



Counting the Poor in India: A Conceptual Analysis of Theory and Praxis of the Government Approach

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Introduction

Since its independence, India's commitment to the implementation of democratic politics has meant that its polity has had to deal with the harsh reality of widespread poverty throughout the country. The number of poor citizens (and entitled voters) who earn less than 2 US Dollars a day make up 86 percent of the population in a deeply stratified and hierarchical society. Consequently, addressing the needs of the vulnerable and marginalised segments of society has increasingly preoccupied the efforts of intellectuals and policy makers. The political rhetoric has taken the form of 'targeting the poor' with the aim of ensuring the channeling of public spending exclusively to the people in need.

Against the background of world wide efforts to alleviate poverty, such as the United Nations' Millenium Development Goals (MDGs), one would hope that India, being home to an estimated third of the world's poor, could follow a coherent social welfare policy. The first of the MDGs' aims is to halve the proportion of the people living in poverty worldwide by 2015. This goal is a clear appeal to India's anti-poverty policy; if poverty alleviation efforts are successful in India, it will have a significant impact on world wide poverty statistics and serve as a role model for other developing countries in their battle against poverty.

However, the Government of India (GoI) continues to struggle with defining a coherent welfare policy. This is reflected in that official poverty estimations (i.e., how many people are counted as poor and living below a fixed poverty line) and poverty targeting (i.e., who is counted as poor and living below the fixed poverty line) are two separate and very distinct practises, implemented by two different government agencies, using different poverty approaches and hence resulting in different poverty numbers. This scenario can be interpreted as a lack of a general consensus about poverty and its causes and consequences



in the Indian political sphere.

In response to the debate on how to measure poverty and 'target the poor' correctly, several expert groups have questioned the latest official poverty estimates of 2004-2005, which suggest that poverty has declined to 27.5 percent of the population as established by the Planning Commission¹. According to these experts, poverty estimates range from 60.5 percent² (GoI, Ministry of Finance 2008-2009: 261)³, 50 percent⁴ (GoI, Ministry of Rural Development 2009: 9)⁵, or 77 percent⁶ of the population, depending solely on the measurement criteria and dimensions of poverty used for defining 'the poor'. These widely diverging figures further reflect the dilemma of defining and identifying vulnerable citizens and the constraints of the accessibility to social welfare programmes. This evidence emphasises the importance and the need for a clear definition of poverty and a coherent methodology for its measurement.

How poverty is defined in the public sphere, by what practises it is measured, and how the poor are being identified at local levels, however, is far from self-evident. Whereas defining a national poverty line for the purpose of poverty estimation at the macro-level has been practised as a policy instrument of the GoI since the 1970s, the exercise of identifying who the poor really are, and hence who is eligible to be enrolled under an array of welfare schemes, has only been introduced relatively recently in form of the Below Poverty Line (BPL) Census.

In most of India's states, many more households are identified as poor in the BPL Census than acknowledged by the official estimates of India's central Planning Commission. One main factor for this divergence is certainly the different poverty approaches used for both policy instruments; while the official poverty estimates are based on consumption expenditure only, the BPL Census (although following a different methodology each round) aims at capturing multiple dimensions of well-being, such as educational status, health, shelter, sanitation, etc. By broadening the poverty approach and including more poverty indicators in a survey, the number of poor naturally increases (other factors such as manipulation and other forms of corruption also contribute to diverging poverty figures, but they will not be of central interest in this paper). Therefore, because these poverty instruments will always generate differing poverty numbers, they prove to be incoherent. This identified problem will be the central subject of the following assessment.

This paper understand poverty as a multidimensional phenomenon



which encompasses far more dimensions than the lack of sufficient income alone; lack of access to various basic necessities such as nutrition, health, education, housing, security, rights, etc. are equally important factors for a human being to live an 'adequate' life. Yet for the purpose of measuring poverty governments need yardsticks that are simple enough to grasp as well as representative at the same time and comparable across time and space.

This paper does not attempt to challenge India's poverty statistics per se. Official poverty statistics by Government of India have already been questioned and examined by many scholars (see Deaton and Drèze 2009). Instead, my thesis aims at shedding light on some aspects of the politics of poverty in India against the background of an old and ongoing debate. A conceptualisation of poverty and its dimensions in Part 1 will be followed, in Part 2, by a brief history of India's anti-poverty policies since independence. This will, in Part 3, form the basis for assessing the two national policy instruments used for measuring and identifying poverty. The paradigm shift from reviewing poverty as a unidimensional phenomenon to a multi-dimensional one will be reflected, in Part 4, in a brief elaboration of the poverty targeting exercise of the BPL Census, its concept and ethic implications, questioning the definition of poverty used for official estimates.

