard-core poverty continued to dominate the fortunes of Indian households, safety nets based on the designation of long-term poverty status continued to serve their purpose by covering most people in need. However, as chronic poverty declines, it is important to develop safety nets that take these unforeseen events into account, while continuing to protect people mired in hard-core poverty.

2.2. Addressing Implementation Difficulties

Consistent with the observations of many other studies (The World Bank 2011), we have highlighted implementation challenges in several areas. The list of studies documenting elite capture and leakages in various safety net programs is long. It is not our intention to make recommendations about reducing elite capture but rather to suggest that it may be time to accept that under conditions of scarcity and social inequality, ensuring failsafe mechanisms to limit beneficiaries to a limited pool may be challenging. Moreover, even the best-designed programs, such as the MGNREGS, may fail to serve the poorest.

3. Policy Implications: Principles for Redesigning Safety Nets

With these twin challenges of uncertainty and implementation difficulties, how should we think about redesigning social safety nets? We propose three principles for thinking about safety nets, as described in the following sections.

3.1. Universal Programs for a Limited Set of Basic Safety Nets

Holding the resources invested in any program constant, targeting programs to the poor implies much greater levels of benefits to the recipients than if the benefits were made universally available (Hanna and Olken 2018). Nonetheless, societies provide universal services in many areas, including basic education, healthcare, and sewage collection, which have spillover benefits for society. This is particularly crucial for in-kind provision of goods and services that require institutional structures for distribution. As we saw with the pandemic, a network of fair-price shops and existing distribution mechanisms ensured that the government could ramp up food allocation and avoid mass starvation. With sharp price rises during the lockdown and transportation difficulties, simply providing cash may not have been effective.

'Universally available' does not mean 'universally used'. Mid-day meals provide an interesting example. While school mid-day meals are universally available to primary school children in government schools, with the increasing privatization of education, they have been self-targeting in that most middle-class children do not avail of them.

Identifying and keeping this core set limited and fully funded is the challenge. Massive expansion of the number of programs without concomitant resource increase would render this approach futile.

3.2. Risk Insurance

With the rising recognition of accidental events in pushing households into poverty, risk insurance must form a part of a comprehensive package of safety nets. The challenge with these insurance programs is that without careful design and regulatory oversight, perverse incentives can render them ineffective. Evaluations of the Rashtriya Swasthya Bima Yojana (RSBY) found that since it only covered hospital costs, there was an incentive on the part of both patients and providers to admit patients to the hospital even for ailments that could be treated in outpatient clinics (Palacios et al. 2011).

In our fieldwork, we have observed an emergence of for-profit players setting up hospitals to cater to the Ayushman Bharat beneficiaries explicitly. Some of this inefficiency may be impossible to eliminate, but a careful review of the insurance sector, particularly the health insurance sector, is needed to ensure that we do not set in motion inflation of medical costs that will affect all patients, regardless of their insurance access.

3.3. Building in Flexibility and Institutional Framework

During the pandemic, governments worldwide struggled with the means of getting cash in the hands of consumers. The US government sent $600 per eligible adult and child to households as income support during the pandemic. An Urban Institute study (Holtzblatt and Karpman 2020) found that though the funds were sent out by mid-April in 2020, more than a month later, only 70 percent had received them. This proportion was particularly low among the poor who most needed these funds. The reason for non-receipt was that money was sent first to people who filed income tax returns and had linked their bank accounts to receive refunds, leaving out non-filers and people who do not receive refunds. The Indian experience of migrants being left out of extra ration distribution is another instance where the absence of a transfer mechanism excluded some of the most vulnerable. In contrast, it was easy to send money to the recipients of PM-KISAN since they were already in the system.

These examples of transferring cash where one has bank linkages are like looking for keys under the lamp-post. When a disaster strikes whole communities, be it drought, earthquake, or the pandemic, normal channels of help from family and friends are unavailable since everyone is facing the same problem. This is precisely when the government needs to step in but cannot do so with some sort of social registry to identify potential recipients. We already have extensive Aadhaar and bank account linkages. Ensuring that these registries contain extensive geographic location codes and regularly updating them would make it possible to provide timely disaster assistance.

Flexibility remains the key to ensuring effective program design that can respond to changing conditions. Rights-based approaches that institute programs through legislative acts sometimes create such inflexible systems that they fail the purposes for which they were designed. MGNREGS offers an interesting illustration. Since the program's inception, it has never been fully funded, leading to rationing of work (Dutta et al. 2014; Pankaj 2023). This has led to several unexpected consequences, most importantly, greater access to MGNREGA employment in the states that need it less. The southern states have the financial resources to implement work programs from their own resources and wait for reimbursement, increasing the work allocation in the South while the North-Central states languish. Modifying the program rules is against the legislation, creating a conundrum that dilutes the self-targeting structure, as shown in Table 6.

