



BAJIRAO IAS ACADEMY

THE HINDU ANALYSIS

27 JUNE 2025

**SCO DEFENCE MINISTERS
MEETING**





Poverty in India

World Bank says 5.75% Indians live in abject poverty: How to read this data

UDIT MISRA
NEW DELHI, JUNE 26

IN RECENT months, some notable data have been released on India's poverty rate, that is, the ratio of people who are officially considered poor.

On April 25, a Government of India press release used the World Bank's "Poverty and Equity Brief" of April 2025 to state that "171 million [people were] lifted from extreme poverty in 10 years".

Earlier this month, the World Bank came out with an update on the methodology, based on which it stated that just 5.75% of Indians now live under abject poverty, down from 27% in 2011-12.

What do latest World Bank data show?

According to new estimates, India was not as poor in the past as previously estimated. For instance, in 1977-78, India's poverty level was not 64% but 47%.

The second key change was the adoption of a new poverty line — \$3 a day. With this, the proportion of Indians living in abject or extreme poverty has fallen from 27% in 2011-12 (around 34.44 crore Indians) to just under 6% (around 7.5 crore) in 2022-23.

As heartening as this news is, there are several common misconceptions about the interpretation of this data.

For instance, should the \$3-a-day poverty line be multiplied by 85 (the current market exchange rate for US\$ and the Indian rupee) to arrive at Rs 255 a day? That would be incorrect, because the \$3 poverty line is calculated on a purchasing power parity (PPP) basis.

So, what is a poverty line and how is it calculated?

A poverty line is simply the level of income used as a cut-off point for deciding who is poor in any economy. The context (both time and location) is critical to arriving at a meaningful poverty line.

For instance, a salary of Rs 1,000 a month may not have been considered poor in 1975, but today that income (Rs 33 a day) will barely buy anything. Whether that money is earned in a big city, where the cost of living is higher, or a small town also matters.

Governments, especially in developing and poor countries, want to identify the extent of poverty in their countries to shape

TABLE 1 VARYING ESTIMATES OF INDIA'S POVERTY RATE (IN %)			
METHOD	2011-12	2022-23	
Tendulkar methodology@	21.90	9.9*	
World Bank's latest poverty line for lower middle-income countries [int-\$4.2 a day (Rs 87 a day)]#	57.70	23.90	
World Bank's latest poverty line for upper middle-income countries [int-\$8.30 a day (Rs 171 a day)]#	92.50	82.10	
Bhalla and Bhasin (using World Bank's int-\$1.9 a day poverty line)^	12.20	2.00	

@ The last officially recognised methodology on poverty estimates (2009) | # 2021 PPP estimates | *2017 PPP estimates Note: In purchasing power parity terms, 1 international dollar is equal to Rs 20.6
Source: World Bank, Bhalla et al (2024), Indian Express Research

TABLE 2 INDIA'S POVERTY LINE (PER PERSON PER DAY), IN CONTEXT	
₹62	World Bank's poverty line for abject poverty in India. In 2022-23, 7.5 crore Indians (5.25% of total population) lived at this level or less
₹63	Price of a litre of Amul milk in 2022
₹87	World Bank's poverty line for "lower middle-income" countries, such as India. In 2022-23, 34.23 crore Indians (that is, 23.89% of all Indians) lived below this daily expenditure level
₹171	This is the World Bank's poverty line for "upper middle-income" countries. In 2022-23, 117.57 crore (or 82.7% of India's population) lived below this daily expenditure level

welfare policies. The data also help governments, policymakers and analysts understand whether existing policies have actually worked over time to reduce poverty.

Why is India using the World Bank's poverty line?

Historically, India was a leader in poverty estimation and data collection, influencing the rest of the world in how to study poverty. However, India's last officially recognised poverty line was in 2011-12, built on a 2009 formula recommended by Delhi School economist Suresh Tendulkar.

Since then, the method has not been updated, and India has increasingly used either the NTI Aayog multidimensional poverty index (which is fundamentally different in how

it measures poverty) or relied on the World Bank's poverty line.

How is the World Bank poverty line calculated?

The World Bank's poverty line is based on purchasing power parity calculations.

Its first-ever poverty line was set at a dollar a day. It came about after examining national poverty lines from some of the world's poorest countries, and converting them into a common currency by using PPP exchange rates. It ensured that the same quantity of goods and services was priced equivalently across countries. "Once converted into a common currency, they found that in six of these very poor countries around the 1980s the value of the national poverty line was

about \$1 per day per person (in 1985 prices)," according to the World Bank.