1. Conceptualising Poverty

1.1. Contextualising Poverty: The Relative Approach vs. the Absolute Approach

In the introductory chapter of *Poverty and Inequality*, Grusky and Kanbur point out that "there is a growing consensus among academics, policy makers, and even politicians that poverty and inequality should no longer be treated as soft social issues that can safely be subordinated to more important and fundamental interests in maximising total economic output" (Grusky and Kanbur 2006: 1). However progressive the two authors review the ongoing debate on poverty and inequality throughout the world, they observe an expanding spectrum of conceptual questions which need to be addressed in order to meet the "pressing problems of policy" (Ibid.). The need for answers is argued for because "economists have not reached consensus on the dimensions [of poverty] that matter,



nor even on how they might decide what matters" (Ibid.: 12).

The correct measurement of poverty is important for estimating the level of poverty challenge within a context, for the formulation of policies and assessing their effectiveness. However, poverty measurement is never simply a counting and collating exercise and it is essential to define what is actually meant by the term 'poverty'. The vastness of definitions of poverty and methodologies to measure it are reflected in the different perceptions and motivations of those who define and measure poverty. And even if a consensus exists, it does not guarantee that there is an agreement on what policies are appropriate for its alleviation.

In the past decades, so-called 'developed' countries have changed their focus from seeing poverty as an absolute expression of vulnerability, and instead aimed at positioning poverty in a relative context, acknowledging that the perception and experience of poverty have a social dimension. As countries become richer, absolute poverty may disappear, while the subjective perception and relative deprivation will remain. The understanding that poverty is a relative phenomenon has implied a relative poverty measurement; most developed countries today define a poverty line as a proportion, somewhere between 50 or 60 percent, of the median per capita income per year. The relative measure expands the definition of poverty in that it incorporates the dimension of inequality. The shift of focus in discourse and practice has over the years significantly influenced the way deprivation is conceptualised, defined, measured and monitored.

Besides the shift in definition, there has been an increased focus on addressing deprivations that go beyond the material dimension of poverty, such as, for example, quality of shelter, education, health and environment. The objective of reviewing poverty or deprivation more broadly is to consider a more holistic template of components of well-being, including non-material aspects, psychological and environmental components. Deficits in multiple dimensions can exist independently of income and can occur well above the absolute or relative poverty lines.

In contrast to the relative approach to poverty stands the absolute definition of poverty in terms of income or consumption which is still predominantly used in 'developing' or 'transition' countries. There is to date no evidence of a so-called developing or transition country adopting the relative approach to poverty. From the political point of view, inequality is rarely addressed, apart from few empirical studies, which admit that inequality rises with the economic growth of a country, but suggests



that it falls again as a natural consequence (UNDP 2010: 45). The United Nations warn that “this tends to breed policy complacency by imparting a kind of naturalness to the persistence, even the widening, of inequality in the phase of early growth” (Ibid.).

1.2. Poverty and Capabilities

In recent years, the use of the income criterion alone for assessing poverty has been highly criticised by numerous scholars. The UNDP’s first Human Development Report of 1990 states that income is a “means [to], not an end” of human development (UNDP 1990: 10).⁷ Amartya Sen has warned against seeing human beings as mere recipients of income and instead advised to perceive them “as people attempting to live satisfactory lives” and to understand “poverty not simply as low income but as the lack of real opportunities to have minimally adequate lives” (Sen 1995: 16), because “even if you have enough goods, they are worth little if you are not healthy enough to enjoy them” (Deaton 2006: 9); e.g., children will not have any nutritional benefit from the food they consume if they live in an unsanitary environment and continually suffer from diarrhoea. Since the 1970s, Sen and numerous other scholars have argued for a broader perspective on poverty by including other dimensions of well-being apart from simple material indicators such as income or consumption levels.

In contrast to the idea that poverty is caused by the mere lack of material assets or monetary resources, here referred to as the uni-dimensional approach, stands the multi-dimensional approach to poverty which recognises – and tries to capture – multiple factors responsible for the cause of poverty. It seeks to identify indigent poverty not only at a physiological level but also in economic, social, environmental and institutional terms. The more recent developments in the poverty debate have led to an increasingly multi-dimensional understanding of poverty, which, on the basis of Amartya Sen’s work, perceives it as encompassing the deprivation of basic capabilities as against that of mere material needs.

Capabilities define what people are effectively able to be and do, provided by external factors such as access to health care, education, active participation in political and economic development, etc. Enjoying basic capabilities, as referred to by Sen, means being free from, e.g., disease, premature mortality, escapable morbidity, malnu-



trition, voicelessness, unemployment and illiteracy: "These factors allow people to take action and give them the freedom to make choices for themselves. Absence of such freedoms results in incapability, i.e., poverty" (Sen 2000: 10-11). Thus poverty is an interdependent web of different aspects of capability deprivation.