This example has important lessons. Instead of legislating programs as rights, it may be useful to allow flexibility in program structures to allow for a response to long-term social changes. Instituting programs is easy but changing them is difficult. Hence, it might make sense to put programs in place for a finite duration where they can be re-evaluated and restructured, if needed, before continuation. This would be relevant for both programs that are struggling as well as those that are successful, but the goalpost needs to be expanded. Maternity benefit schemes provide an interesting example. Such programs have been extremely successful. For example, maternity benefit schemes have achieved their objective of encouraging hospital delivery, even among families that do not receive these benefits. As data from the National Family Health Survey (NFHS) show, hospital delivery increased from 39 percent to 89 percent between 2005-06 and 2019-21. However, antenatal care has failed to keep pace, increasing from 9 percent to 26 percent over the same period (Barik and Desai 2024). The next avatar of the program can be restructured to move the goalpost to include antenatal care and hospital delivery through clearer milestones for incentives. Setting a sunset clause when programs can be extended, restructured, or eliminated allows for flexibility and reduces political costs. The extension of free foodgrains under PMGKAY in 2023 offers a valuable example of this approach, which should be used for all programs.

While we have emphasized the importance of transient poverty in this paper, we would be remiss if we did not note a small but significant segment of the population that remains mired in chronic poverty. Members of the STs living outside the North-eastern states are most likely to be poor and stay poor.

However, some strategies mentioned above can easily be tailored to meet their unique needs. For example, most of the ST households are located in small pockets of the country. Geographically-based cash distribution, discussed above, could be useful in addressing this hard-core poverty.

In sum, economic growth and poverty decline create a dynamic climate that requires nimble social protection programs. Traditional strategies designed to address chronic poverty in a large segment of society may be less effective as accidents of birth become less important than accidents of life. Ensuring that social protection systems keep up with the pace of social transformation will be a key challenge facing India as it strives towards achieving equitable development.

Appendix A: Overview of the India Human Development Survey

India Human Development Surveys, Wave 1 (2004-05), Wave 2 (2011-12), and Wave 3 (2022-24) are part of a collaborative research program between researchers from the National Council of Applied Economic Research (NCAER) and the University of Maryland. The IHDS is a multi-topic survey designed to examine changes in livelihoods and life-styles of Indian households in an era of rapid social transformation. The IHDS research program is governed under guidance from an advisory panel headed by Dr Pronab Sen, former Chairman, National Statistical Commission, and consists of representatives from several ministries as well as researchers from universities and civil society institutions.

IHDS data for Waves 1 and 2 are available in public domain for cost-free download. They have been downloaded by over 11,000 users worldwide and have resulted in over 1200 papers and dissertations.

The strengths of the IHDS include: (1) A multipurpose multi-topic design including questions on income, consumption, health, education, employment, social networks, and gender relations, among others; (2) Many innovative features, including administration of short reading, writing, and arithmetic tests to children aged 8-11 years, questions about symbolic aspects of gender (e.g., *purdah*, men and women eating together in the household), information on social networks; and (3) Information on village infrastructure and facility survey for two schools/medical facilities in each sampling unit.

The IHDS has a unique niche, even as a cross-sectional survey. However, its longitudinal dimension makes it especially important for studying a society undergoing a rapid transition. With surveys of the same households in 2004-05, 2011-12, and 2022-24, IHDS is the first panel study of urban and rural households in India that covers all age ranges. Substantial field efforts were made in IHDS-I to secure contact information (telephones, neighbors' names, family contacts) so that the IHDS-I households could be easily relocated, even in the event of a move. While many international surveys today are part of panel designs, in India the most widely used surveys, the NSS and the NFHS, remain repeated cross-sections. Therefore, the IHDS plays an important role in providing panel data for one of the world's most important regions. Panel designs are favored for good reasons, despite their added cost and the difficulties of re-contacting a shifting and often busy population.

The advantages of panel data include:

- Estimates of entry, exit, and duration in such vital phenomena as poverty, education, and migration.
- Research on path-dependent changes such as the impact of childhood health on adult outcomes, the interaction between population growth and environment, or household response to rising incomes in switching from biofuels to clean fuels.
- Application of better statistical models for controlling unobserved heterogeneity enhanced the possibility of computing fixed-effects models that account for unmeasured, time-invariant characteristics of the household or individual (e.g., over-time growth in academic skills when comparing public and private schools).
- Better analysis of the role of exogenous shocks between fielding various rounds of the survey.

Sample Attrition:

In 2011-12, IHDS-II was able to re-interview 83 percent of the original 41,554 households interviewed in IHDS-I (2004-05). A fresh sample of 2,134 urban households was added to the original sample to keep the sample cross-sectionally representative. Since IHDS-II interviewed all household splits between 2004-05 and 2011-12 as long as the respondents resided in the same locality, the sample for IHDS-II included 42,152 households. For IHDS-3, a fresh sample of 7,321 households was added, covering two new households in each rural PSU and five new households in each urban PSU.

The fieldwork for IHDS-3 was completed only in June 2024, so a full analysis of data quality has not yet been undertaken. However, since attrition remains a major challenge in any panel survey, we present the basic characteristics of the households we lost during the current round from the prior wave.