Over time, as prices went up globally, the World Bank had to raise its poverty line to \$3-a-day. The PPP exchange rate for Indian rupees in 2025 is 20.6. Thus, the poverty line delineating abject or extreme poverty for an individual in the United States is an income of \$3 a day, while for India it is Rs 62 a day.

What about India's domestic poverty lines?

India's domestically formulated poverty line in 2009 (before the Tendulkar recommendation) was Rs 17 a day per person for urban areas and Rs 12 a day per person for rural areas.

In 2009, Tendulkar raised it to Rs 29 and Rs 22 per day per person, respectively, and later to Rs 36 and Rs 30 in 2011-12. In 2014, the Rangarajan committee recommended raising the domestic poverty line to Rs 47 per person per day in urban areas and Rs 33 in rural areas. But this was never implemented.

Economists have shown that in the absence of a robust and updated domestic poverty line and given the gaps and changes in data collection, India's poverty estimates exhibit wide variation, creating both confusion and controversy (Table 1). Poverty in India could be as low as 2% or as high as 82% depending on the choice of poverty line and methodology.

So, how should poverty estimates be viewed in India?

For a country with so many people at low levels of income and consumption, India's poverty lies in the eyes of the beholder.

Does only 5.75% of the population live in abject poverty (based on the World Bank poverty line of \$3- or Rs 62-a-day)? Or is a third of the population, which is provided free food under the National Food Security Act, actually poor? Table 2 provides some context, alongside official government data.

There are two mutually non-exclusive ways to look at the World Bank data. One, to celebrate the reduction in the proportion of Indians living in "abject poverty" (\$3 or Rs 62). Two, to pause and understand the actual state of economic well-being (or the lack of it) of an average person when as many as 83% of Indians are living off Rs 171 a day.

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India's Domestic Poverty Debate

- ❑ Last official domestic line (2011-12) used **Tendulkar's method**; later **Rangarajan's 2014 proposal** never implemented, highlighting the need for updated poverty statistics to better understand current poverty trends and address both rural and urban poverty.
- ❑ Depending on method, India's poverty rate ranges from **2% to 82%**, causing **confusion** and emphasizing the complexity of measuring poverty in diverse contexts, including chronic poverty and transient poverty.
- ❑ India now relies on **World Bank data** or **NITI Aayog's Multidimensional Poverty Index**, showcasing the importance of international poverty reports in shaping national policies and poverty reduction strategies to combat various forms of poverty.

POVERTY LINE & MEASUREMENT IN INDIA

- **Poverty line:** Income threshold below which a person is considered **below poverty line**, varies by **region and time**, crucial for understanding both rural poverty and urban poverty.
- **Tendulkar Committee (2009):** Rs 29/day urban and Rs 22/day rural; raised to Rs 36 and Rs 30 in 2011-12, establishing a national poverty line for poverty measurement.
- **Rangarajan Committee (2014):** Suggested Rs 47/day urban and Rs 33/day rural, but not adopted, highlighting ongoing debates in poverty measurement and the need for updated poverty lines.
- **Multidimensional Index:** Measures poverty across **health, education, and standard of living**, not just income, providing a more comprehensive view of poverty beyond monetary poverty and addressing various poverty dimensions.

MSMEs in India

MSMEs: Powering India's self-reliance and global economic rise

India's MSME sector — the backbone of the nation's self-reliant growth — is driving inclusive development, boosting global competitiveness and accelerating economic transformation across industries



AS INDIA carves its path toward becoming a \$5 trillion economy, the micro, small and medium enterprises (MSME) sector has emerged as a cornerstone of the nation's economic resilience and self-reliance. More than just a category of business, the MSME sector represents the entrepreneurial spirit of India dynamic, innovative and deeply rooted in local communities.

In the journey towards Atmanirbhar Bharat (self-reliant India), MSMEs are not just participants—they are prime drivers. They generate livelihoods across urban and rural landscapes, infuse flexibility into India's industrial base and play a pivotal role in exports, manufacturing and services. Their cumulative strength is enabling India to expand its global role from excellence in services to leadership in manufacturing and innovation.

MSMEs: EMPOWERING IMPACT ON THE INDIAN ECONOMY

The MSME sector in India is defined under the MSME Development Act, 2006 and reclassified in 2020 based on investment and annual turnover. As per the latest definitions, micro enterprises have investments up to ₹2.5 crore and a turnover up to ₹10 crore, small enterprises have investments up to ₹25 crore and a turnover up to ₹100 crore, while medium enterprises include those with investments up to ₹125 crore and a turnover up to ₹500 crore.