Sen does not deny the importance of the income aspect but sees it as only being instrumentally important in helping people to lead 'adequate lives', stating that "the instrumental relation between low income and low capability is parametrically variable between different communities and even between different families and different individuals" (Sen and Foster 1997: 58). This is to say that an individual's needs are determined by various aspects which differ from person to person, such as age (e.g., the specific needs of the elderly and children), gender and social roles (e.g., responsibilities during maternity or customary duties within the context of family or community), by location (e.g., living in urban areas with often better infrastructure as opposed to rural areas), and by other livelihood aspects which are beyond the control of a person (Ibid.).

2. Anti-Poverty Policies in India Since Independence

2.1. Post-colonial Developments

Kumar advises us that if we attempt to understand "the Indian experience of poverty eradication through the construction of a welfare state and political mobilisation in the last five decades", we need to keep in mind the "relationship between the 'colonial past' and the 'democratic present'". This is crucial in order to grasp "the changing nature and orientation of the state and society in the context of poverty in India since independence in 1947" (Kumar 2003: 146).⁸ Furthermore, he points to the difference between the rise of the democratic polity in Europe and the emergence of a welfare state in India, which represents yet another argument against a one-to-one comparison between poverty in 'developed' and 'developing' countries: By the time Western countries had acquired a full blooded democracy with adult suffrage, the Industrial Revolution had already occurred. In Kumar's words: "They [the Western countries] got the resources before they gained democracy so that when the demands came for better living



conditions they had the resources to fulfil them. In India, we have full blooded democracy but not the resources" (Ibid.).

During the first four Five-Year Plans after India's independence, the Government of India aimed at pursuing a high rate of economic growth, measured solely on the basis of per capita gross domestic product, hoping to reduce income poverty (Alkire and Seth 2009: 2).⁹ This hope was based on the assumption that economic growth would automatically foster poverty alleviation efforts and generate more income to the economically weaker sections of society. The need for measuring and identifying the poor in India was first felt in the late 1960s and early 1970's when this assumption proved to be too simplistic and numerous studies revealed that the economic growth in developing countries mainly benefitted the wealthier sections of society living in developed areas while bypassing the economically weak citizens residing in more backward areas of the country (Hirway 2003: 4803). The studies also identified the reasons for the exclusion from growth participation:

- a) limited or no access to productive assets,
- b) limited or no access to bank credits to buy these assets,
- c) lack of skills or education to participate and
- d) social exclusion of low castes/tribes (Ibid.).

Economic growth at that time was far from being sufficient to reduce income poverty across the state and without following any particular trend, the poverty incidence was assumed somewhere between 38 percent and 57 percent of the population (Kumar 1996: 4).¹⁰

India's clear positioning as a pro-active welfare state was emphasised significantly during Indira Gandhi's first term as Prime Minister, demonstrated by the partial successes of the Green Revolution and India's first ever achievement of self-sufficiency in wheat and rice production in 1974. The initiation of a vast number of anti-poverty programmes took place when Gandhi, finding herself in a fragmented and unsupportive Congress Party, made a desperate bid for re-elections in 1971. By calling out for 'Garibi Hatao'¹¹, her infamous election slogan, Gandhi could secure independent national support from the masses of urban and rural poor and thereby bypass the dreaded rural political elite of state and local government as well as the urban commercial classes. This general political rhetoric was adopted by her successors,



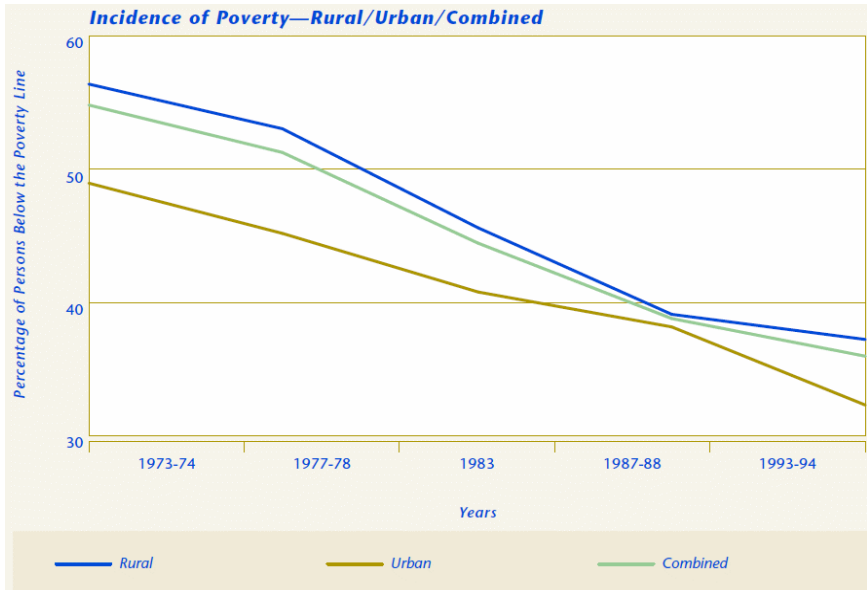
and with this poverty reduction became a central topic, especially during election time.