The sampling weights (multipliers) used in this analysis are adjusted from the weights in IHDS, Wave 2, and take into account the expected urban and rural population growth predicted by the Ministry of Health and Family Welfare. However, these weights have yet to be adjusted for attrition.

TABLE A.1. Number of Households Included in Each of the Three Waves of IHDS

Interview Status	*Wave 1*	*Wave 2*	*Wave 3*
	2004-05	*2011-12*	*2022-24*
2005 Only	5,504		
2012 Only		1,077	
2022 Only			7,321
2005 and 2012, not 2022	7,068	7,343	
2005 and 2022	1,407		1,644
2012 and 2022		1,057	1,227
All 3 Waves (*)	27,575	32,675	37,273
Total Sample	41,554	42,152	47,465

Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).
Note: * Due to household splits, number of households increases over time.

TABLE A.2. Characteristics of the Household That Were Not Re-interviewed between Waves 1 and 2, and 2 and 3

Characteristics at Prior Wave	*Between 2004-05 and 2011-12*	*Between 2011-12 and 2022-24*
Residence		
Rural	10%	12%
Urban residence (2011 Census)	28%	37%
Owns or Cultivates Farmland		
Does not farm	23%	27%
Farms	8%	11%
Consumption Quintile		
Lowest	15%	17%
2nd	14%	13%
Middle	16%	16%
4th	17%	22%
Richest	20%	29%
Asset Quintile		
Lowest	11%	12%
2nd	12%	11%
Middle	14%	15%
4th	18%	23%
Richest	25%	37%
Social Group		
Forward Caste	21%	26%
OBC	15%	19%
SC	13%	15%
ST	15%	13%
Muslim	19%	21%
Christian, Jain, Sikh	21%	35%
Highest Adult Education in Household		
None	14%	16%
1-4	13%	15%
Completed Primary	14%	14%
6-9	14%	15%
Secondary (10 and 11)	17%	20%
Higher Secondary, Some College	18%	21%
Graduate	25%	34%

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Family Size Categories		
1	43%	46%
2-3	25%	25%
4-5	18%	19%
6+	9%	14%
Total	17%	20%

Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).
Note: * About 20 percent of the households lost between Waves 1 and 2 were recovered in Wave 3, but are not included in this table.

TABLE A.3. Characteristics of IHDS Sample at Each of the Three Waves

Key Characteristics	*Unweighted Distribution*			*Weighted Distribution*		
	IHDS-1	*IHDS-2*	*IHDS-3*	*IHDS-1*	*IHDS-2*	*IHDS-3*
Residence						
Rural	64.94	68.23	69.86	71.66	70.5	67.44
Urban (2011 Census)	35.06	31.77	30.14	28.34	29.5	32.56
Owns or Cultivates Farmland						
Does Not Farm	58.1	55.4	53.5	55.28	55.48	55.2
Farms	41.9	44.6	46.5	44.72	44.52	44.8
Consumption Quintile						
Lowest	17.65	17.12	19.17	20	20	20
2nd	17.92	18.78	19.86	20	20	20
Middle	19.49	19.91	19.89	20	20	20
4th	21.05	21.45	20.39	20	20	20.01
Richest	23.9	22.73	20.68	20	20	19.99
Asset Quintile						
Lowest	21.84	18.84	20.56	26.6	23.04	22.41
2nd	16.7	18.03	21.64	18.5	19.02	22.57
Middle	15.72	20.69	22.3	16.17	20.27	21.71
4th	22.63	21.52	14.74	20.28	19.98	14.46
Richest	23.12	20.91	20.76	18.46	17.68	18.84

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Social Group						
Forward Caste	23.01	21.87	20.01	20.54	20.38	19.03
OBC	33.81	33.91	32.65	35.64	35.75	35.51
SC	20.05	21.22	22.08	21.96	22.08	22.63
ST	8.28	8.65	9.83	7.83	8.29	9.18
Muslim	11.39	11.49	12.78	11.3	11.34	11.65
Christian, Jain, Sikh	3.47	2.86	2.65	2.72	2.17	2.01
Highest Adult Education in Household						
None	20.74	17	11.71	23.35	19.42	12.41
1-4	7.46	5.98	4.77	8.27	6.28	5.11
Completed Primary	7.07	7.21	5.27	7.51	7.46	5.45
6-9	24.15	24.63	21.58	24.24	24.36	21.33
Secondary (10 and 11)	14.86	14.48	13.88	13.6	13.67	13.44
Higher Secondary, Some College	10.48	13.43	17.66	9.57	12.34	16.82
Graduate	15.24	17.27	25.13	13.47	16.48	25.44
Family Size Categories						
1	1.93	2.89	3.89	2.06	3.23	4.23
2-3	20.32	24.4	29.6	20.81	25.69	30.16
4-5	41.48	41.34	41.23	40.7	41.21	40.96
6+	36.27	31.37	25.27	36.43	29.87	24.66
Sample Size	41,554	42,152	47,465	41,554	42,152	47,465

Source: Authors' computation based on the IHDS (2004-05, 2011-12, 2022-24).