As of 2024, India has over 6.3 crore MSMEs, according to data from the Ministry of MSME. The sector contributes nearly 30% to India's GDP and accounts for about 35% of manufacturing output, alongside approximately 40-45% of exports, making it indispensable to the country's economic framework. It employs around 120 million people, second only to agriculture, and plays a major role in enabling inclusive growth by promoting entrepreneurship, especially among women and youth.

Beyond traditional manufacturing and handicrafts, the MSME landscape now includes IT services, pharmaceuticals, renewable energy, food processing, and start-ups. Their regional dispersal fosters balanced economic development, and their integration with digital platforms like Udyam Registration is improving formalisation, transparency and access to government support. Pilot participation in initiatives like GEMX (Open Network for Digital Commerce) is also opening new digital market linkages for some MSMEs. Moreover, schemes such as the Champion Portal and the revamped 2ED Certification 2.0 are assisting MSMEs to access support services, adopt better quality standards, and pursue environmentally responsible practices.

MSMEs: CATALYSTS OF INDIA'S GLOBAL RISE

The growing global recognition of India's economic prowess is significantly underpinned by its MSME sector. With India recently becoming the world's fourth-largest economy by nominal GDP (as per the IMF World Economic Outlook, April 2025), MSMEs have been instrumental in sustaining the momentum. Their strength lies in their agility and capacity to adapt to market dynamics, which has enabled India to expand its manufacturing base, diversify exports, and absorb technological innovation.

MSMEs play a critical role in realising flagship national missions such as Make in India, Startup India, Digital India, and Skill India. Their participation ensures not only job creation but also the deepening of local supply chains alongside economic development and inclusive growth. Furthermore, according to the RBI, the sector is also vital in absorbing and skilling India's young workforce, a demographic advantage that is key to sustaining high growth over the next two decades.

The MSME sector continues to contribute significantly to India's export basket, reflecting its growing presence in international markets, particularly in textiles, engineering goods, chemicals, and agri-products. With India targeting \$1 trillion in merchandise exports by 2030, MSMEs will continue to be central players in driving competitiveness and innovation.

Government support, including pro-

[Continued on next page >>>](#)

- ❑ India's MSME sector has emerged as a **cornerstone of economic transformation**, contributing significantly to GDP, employment, exports, and self-reliance.
- ❑ Its role in powering **Atmanirbhar Bharat**, enhancing global competitiveness, and expanding manufacturing makes it vital to India's journey toward becoming a **\$5 trillion economy** and a global industrial and innovation hub.

New MSME Classification Criteria as per Union Budget 2025

ENTERPRISE CATEGORY	CURRENT INVESTMENT LIMIT	REVISED INVESTMENT LIMIT	CURRENT TURNOVER LIMIT	REVISED TURNOVER LIMIT
MICRO ENTERPRISE	₹1 crore	₹2.5 crore	₹5 crore	₹10 crore
SMALL ENTERPRISE	₹10 crore	₹25 crore	₹50 crore	₹100 crore
MEDIUM ENTERPRISE	₹50 crore	₹125 crore	₹250 crore	₹500 crore

CRITICAL ROLE IN NATIONAL ECONOMY

- ❑ India houses **6.3 crore MSMEs**, contributing nearly **30% to GDP**, and employing about **120 million**, making it a **key driver of economic inclusivity**.
- ❑ MSMEs are the **second-largest employer** after agriculture, absorbing youth and promoting **entrepreneurship** in both urban and rural India.
- ❑ They play a crucial role in employment generation, especially for skilled and semi-skilled workers, and are at the forefront of **entrepreneurship development** initiatives.
- ❑ MSMEs contribute **40–45% of India's exports**, being vital to **textiles, engineering goods, chemicals, and agri-products**, crucial for **foreign exchange**.
- ❑ MSMEs have moved beyond handicrafts to **IT services, pharmaceuticals, renewable energy, and start-ups**, enabling innovation across sectors.
- ❑ Integration with **Udyam portal**, ONDC, and ZED Certification 2.0 promotes **transparency, digitalisation, and improved quality standards**.
- ❑ These efforts are part of a broader digital transformation agenda for MSMEs, enhancing their **gdp contribution** through increased efficiency and productivity.

ENABLING ATMANIRBHAR BHARAT VISION

- ❑ MSMEs are central to national missions like **Make in India, Startup India, Digital India,** and **Skill India**, deepening **domestic capabilities**.
- ❑ They are at the forefront of technology upgradation and smart manufacturing initiatives, often engaging in **research and development** to stay competitive.
- ❑ MSMEs strengthen **value chains** by producing critical components domestically, reducing import dependency and boosting **economic sovereignty**.
- ❑ Agile and adaptive, MSMEs integrate **technological innovation** to enhance **productivity** and remain **globally competitive**. Many are leveraging artificial intelligence and cloud computing to optimize their operations and improve **customer satisfaction**.
- ❑ They provide entrepreneurial space to **women and youth**, fostering **inclusive growth** and reducing gender disparities. This aligns with broader goals of promoting youth entrepreneurship and regional development.