Whereas poverty reduction in the form of agricultural development was a major political objective during the 1970s and early 1980s, by the late 1980s – after anti-poverty programmes had experienced several weaknesses due to crisis of implementation, lack of viability and slow growth of the economy – Indian politics marked a paradigm shift: Economic growth and governance became the focus of political attention while poverty alleviation issues moved into the background (Kumar 2003: 180).

2.3. The Liberalisation Era

The beginning of the Liberalisation era in the early 1990s was reflected in electoral manifestos by many political parties: Administrative restructuring in the country and private sector activities marked new aspects in the Indian planning strategy.

The first decade of India's so-called economic Liberalisation caused a debate over the extent to which living standards might have changed due to economic reforms. Some argue that the 1990s marked a period of significant and peerless improvements of living standards in India, whilst others claim they were a period of widespread pauperisation. According to the Head Count Ratio (HCR) estimates published by the Indian Planning Commission, poverty has declined steadily since independence, but actually at a slower speed since Liberalisation. This is illustrated in the following graph:



Indian Planning Experience – Statistical Profile.
Source: Planning Commission 2001



From various other socio-economic statistics from the 1990s, it becomes clear, however, that the headcount ratio alone does not provide clear indications of the extent to which living standards increased. This is, for example, reflected in the uneven social progress across the sectors: While there has been a rapid increase in literacy and school participation across the country, many indicators remain inconsistent with the reported poverty decline: e.g., average cereal consumption has declined in the 1990s (GoI, NSSO 2006)¹², persisting high incidence of malnourished children (according to official data, 47 percent of children were underweight in 1998-1999), and slowdown in decline of infant mortality (UNICEF¹³; Deaton and Drèze 2009: 50). Thus what happens in the income space does not reveal the complete picture of deprivation.

It is widely recognised that the economic development of a country constitutes a potentially important mechanism for poverty alleviation. Liberalisation in India since 1991 is officially regarded to be the engine of economic growth which in turn is assumed to be the causal factor for poverty alleviation; to underline this statement, Government of India has released poverty statistics for every Five Year Plan. The demonstrated reduction in aggregate poverty numbers is usually used as an index of economic success and as a justification for the opening of the Indian market to foreign investments. How much impact the remarkable economic growth that India has experienced in the last 20 years has had on sustainable poverty reduction, however, is a disputed topic.

Expecting economic growth to be the sole driver of poverty reduction is a highly simplified assumption. It can, no doubt, be a beneficial condition for an increase in living standards and poverty reduction, but "when there is economic growth, in the sense of an increase in average consumption and average income, what happens to poverty depends on what happens to the distribution of income and consumption" (Deaton 2006: 9). Ever since the economic 'liberalisation' in India that started in 1991, we have seen 20 years of more or less stable and steady economic growth. However, there is enough evidence today to show that the lower income distribution levels have not experienced the same rapid growth as the overall Gross Domestic Product (GDP). One major reason for this imbalance has been that the focus of economic expansion was clearly in the high-technology industries and was hence more likely to "disproportionally benefit the well-educated" (Ibid.). However, the agriculture sector, which most people in the country, – around 60 percent of the population –, are dependent on, has been economically



neglected and has decreased dramatically: agriculture accounted for more than half the GDP of the country just after Independence, but official figures confirm that in 2008 the sector's share of GDP lagged at around 15 percent (GoI, Economic Survey 2009-10: 180).

According to GoI, the incidence of poverty in the country has declined from 45.3 percent in 1993-1994 to 27.5 percent¹⁴ in 2004-2005 as a result of economic liberalisation and growth. Defenders of the economic reforms which have taken place in India in the last two decades argue that the opening of the Indian economy has allowed the country to better exploit its comparative advantage in labour-intensive goods and services, which would directly benefit the poor (Datt and Ravallion 2009: 3).¹⁵ Furthermore the reforms were expected to remove the pervasive bias against unskilled labour employment by creating a demand for it through the support higher productivity in the private sector.