Appendix B: Measuring Consumption Expenditure: IHDS and NSS

India Human Development Survey (IHDS)	*National Sample Survey (NSS)*
Reference Period Mixed Recall Period (MRP) - Food items 30 days - Consumables 30 days - Durables and major expenditures 365 days	*Reference Period* Modified Mixed Recall Period (MMRP) - Some food items 7 days - Cereals and other foods 30 days - Consumables 30 days - Durables and major expenditures 365 days In earlier surveys NSS used MRP but now switched to MMRP.
Consumption Items Included - 53 items combining many items (e.g., salt and spices) under a single heading - Data on PDS as a source collected, but not other items	*Consumption Items Included* - Detailed item list - Source information collected
Number of Visits Single visit, though the interviewer may pause the interview and may return within the next day or so to accommodate respondent time constraints.	*Number of Visits* In the latest round, data collected over three visits, spaced about a month apart. Overall consumption may be influenced by short-term adjustments made in response to sudden expenditures, introducing measurement error.
Household Size 4.5 Rural 4.3 Urban Due to detailed household member follow-up, better recording of household size. But may also lead to slight over-estimation as some of the non-resident members may get included.	*Household Size (calculated from unweighted numbers in Appendix Table A.2)* 4.5 Rural 3.8 Urban NSS under-estimation of urban household size is well recognized. Compare to the average urban household size of 4.2 recorded by NFHS-5.
Comparability over Time No change in questionnaire, reference period. Designed for comparability across three waves.	*Comparability over Time* Substantial design changes over time in question wording, reference period and number of visits.
Sample Representativeness Longitudinal data affected by attrition of panel households. Addition of households from the same block/village to refresh the sample does not make up for the fixed panel of PSU. PSU selection done in Wave 1 excludes some of the peri-urban areas that have grown recently	*Sample Representativeness* Far more representative sample due to inclusion of newly growing areas and larger sample size.
Fruitful Use Understand changes in household living conditions over time, link to other life events and access to diverse public programs such as MGNREGA and AAY	*Fruitful Use* Obtaining the current estimate of poverty levels, access to certain types of welfare benefits. State-level estimates.

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To view the entire video of this IPF session and the General Discussion that ended the session, please scan this QR code or use the following URL:
https://www.youtube.com/watch?v=vzRjXTdj2zs

Comments and Discussion*

Chair: **P.K. Mishra**
Government of India

Saurabh Garg
MoSPI, Government of India

I will present what I think is a possible way forward and what the thinking on social safety nets is. In the monthly per capita expenditure, which has come out in Household Consumption and Expenditure Survey (HCES) of 2022-23, for the first time we also did an imputed calculation of the benefits that are flowing to people—an estimate of the food and some of the non-food items which are given free or nearly free. The non-food items are cycles, school uniforms, laptops, and tablets. I want to particularly mention that even after taking the imputed values, we have not included the free health and education that the people get, as it becomes difficult to monetize. Therefore, the Monthly Per Capita Consumption (MPCE), even the imputed one, is conservative at best.

The Periodic Labour Force Survey (PLFS) wants to highlight that the unemployment rate in rural areas—whether male, female, or overall— is all below 3 percent. Irrespective of whether you call it the natural rate or the steady state of unemployment, this shows that there are no people who are seeking employment and not getting it. I think that is a very important finding of the PLFS.

My last point on the HCES is the fact that the percentage share of non-food in the total monthly expenditure is increasing. The past twenty years' data shows an extremely positive trend, that the proportion of food in the total expenditure is really decreasing. Like the authors, I want to focus on the implications for social safety net programs. In HCES, we have the fractile distribution of income across from the lowest 5-10 percent. If you look at the lowest fractile (5 percent) in the HCES, it shows that the income levels have increased. The focus is on addressing the well-being of the people.

If we look at the early life-interventions of up to 6 years, the focus is on 'Saksham Anganwadi' and 'Poshan'. The saturation approach being followed

* To preserve the sense of the discussions at the India Policy Forum, these discussants' comments reflect the views expressed at the IPF and do not necessarily take into account revisions to the conference version of the paper in response to these and other comments in preparing the final, revised version published in this volume. The original conference version of the paper is available on NCAER's website at the links provided at the end of this section.

by the Government is that minimum basic needs should be available to all, irrespective of their income levels. The ‘Indradhanush’ program prioritizes immunization whereas the intensified mission focuses on all vaccines. The PM Matru Vandana Yojana talks of the wage loss during pregnancy while the NPS Vatsalya scheme has to do with the transient nature of children who might move out of or into various levels of vagrancy. The Palna scheme, comprising daycare centres and crèches across the country, is aimed at increasing women’s participation in the labor force. One can see the impact of these schemes over ten years in terms of the sex ratio, institutional deliveries, and reduction in wasting and stunting, among others.

For children aged 6-18 years, the focus is on education because beyond the age of 18 years, there would be income issues. The focus is thus on universalizing access to school education. We have come to a point where we are focusing on specific groups, whether it’s the economically weaker sections, Scheduled Castes (SCs), or Scheduled Tribes (STs). They are attaining higher education and we are in a position to provide scholarships to them so that they are not constrained by economic needs in acquiring education.