CHALLENGES TO SECTORAL GROWTH

- ❑ Many MSMEs still face **credit denial**, owing to lack of formal records or perceived **high risk** by traditional banks. Delayed payments from customers often exacerbate their working capital issues.
- ❑ Limited access to **logistics, power, and transport** facilities hampers productivity, especially for **rural MSMEs**. High energy costs and inadequate distribution networks remain significant challenges.
- ❑ Despite programs, many MSMEs face **skill shortages**, especially in **tech-intensive sectors**, reducing **competitiveness**. This highlights the need for more targeted skill development programs.
- ❑ Multiple laws and licensing regimes result in **complex compliance costs**, especially for **micro-enterprises**. Navigating labor laws and **environmental impact** regulations can be particularly challenging.
- ❑ Limited **global market access knowledge** makes it harder for MSMEs to **scale exports** or attract foreign buyers.

SHANGAI COOPERATION ORGANISATION

NO JOINT STATEMENT

Pahalgam terror attack kept out, Rajnath doesn't sign SCO draft

Targets Pak on cross-border terror, says no place for double standards



Defence Minister Rajnath Singh and his Iranian counterpart Aziz Nasirzadeh look on as Pakistan's Defence Minister Khawaja Muhammad Asif arrives, in Qingdao, China. AP

AMRITA NAYAK DUTTA
& SHUBHAJIT ROY
NEW DELHI, JUNE 25

DEFENCE MINISTERS of the Shanghai Cooperation Organisation, meeting in Qingdao in China, failed to issue a joint statement Thursday after Defence Minister Rajnath Singh declined to sign the draft statement which omitted a reference to the April 22 Pahalgam terror attack in J&K. Government sources told The Indian Express that the document, CONTINUED ON PAGE 2

EXPLAINED
Ahead of
Summit

THE MEETING of the SCO Defence Ministers took place weeks after Operation Sindoor which had India striking terror targets in Pakistan and POK. The SCO leaders are scheduled to meet at the Summit in Tashkent, China this autumn.


- ❑ **India's objection:** India refused to **sign a joint statement** at the SCO Defence Ministers' meeting held in Qingdao, China.
- ❑ **Terror omission:** The statement **excluded** the **April 22 terror attack** in Kashmir which killed **26 Indian tourists**.
- ❑ **Pro-Pak stance:** India said the document **favoured Pakistan's narrative** by mentioning **Balochistan** but omitting Indian concerns.



1996 Shanghai Five



2001 Shanghai Five → SCO

 **Uzbekistan** was included.
Renamed as Shanghai Cooperation Organisation (SCO)

2017 First Round of Expansion



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2022 SCO Summit, Uzbekistan

Varanasi was selected as the SCO region's 1st "Tourism and Cultural Capital" for 2022-23.

2023 SCO Summit, India.

India hosted the summit for the 1st time. It was held **virtually**.



Iran was included as SCO's 9th member.

SCO members agreed to explore using "national currencies" for payments within the grouping.

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An Eurasian intergovernmental organisation and economic and security alliance



Governance

Main Focus
Regional Development

Security Issues

- Regional Terrorism
- Ethnic Separatism
- Religious Extremism

Governed by Heads of State Council (HSC), SCO's supreme decision-making body (Meet once a year)

Official Languages: Russian, Chinese



Regional Anti-Terrorist Structure (RATS)

A Permanent Organ of the SCO  **Headquarters Tashkent, Uzbekistan**

Serves to promote cooperation of member states against the 3 evils

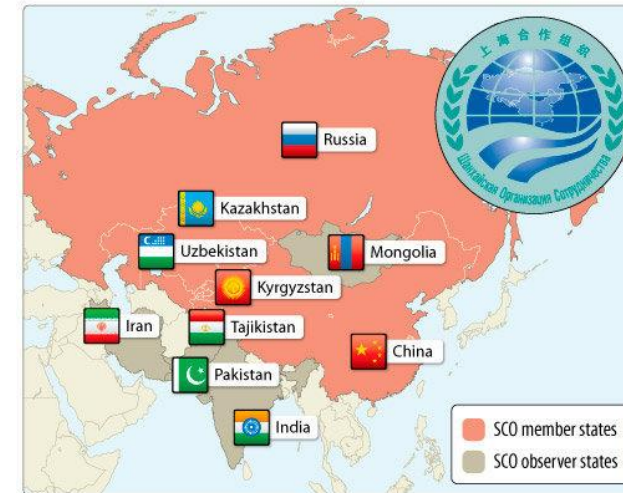
- Regional Terrorism
- Ethnic Separatism
- Religious Extremism