But are the reduced poverty numbers a direct result of liberalisation? The economist Arun Kumar has taken up the issue of economic growth in India and has critically analysed the expectation of the government that growth automatically leads to a "trickle down effect" (Kumar 2005: 41)¹⁶ to the poorer parts of the population. His observation is that "growth at any cost has become acceptable to many under the influence of conservative economists who believe that nothing much can be or should be done about distribution" (Kumar 2005: 41). In the post-reform discussion, he points out, the GDP growth in the corporate world has been the focus of positive impact assessment, even though they only produce a tiny fraction of GDP. More than 70 percent of the Indian population, one must not forget, lives in rural areas and close to 60 percent of the population is directly dependent on growth in the agriculture sector. The most prominent demonstration of the agricultural crisis we can observe today is the widespread suicide of farmers throughout the country.

3. Measuring and Combatting Poverty in India

3.1. Uni-Dimensional Approach vs. Multi-Dimensional Reality

Although the poverty debate has evolved considerably in the past decades, uni-dimensional poverty measures remain the most conventional policy instrument for determining the proportion of poor people living



in a country, i.e., the poverty headcount ratio (HCR). This approach is usually concerned with poverty measurement in terms of income or consumption expenditure. The concept is based on the strong assumption that welfare mainly derives from the economic situation of people. Income-based poverty measurement and targeting have long been argued for because income is assumed to be the most easily observable and identifiable criterion by which poverty can be measured, and at the same time is of relevance to the quality of a person's life.

For the purpose of calculating an absolute poverty measure, Government of India has been using calorie-based poverty lines since the early 1970s. The purpose is to fix a cut-off line at a point at which people are considered to consume the minimum amount of nutritional goods to maintain their physical needs. The rhetorical link between hunger and poverty remains strong and this makes the calorie-based measure of poverty appear attractive. This is partly due to the evidence that poor people do indeed spend much of their budget on food – the average household in rural India spent 62 percent of its budget on food in 1999-2000 (Deaton 2006: 3) and 52 percent in 2007-2008¹⁷ as compared to 12 percent in the US – and partly perhaps because there is more political support for anti-poverty programmes that include food than for those that offer goods, which are seen as less meritorious. The combination of a nutritional basis and the involvement of scientists in elaborating the norm seems to add legitimacy both to the calorific poverty line and to the related number of poor that are counted by it.

3.2. Poverty Line and Poverty Estimation in India

From the economic perspective, poverty can broadly be understood as a problem of individuals or households to meet their human physical needs; poor persons or families lack access to goods and services necessary to sustain and support life and the income needed for purchasing these goods and services.

The poverty line is a normative concept and, according to Asra and Santos-Francisco, it is the inception of any poverty analysis and represents a standard or social norm which allows a distinction between the 'poor' and the 'non-poor' (Asra and Santos-Francisco 2003: 2).¹⁸ Its purpose is to "monitor and compare poverty across time, regions, and population groups" (Ibid.) in order to give an indication of the effective-



ness of anti-poverty policies in a country. In other words: The level of poverty measured directly affects what is being done to alleviate it in the policy-making sphere. Furthermore, it often serves as a threshold for welfare services provided by the government. According to Wiebe, a poverty measure is consistent "if it identifies the same poverty status (poor or not poor) for two households with identical welfare levels" (Wiebe 1994: 2). We will return to this assertion at a later stage.

When economic and population-based accounts of poverty moved into focus of the Indian anti-poverty policy, this led to the official production of poverty lines and poverty head counts. According to Corbridge et al. (2005), the government's perception that poverty is caused by low levels of productivity was for the first time reflected in India's Third Five Year Plan (1961-1966); it expressed commitment to promote employment generation which would "enable the lowest income groups to earn enough through productive employment to meet their minimum needs" (GoI, Planning Commission 1961: 1, quoted in Corbridge et al. 2005: 63). The use of the term 'minimum needs' called out for a definition of what the minimum needs of a human being should encompass and which goods and services are required to meet these.

3.3. The Implementation of the Poverty Line

The Indian Planning Commission, the Nodal Agency of Government of India chaired by the Prime Minister, is central to the definition of the poverty line. It recommends the financial support from the centre to the individual states in order to meet their capital expenditures. These transfers from the centre to the states are based upon socio-economic parameters including the percentage of population living below the poverty line, the tax efforts of the states, and the special needs of economically weak states. The Planning Commission derives the official poverty estimates needed to fix the state poverty lines on national and state levels from the large sample survey data on household consumer expenditure which is conducted by the National Sample Survey Organisation (NSSO) of the Ministry of Statistics and Programme Implementation approximately every five years. For the Commission's poverty estimates, the number of people living in households with a monthly per capita expenditure less than the fixed poverty line of the state in which they live is estimated on the basis of a minimum consumption value.