The ‘PM Shri’ scheme has been started to ensure quality education and develop role models in every district, so that they can become magnets to attract students as education levels increase. Overall, the Gross Enrollment Ratios have increased, and the focus is on ensuring that there are no dropouts when students move from primary to secondary or secondary to post-secondary levels of education.

Regarding the working age population, I would like to mention the ‘One Nation, One Ration Card’ scheme, which enables a migratory laborer to withdraw ration separately. This scheme aims to ensure the availability of minimum food levels.

The National Rural Livelihood Mission (NRLM) has ushered in a revolution in terms of Self-Help Groups (SHGs) for women, which is ensuring access to micro-credit and improving the quality of life for them. The Kaushal Vikas Yojana and MGNREGA schemes ensure that anyone seeking wage labor gets it, and the figures show that 99.74 percent of the demands under these schemes were fulfilled in 2023-24.

I also want to mention the removal of fake job cards through the use of technology and to ensure better targeting. More than 400 occupations are listed on the e-shram portal, which brings us to the basic social registry which the authors have mentioned. Under PM Kisan, the beneficiaries are also better targeted using the exclusion criteria. Credit has always been a bugbear for micro-entrepreneurs and 400 million loans have been sanctioned under PM Mudra. All this has been possible because of the saturation approach. There is also a pension scheme for the unorganized sectors and senior citizen homes for those aged more than 50 years.

Building resilience is very important, and the target of the Ayushman Bharat scheme is to have more than 50 crore beneficiaries. We also have Janaushadhi Kendras, offering generic medicines, which are often 50-90 percent cheaper that the other medicines. The JAM trinity of Jan Dhan, Aadhaar, and Mobile is enabling Direct Benefit Transfer (DBT), which ensured that funds could be transferred to people in need even during COVID. The sense of identity that Aadhaar provides in terms of empowerment also needs to be recognized.

Further, there are schemes for risk insurance, crop losses, and accidental and debt insurances. Disaster resilience work is being done as part of National Cyclone Risk Mitigation Project (NCRMP), and the Green India Mission is also being implemented.

We are at a stage where we can examine different groups in terms of age, gender, and occupation, to identify the more vulnerable people in terms of economic factors or special needs groups. The other important programs that aim to take care of people's basic needs include the Jal Jeevan Mission, wherein more than 11 crore households have got tap connections; the Swachh Bharat Abhiyan for construction of toilets; PM Ujjwala for providing LPG connections and cooking fuel; and the Saubhayga Yojana for ensuring complete electrification of households.

Most of these schemes have evaluation issues, as under the current system, schemes are approved for only five years, after which they are re-examined to assess what needs to be done to ensure right targeting. The Expenditure Finance Committee (EFC) system ensures this. At this stage, we are now looking at the production frontier, not just the basic issues of survival but how to achieve better targeting and better focusing, and ensuring that no one is left behind. As regards the social sector spending, the Government has already reached 8.3 percent of the targeted population, while the corresponding figure for the Brazil, Russia, India, China, and South Africa (BRICS) nations is somewhere around 10-11 percent. With the continued efforts of researchers like Dr Sonalde Desai, our programs will only increase as we work towards a 'New Bharat'.

Shanta Devarajan

Georgetown University

I want to make five points, and in some ways complement what Saurabh Garg said, by drilling deeper into the Indian situation. I want to spread out and talk about the comparison with other countries and the international context of poverty reduction and safety nets.

The first is the point that Saurabh Garg made, which is that extreme poverty has declined quite dramatically in India and that the people who are near the poverty line have been a substantial part of it because they are the ones who moved out of poverty. That is reflected in the world as a whole. So, if one looks at the developing world as a whole, the share of people living in extreme poverty (as per the international poverty line) is actually 8 percent. Part of that is because India is such a big part of the world, but this phenomenon is happening in different parts of the world.

Similarly, if you look at the higher poverty line of $3.65, in addition to the $2.15 which is the extreme poverty line, it is a bit like India's near-poor. That number is about 25-30 percent in the world. There is now a substantial difference between people who are living in extreme poverty and the near-poor. There's an even higher poverty line, the $6.25 poverty line—that is 50 percent of the world. And $6.50 is still no great shakes as a lifestyle. The poverty agenda is not over. We are still fighting for it and people are in danger of falling below that line very quickly. The pattern that the author and her colleagues evoked is actually reflective of the developing world as a whole. And there may be some way in which we can learn from each other in terms of how to deal with it.

I want to caution or qualify something that the authors said about the fact that we should shift the focus from chronic poverty to vulnerability. It would mean that we focus on people above the poverty line but below the double poverty line.

The point is that people even below the poverty line also face the same accidents of life. In many ways, they face even greater accidents of life, but these do not get reflected in the 'poverty system' because they are already poor. So, we have to be very careful. And this is what is pernicious about the headcount poverty indicator because it says that everybody below the poverty line is equal but we know they are not. What happens is that when they get hit with a shock, they get even poorer.