India's Strategic Stand

- ❑ Defence Minister **Rajnath Singh** said the statement **diluted India's position on terrorism and security**.
- ❑ Without naming Pakistan, he urged SCO to **condemn cross-border terrorism** and ensure **accountability**.
- ❑ India objected to **reference of Balochistan**, where Pakistan accuses India of fomenting unrest.
- ❑ India's stance reflects the principles enshrined in the Constitution, which forms the basis of the country's foreign policy.

Shanghai Cooperation Organization

The Shanghai Cooperation Organization (SCO) is a regional intergovernmental security alliance involving Russia, China and four Central Asian states



Milestones

- 1996
Foundation of the Shanghai Five, the SCO predecessor
- 1999
Foundation of the Bishkek Group to counter border criminality
- 2001
Uzbekistan joins SCO
- June 15, 2001
Shanghai Cooperation Organization Founding Declaration signed
- 2008
Iran submits official application for full-right SCO membership

Basic documents

- 2001
Shanghai Convention on the Struggle against Terrorism, Separatism and Extremism
- 2002
SCO Charter
- 2002
Regional Anti-Terrorist Structure (RATS) Founding Agreement

Goals and Objectives

- Strengthening of mutual trust and good-neighborly policies between member states
- Promotion of effective cooperation in politics, trade, economics, science, technology, and culture, as well as education, energy, transport, tourism and environmental protection
- Jointly ensuring peace, security and stability in the region
- Advancement to a new democratic, fair and rational global political and economic order

SCO Structure

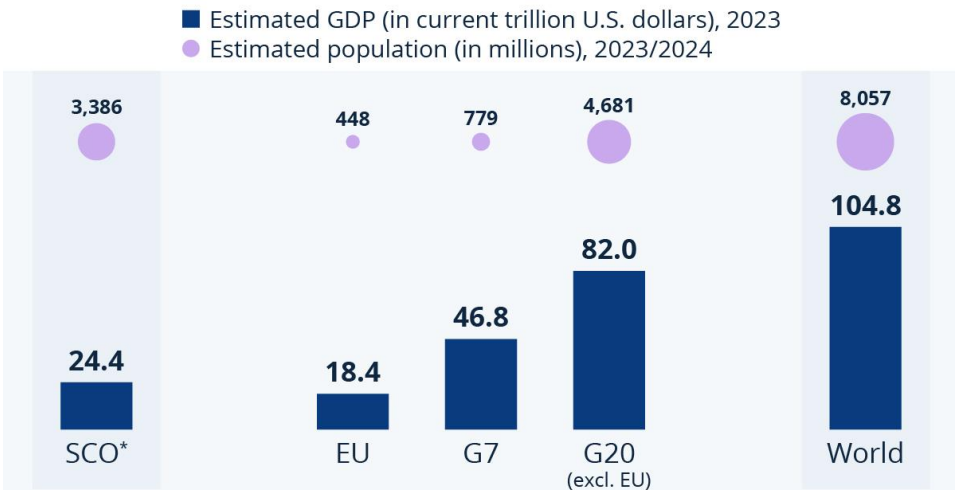
- Council of Heads of State
 - Council of Heads of Government
 - Council of Foreign Ministers
 - Meetings of Heads of Ministries and Departments
 - Council of National Coordinators
 - Regional Anti-Terrorist Structure
- Russian Foreign Ministry Ambassador-at-Large Vitaly Vorobyov is the Presidential Envoy for SCO Affairs

Implications on Regional Dynamics

- ❑ India's stance signals a **growing divergence** within SCO, weakening **China's regional leadership** push.
- ❑ **China's role:** With Russia distracted by **Ukraine**, **China dominates SCO**, using it to expand influence.
- ❑ **India's message:** By standing firm, India reasserts its **zero-tolerance policy on terrorism** and **strategic autonomy**.
- ❑ **Domestic considerations:** The **Indian electorate** and **national parliament** closely monitor these international engagements, ensuring that India's foreign policy aligns with domestic priorities and the principles of **federal politics**.

SCO: 42% of World's Population, 23% of Global GDP

Comparison of the Shanghai Cooperation Organization with selected regional/international organizations



* Belarus, China, India, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Russia, Tajikistan, Uzbekistan

Sources: World Bank, International Monetary Fund, U.S. Census Bureau, Eurostat



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Thank you

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