The poverty lines in the states are revised over time and on the basis of state specific price indices which are calculated individually for rural and urban areas (Deaton and Kozel 2004: 6-7).

The Planning Commission appointed the Task Force on Projections of Minimum Needs and Effective Consumption Demand in 1979 "to examine the existing structural studies on consumption patterns and standards of living and the minimum need with particular reference to the poorer sections of the population, for the nation as a whole, amid its different regions, separately by urban and rural areas" (GoI, Planning Commission 1979: 4).¹⁹ Based on the outcome of this report, the Planning Commission defined rural and urban poverty lines as the per capita consumption expenditure level. This was calculated on the basis of a set minimum daily calorie intake which, following the recommendation of the task force, was fixed at a minimum consumption basket of 2,400 kcal in rural and 2,100 kcal in urban areas (Himanshu 2010: 40) and was translated into a minimum monthly per capita income of Rs. 49.09 and Rs. 56.64 at 1973-1974 prices and Rs. 356.30 and Rs. 538.60 at 2005 prices in rural and urban areas respectively (Sivakumar and Sarvalingam 2010: 7-8).²⁰ The Indian poverty line is thus a cut-off point for absolute poverty, and is revised over time and space according to current market prices.

The Planning Commission's poverty estimates represent the basis for the targeting procedure implemented by the Ministry of Rural Development (MoRD) in the form of the BPL Census; this effectively means that the BPL Census is only permitted to identify as many poor people as have been officially estimated by the Planning Commission to live in India. This is where the central problem arises: the lack of consensus over a what poverty means and who can be categorised as poor is reflected in the highly differing results in poverty numbers. In the state of Punjab for example, the BPL Census in 1997 identified 650,000 households to live below the poverty line, while the Planning Commission fixed an upper limit of 326,000 BPL households on the basis of the national sample survey data (GoI, Department of Planning, Punjab 2007: 1).²¹

In most other states, too, many more households are identified in the BPL Census than acknowledged by the official estimates of the Planning Commission. Keeping the different poverty approaches being used for both policy instruments in mind, this is not particularly surprising. By broadening the poverty approach from merely looking at the income indicator, which is being done by the BPL Census in one form or another in the dif-



ferent methodologies used over time, the number of poor is naturally going to increase. Therefore, because these poverty instruments will always come up with differing poverty numbers, they prove to be incoherent. Not surprisingly, this unsatisfactory result has led to considerable criticism of which the major arguments have been the following:

3.3.1. Incoherent Methodologies

The official estimates of India's poverty headcount ratio published by the Planning Commission in 2002²², based on the 55th Round of the National Sample Survey (NSS) data published in February 2001, suggested that 27.5 percent of India's population lived below the poverty line, as compared to 37.2 percent in the previous estimate from 1993-94 (Mukherjee 2005: 3).²³ The estimate was disputed not only because of the uni-dimensionality of the income poverty line approach and its blindness to the multifaceted nature of human deprivation. It was also accused of producing incorrect estimates due to incomparable methodologies used in subsequent NSS surveys (Ibid.).

These resulted from changes in questionnaire design: The recall periods in which people would report their expenditure patterns had been changed from 30 days to 7 days for daily consumption (e.g., food, pan, tobacco, etc.) and 365 days for less frequently purchased goods (such as clothing, educational and institutional medical expenditures, etc.). Drèze and Deaton (2002: 5) assume that the result of this 'new' questionnaire is most likely to "boost the expenditure estimates", since more purchased goods would be reported in a 365 day period than in a 30 day period; therefore the new methodology is bound to "pull down official poverty counts" (Ibid.).

3.3.2. Neglect of Poverty's Multiple Dimensions

Many critics of the Indian poverty line refer to it as a "starvation line" (Sharma 2009)²⁴, claiming it is merely concerned with how much income a person needs to support his food, clothing and shelter requirements but does not take into account potential expenses on health or education, the core conditions for sustainable human development (United Nations Development Programme 2010: 85-100). The neo-lib-



eral agenda, as elaborated by Corbridge et al. (2005), “puts particular emphasis upon the self-worth of the individual” and suggests that the development of a person’s potential is held back by a lack of enabling policies, such as the promotion of education and health services, and people are hence left with no other option than to live in poverty (Corbridge et al. 2005: 78). In short, it is criticised for being “too low and no longer conforming to acceptable basic needs” (Himanshu 2010: 38).