I will give you some evidence. Let's look at infectious diseases because there was a mention of vulnerability in the paper. People get hit with COVID-19 and other kinds of infectious diseases. However, if you look at infectious diseases, they disproportionately affect the very poor, which is different from non-communicable diseases, which actually affect the rich even more. So, these are just two examples from India and China, which show that the incidence of communicable diseases is highly skewed towards the bottom 20 percent of the population. I looked up and recently found that in India, infectious diseases disproportionately affect the poor. In contrast, cardiovascular diseases disproportionately affect the rich.

I think this is important because studies now show the effect of COVID-19 on poverty. A World Bank report showed that 80 percent of the increase in poverty due to COVID-19 was in South Asia. While working on a project on the impact of COVID-19 in Sub-Saharan Africa, I saw devastation there. The fact is that the people in Africa were already poor. They became poorer as a result of COVID. But that did not come up in the headcount poverty indicator. In India, fewer people were already poor, but a lot of people were in the vulnerable category, who fell into poverty. That is why I would say that we need to look at the concept of depth of poverty, which is the distance from the poverty line. That's another way to measure poverty. When people suffer shocks, they move further from the poverty line, and that needs to be picked up in the statistics.

The third point is to extend what the paper talked about and Saurabh Garg also picked up on. This is to elaborate our measures of poverty by including public programs and subsidies, among others. They did some work on food subsidies in India in the paper. And there is interesting new work that shows one can do it for other public goods because the government spending on public goods can actually improve people's welfare, and should be incorporated in poverty calculations.

There's a recent paper by Amory Gethin of Paris School of Economics. At the global level, there has been a huge increase in public spending. He has done something very clever, but controversial, because he made lots of assumptions to do it. He has actually tried to look at what incorporating this means for the reduction in global poverty. He recalculated global poverty, incorporating public goods. And he finds, not surprisingly, that the reduction in global poverty is even steeper than before—90 percent since 1980. If Gethin can do it for the world, I am sure we can try to do something for India as well.

The fourth point, mentioned in the paper, is that these social safety nets were having a pro-poor impact on income distribution. And we should consider scaling up these programs. This comes up a lot in public policy but we should also carefully look at what happens to the financing of these programs. And if we examine the incidence of taxation, which is what they are effectively financed by, it is sometimes not very good news.

There have been some studies on these issues. There is one study for rich countries, for OECD countries, that looks at what they call market income, or the actual income before taxes and transfers, and looks at the distribution, the Gini coefficient. And that is compared to disposable income, which is market income, less taxes, plus transfers. This study finds a substantial reduction in the Gini coefficient in the OECD countries. Hence, it shows an improvement in income distribution when you take into account taxes and transfers.

However, in the developing countries, the news is not good. In the sample of developing countries, with the exception of South Africa, which has the highest Gini in the world, there is almost no change when taxes and transfers are incorporated. One thus goes through this whole rigmarole of collecting taxes and then transferring them, but ends up where one started from. This is very distressing. So, even as one advocates for scaling up all these programs, one finds that actually the poor are being taxed in order to finance a program for the poor.

I just checked again for more recent data. There is a very interesting project by Nora Lustig, which she has done for a large number of countries, not India. One of the questions which arose is: At what point in the income distribution do people become net payers into the fiscal system—i.e., they receive less than what they are paying out? The ultra poor in Uganda, Tanzania, Nicaragua, and Ghana, people earning between 0 and $1.25 a day, are net payers into the system. And for middle-income countries like Sri Lanka, it is the third quintile that becomes a net payer into the system. So, we have a problem in terms of the incidence of taxes and have to do something about that in order to scale up the programs.

The last point is that there is a mention in the paper about the potential for these programs to be captured. The political capture of social safety net programs is actually quite widespread.

Sri Lanka has its flagship program called 'Samurdhi', which transfers about 1 percent of GDP to poor households. The eligibility was set at one-third of the poverty line. But what they found was that about 50 percent of the households were receiving some of the payments, and there were rampant errors of inclusion and exclusion. So, something like 30 percent of the Samurdhi payments were going to the poorest quintile of the population, and the poverty rate at that time was about 20 percent.

Furthermore, of the poor, only 53 percent actually received Samurdhi payments. Some studies have looked at who received some of those Samurdhi payments and correlated those findings with who they voted for in the previous election. The party in power at that time was the People's Alliance (PA), and if any district voted between 40-60 percent for the PA, it got the Samurdhi payments.

It is election season in Sri Lanka even now and I read in the newspapers that the party with a majority in the Parliament was organizing a rally of supporters and telling the people: "If you don't attend the rally, you risk losing the Samurdhi payments." So, let's pay very close attention to the potential political influence in all our social programs.

General Discussion

Ratna Sahay commenced the discussion by saying that India is a high-growth story and asked the lead author Sonalde Desai about three competing hypotheses. First, she asked whether poverty had fallen, as shown in the paper, because of high growth or if it was a trickle-down effect. The second aspect is the focus on the increase in social spending. The third factor is that the government has spent a lot on infrastructure, including electricity and roads, which makes a huge difference to the poor, and one needs to analyze how that impacts poverty, and also which of these has made the biggest difference.

On Shanta Devarajan's mention of the difference between market income and net income, minus taxes and transfers, to analyze the impact on income distribution, Sahay asked why rich farmers were not taxed in India. She said though it is a political economy issue, it is high time that the rich farmers were taxed.

M. Govinda Rao said the dynamics of transition to poverty, as mentioned in the paper, threw up policy questions. He asked the authors whether from the data, it was possible to chart out the contributions of short-term palliatives as compared to long-term empowerment issues like education and healthcare. It would be helpful to know this from a policy perspective.

Shekhar Aiyar pointed out that the analysis of the paper was in terms of the Tendulkar Poverty Line and wanted to know how it lined up with the $2.75 Purchasing Power Parity, the International Poverty Line of the World Bank. Alluding to the survey quoted in the paper, he said it seemed that rural poverty had fallen much more than urban poverty to the point where they both now stood at 8.5 percent. He also wanted to know the reasons why rural poverty had fallen so much faster and what might be the consequences of this in terms of rural-urban migration.

In her response, Sonalde Desai made a special mention of Shanta Devarajan for pointing out that the poor should not be ignored when it comes to transient poverty and called it a remarkable comment.

Responding to Ratna Sahay, Desai said poverty decline cannot take place just by implementing social programs. Social safety nets are designed not to reduce poverty but to provide protection against descent into despair, and this was the starting premise of the study. Regarding Sahay's suggestion on taxing the rich farmers in India, she said that after extensive fieldwork, she does not believe that rich farmer is a class that exists in India. Land sizes have become much smaller and farmers have become richer not because of land ownership but by participating in non-agricultural activities, which is enabling them to generate income in the rural areas. She wondered whether one should tax farmers or higher income earners.

On Govinda Rao's point regarding short-term palliatives versus long-term measures, Desai said there is no question that long-term economic growth is most important, but short-term palliatives are necessary in cases where people can fall into absolute misery and poverty. She said India's example during the pandemic was fantastic. NCAER had started a survey measuring food consumption just before the pandemic. She said that in spite of the severe economic decline during the pandemic, food consumption did not go down, which is quite a tribute to the food distribution programs that were put in place.

Replying to Shekhar Aiyar's question, Desai said that the Tendulkar Line is actually lower than the World Development Line. At this point in time, it is roughly adjusted for the 2024 prices. It varies for urban and rural areas—Rs 1,600 and Rs 1,900 per person per month, respectively. But she said that the paper had used the Tendulkar Line as that is the national poverty line. Regarding rural versus urban, Desai said she did not have a good answer as to how rural poverty fell faster, despite recalculating data many times. She referred to the

Lakdawala Poverty Line, which showed urban and rural poverty more or less in tandem with each other. She said that since Tendulkar did not believe that the rural poverty line was about the same as the urban poverty line, he increased the rural poverty line.

Desai said a number of issues were involved and some of them had to do with prices and consumption baskets. She said historically poverty was thought of in a rural context and yet there was a tremendous amount of vulnerability in urban India. People who are leaving and migrating to urban areas also fall into deeper poverty. Thus, urban areas have both rich people and a reasonable number of poor people, which requires greater examination.

Referring to Ratna Sahay's suggestion of taxing the rich farmers, Shanta Devarajan said the ultra-rich were being under-taxed and that is one of the reasons to try and bring in wealth tax. He said social protection programs are intended to smoothen fluctuations over time. People are faced with shocks all the time and a good program would smoothen this, which is very important. He cited the example of Tanzania and Rwanda, with both having more or less the same per capita income and the same growth rate over a ten-year period. Rwanda reduced poverty by 10 percentage points while the corresponding figure was zero for Tanzania. He said that it turned out that both these countries are subject to huge fluctuations, and Rwanda has a social protection system that is automatic and starts kicking in as soon as there are any shocks to the system. Tanzania, on the other hand, has a very ineffective social security system. He also said out-migration increases with per capita income and a diminishing rural-urban gap might actually increase rural-urban migration, as is evident around the world.

Suman Bery said that India has been wedded to the idea that poverty and welfare should be measured on the basis of consumption. He said that according to the World Bank, income is a concept that could be measured, and asked the authors about the glide path to go from consumption to income, and whether information is lost on the way. He sought to know what kind of tax data should be in the public domain.

Latha Venkatesh asked whether the paper had taken into account free electricity, which allows children to study at home and increases the productivity of the parents. She also wanted to know whether the steeper fall in poverty in rural areas is because of the advent of the MGNREGS, as it is a rights-based program.

Sam Asher pointed out that the paper had rightly highlighted that the churn in and out of poverty is due to 'mistargeting' when it comes to the eligibility of benefits while using the poverty census and that the assets are an imperfect proxy for actual poverty.

Devesh Kapur argued that the best safety net a person can have is a good formal sector job and asked whether the growth of India's safety nets is a sign of success or failure.

Rajshekhar Joshi noted that the big focus is on schemes and there is a lot of duplication. He said the second part is about how to strengthen the capacity of the states because India cannot grow unless the states grow. He also talked of the capacity of the Gram Sabhas and how to make them more effective. He said one should focus on the supply-side rather than the demand-side of things.