3.3.3. Outdated Data

The absolute poverty estimations in India are said to be outdated and in need of careful revision, a case illustrated by a simple calculation of the poverty line’s relation to current market prices. In 1973-1974, the year which marks the first Indian poverty line estimations, the rural poverty threshold was calculated at 54 percent of the average per capita income. By 2004-2005, the average income per capita had multiplied by five in real terms (NSSO data); however, the rural poverty line comes out to merely represent 16 percent of the average rural per capita income (United Nations 2009: 47). This is the dilemma of the calculation of absolute poverty as opposed to relative poverty: instead of being substantively redefined, the poverty line is only being adjusted for inflation which over time has led to a dramatic underestimation of the living costs at the poor end of the distribution scale and created an even deeper economic divide within society.

Guruswamy and Abraham (2006) have offered an interesting calculation of ‘basic needs’ (including food and non-food needs, although excluding education), arriving at minimum monthly monetary needs per capita at Rs. 840 as compared to current official poverty thresholds of Rs. 368 and Rs. 559 in rural and urban areas respectively. According to the authors, 84.6 percent and 42.4 percent (rural and urban respectively), or 68.8 percent of the country wide population should officially be counted as ‘poor’, instead of 37.2 percent as established by the Planning Commission in 2004-2005 (Guruswamy and Abraham 2006: 2534).



3.3.4. The Micawber Problem

One of the most frequently expressed problems that many scholars articulate towards the poverty line is that it fails to reflect the intensity of poverty or non-poverty. This effectively means that someone who lives just below the poverty line is superficially seen to be just as poor as someone who lives far below that line, whereas income levels just below and just above the poverty line (the latter could have a monthly income of just a few rupees more) are treated as fundamentally different. Deaton has termed this scenario 'the Micawber Problem', deriving from an observation by Mr. Micawber, a character in Dicken's *David Copperfield*: "Income twenty shillings, expenses nineteen shillings and sixpence – result, happiness. Income twenty shillings, expenses twenty shillings and sixpence – result, misery" (quoted from Deaton 2006: 7). The implication of the poverty line is that someone who is just below the poverty line is poor and therefore "a candidate for transfers and the special attention of the World Bank" (Deaton 2006: 7), while someone just above the line is expected to sustain his existence without any support.

This problem shows how sensitive the poverty headcount ratio is to the number of poor households near the poverty line: A very small increase or decrease of average per capita income could change the poverty picture altogether and lead to misleading assumptions about possible declines in poverty numbers. Thus the HCR is potentially vulnerable to manipulation, as the easiest way to reduce poverty numbers would be to take money from the poorest of the poor and give it to the less poor. The less poor would be 'lifted out of poverty' whilst the poorest of poor would become even poorer – statistically, poverty would have declined and the state would have achieved their policy objective. Only if we keep this density effect in mind will we realise that changes in poverty figures over time are very difficult to interpret without further information about the density of poverty near the line.

India has adopted income and consumption expenditure as the indicator for poverty levels since 1979, arguing that this better reflects a household's actual standard of living and its ability to meet basic needs; it encompasses the goods and services that a household can command based on its current income and through access to credit markets or household savings. This indicator, as many analysts opposing the expenditure indicator have argued, indeed contains the risk



of faulty outcomes is borne out by the following example, based on Wiebe's (1994) definition of a consistent poverty measurement:

Let us assume two households with identical demographic and economic profiles, solely distinguishable by fact that one household (Household A) includes a seriously ill member whereas the other (Household B) has no such problem. According to the targeting criterion, both households are equally deprived. Household A decides to sell off their land or other assets in order to be able to pay for the treatment of their ill family member. Household A would now paradoxically move above Household B in terms of level of total expenditure; depending on the amount of medical expenses it could even move above the poverty line while in reality it has become even more vulnerable to adverse shocks. (Wiebe 1994: 13-14)

In summary, the poverty line does not qualify as a meaningful indicator of actual poverty. This is also brought out in the criticism levelled against existing poverty lines in the states and Union Territories of India: They fail to preserve original calorie norms and are not providing adequately for health and education.

4. Targeting the Poor?

4.1. Relational Characteristics between Measurement and Targeting

The critique levelled against the official approaches has not been without effect, as a survey of the definition and handling of the BPL Census over the years reveals. In India, there are two separate policy instruments in use for the measurement of poverty on the one hand, and the targeting of poor people on the other. The measurement of poverty has the purpose to establish valid official estimates of the number of poor citizens in the country, effectively those who live below a fixed poverty line. The resulting official statistics serve for the evaluation of welfare policies over time and space.

The objective of 'targeting the poor', on the other hand, is to identify who these people are in reality in order to direct public services to a



selected group of citizens considered the most needy, and to 'lift them out of poverty'. In India, both approaches follow differing methodologies and are in effect independent of each other. In practice, however, the former imposes a limit on the numerical outcome of the latter – a result which creates a rigid dependency and power structure within the bureaucratic welfare apparatus. The main conflict has in the past arisen due to incoherent poverty numbers: Poverty targeting has produced much higher poverty numbers than the Planning Commission's poverty estimates.