Karthik Muralidharan highlighted two fundamental problems with poverty targeting, that poverty is continuous, and it is dynamic, not static. Since the government continuously monitors the annual fluctuations and there are automatic stabilizers, the schemes respond to the shocks experienced. He said that India is quite far from schemes that can be dynamic. He suggested that by using certain states as pilots, some measures could be put together to track continuously over time as well at a particular point in time. This could be used to run certain simulations to see what a dynamic social protection program would look like.

Prabhat Barnwal suggested that it is important to also look at programs which have been run successfully. He cited the example of LPG subsidies, for which the Nilekani Committee report prescribed three steps and the Ministry implemented it and Aadhaar played a big role. He said it is important to look at programs where people have moved out. It would be good to have data regarding when households got their Aadhaar or bank accounts, and one could look at the exposure and how it translated into reduction of poverty. His third point was about MGNREGA and the South-North divide. He said some states have the fiscal funding to manage cyclical changes and that it would be desirable to have programs where states do well due to supplementary funding.

Referring to the author's response to Govinda Rao's comment about insurance and short-term versus long-term palliatives, Manish Sabharwal said insurance cannot cost 11-12 percent of GDP as it is a short-term palliative and it also mattered how social security is financed, i.e., by debt or by taxes. He said insurance should be 2-4 percent of GDP.

On the issue of short-term palliatives versus insurance, Shanta Devarajan asserted that it is a question of design and that the principle of social protection is insurance. He said unfortunately systems had been created in which these are not insurance but transfer payments. He attributed the system of transfer to inefficient subsidies in the economy like fuel and energy, which distort prices and are typically pro-rich. Referring to power subsidy, he said those who consume more electricity are people who use high electricity consumption items like air-conditioners and washing machines. It is, therefore, a system which confuses insurance with transfer payments and distortionary subsidies. A system of cash transfers is thus preferable over subsidies and an insurance system. He said financing of social expenditure systems should not be earmarked as separate from overall financing. That should be done economy-wide and it is very dangerous to earmark particular public expenditure. Regarding income versus consumption, he said that from a purely conceptual point of view, consumption is a better measure of wealth and for capturing welfare though some countries choose to measure income. From a data point of view, measuring income is more difficult.

Auguste Kouame said if one were to measure income, it would be challenging to ensure capturing of all the income coming in from the informal sector in most countries.

Saurabh Garg stated that the government was carrying out expenditure surveys but there was no plan to do income surveys. There are more possibilities of people not talking about their real income and hence the focus on expenditure. On Latha Venkatesh's point regarding free electricity, he noted that the Household Consumption and Expenditure Survey (HCES) looked at imputed income, based on figures of certain food and non-food items, for the first time. Health and education did not figure in it, and electricity has not been constant. To that extent, the consumption expenditure has been conservative, but in the interest of being more credible, other imputations need to be done.

On Sam Asher's point regarding administrative data, Garg averred that it is one of the focus areas of the government because the administrative data are much more current, but the problem is that they are embedded within departments and ministries, and need to be pulled out. Citing the Palna Scheme for creating crèches, he said data revealed that rural areas where women had access to crèches saw improved productivity. The schemes have a demand-based side as opposed to solely a supply side. He also said schemes are evaluated every five years to assess their impact and feasibility. On the issue of continuous deprivation, Garg revealed that a lot of work has been done to focus on the ultra-poor, especially in the aspirational districts in Bihar and Chhattisgarh. On Barnwal's mention of state-wise variations, Garg said that is the reason why many states have top-ups of the same program, which are based on local demands and the impact.

In her final response, Sonalde Desai flagged two aspects to the various points made during the discussion: Is it possible to identify what is happening to the society over time in terms of poverty distribution, and second, can the poor who need to be targeted with specific benefits be identified? Regarding income versus consumption, Desai said that the paper had looked at the consumption outliers and at the people with high consumption, and found that most of the time, it is because of sickness in the family. These people should actually be in the vulnerable section but data show them at a much higher level due to their increased consumption expenditure. She opined that for identification of poverty, income is perhaps a better measure in spite of all the issues that occur during collection of data. This also applies to the use of administrative data or continuous monitoring data or tax data, and so on. People participate in any government program because they know about the program, so there is clearly a lot of endogeneity at play.

Regarding MGNREGS, Desai said the program was designed such that about 60 percent of the expenditure goes to labor, nearly 40 percent to material components, and around 6 percent for the administrative element. However, when the money is released from the Centre, the labor pool gets it much sooner than the materials pool, which is why in many states, the contractors have to wait for a long time to get paid. Hence, any state which is able to provide the money for the materials is able to get greater access to the program. Secondly, it is not supposed to take away any of the regular paying jobs. As regards the ‘Palna Scheme’ for crèches for rural women, they themselves cannot be employed and here MGNREGS comes into play. Desai said that the extreme regulations that were put in place to ensure that implementation of the program could not be perverted have now become somewhat of a shackle where the program is actually getting perverted because of those regulations.

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