4.2. The BPL Census

Whereas the Planning Commission is responsible for estimating poverty on India's national and state levels, the Ministry of Rural Development (MoRD) since 1992 has the authority to commission the identification of the rural poor by conducting a Below Poverty Line (BPL) Census through the State Governments and Union Territory Administrations within each Five Year Plan. The BPL census is a door-to-door survey in rural India. Its objective is to identify poor rural households for the purpose of bringing subsidised welfare services under the Centrally Sponsored Schemes (CSS) directly to the identified 'poor' and preventing leakage of such services to the 'non-poor'. This policy instrument was introduced in the early 1990s, following widespread discontent about the limited impact of anti-poverty policies since Independence and persistent high poverty figures.

Three nationwide surveys have been conducted to date and revealed great exclusion and inclusion errors in the methodologies used in 1992, 1997 and 2002. Each census was remodified methodologically as the targeting efforts in all three Five Year Plans had shown to have made access to CSS more difficult for the poor rather than to improving it. The fourth such census which was planned to be conducted at the beginning of the 11th Five Year Plan (2007-2012) was postponed due to heavy methodological objections raised by the state governments, scholars, Non-Governmental Organisations (NGOs) and rural citizens.

The initial BPL Survey of 1992 used the income criterion to identify poverty. Through the evaluation of this survey it became clear that the number of families identified as living below the poverty line by far exceeded the poverty ratio estimated by the Planning Commission; it was reported that the number of poor identified on the basis of the census



were almost double of those declared legitimate by the official poverty estimates (Farrington and Saxena 2009: 13).²⁵ The Saxena Committee, a committee which was appointed by the Planning Commission to develop a new methodology for the census, has suggested that there was confusion in the identification process due to the shift from measuring consumption expenditure to that of measuring income level which may have resulted in a mix-up between poor and non-poor and led to unreliable figures (Farrington and Saxena 2009).

The BPL Census of 1997 was revised in three major ways. First, the determining criterion for fixing a cut-off line shifted from depending on the annual income level to consumption expenditure, thus becoming more in tune with the Planning Commission's methodology. Secondly, instead of measuring the poverty level by only using the household as one unit, the livelihood standard of the individual now moved into focus. Thirdly, and most notably, a set of criteria was developed for the exclusion of the 'visibly non-poor' from the survey.

There were two stages in the conducting process of the survey, the first being the application of the exclusion criteria in order to curtail the number of people to be surveyed. Exclusion criteria were, for example, defined by the possession of certain goods and facilities by which people were declared 'non poor'. In the second stage interviews concerning total consumption were conducted with the remaining households. Total consumption was divided into the number of household members in order to yield the per capita consumption level. Thus all household members were treated as identical units, disregarding age, illness or other influential factors. The per capita consumption level, calculated on the basis of reported consumption of a household for a period of 30 days or 356 days, depending on daily needs (food, etc.) and irregular needs (clothes, etc.), was used to indicate whether a household could be counted as BPL according to the official poverty line that had been fixed by the Planning Commission.

This census was lauded as it made a significant step from a one-dimensional to a more multi-dimensional targeting approach. But concerned criticism was raised over the use of exclusion criteria to eliminate the 'visibly non-poor' from the survey. Although the usage of exclusion criteria as such was not perceived to be problematic, the valuation of certain goods, and the assumption that only non-poor households could hold them, was questioned. For example, the excluding criterion of ownership of more than two hectares of land disregards the quality



of land for productive use; the criterion of owning a pucca²⁶ house was perceived by critics to be conflicting, since under the scheme *Indira Awaas Yojna*, BPL households are allocated financial support for the construction of a pucca house without being eliminated from the BPL category; the possession of a single ceiling fan was put on a par with owning a TV, refrigerator or motor cycle and meant that automatically a household would be declared to be non-poor and its members excluded from BPL benefits.

The most recent and most controversial BPL Census took place in 2002. For the Tenth Five Year Plan (2002-2007), the methodology for identifying households below the poverty line was again revised, following the criticism against the previously used parameters and criteria in targeting. Instead the census would now follow a methodology which would eliminate the occurrence of inclusion or exclusion errors. A questionnaire was designed to cover 13 poverty criteria such as access to food, assets, clothing, quality of housing, education, etc. The questions were based on a scoring system and each answer was allocated a score between 0 (poor) and 4 (not poor), which were assigned on a relative scale. An aggregate score between 0 and 52 would rank households as extremely poor, marginally poor, poor and non-poor at all administrative levels: Gram Panchayat, Block, District and state level.

The primary purpose of the ranking was to ensure that the number of identified BPL households in a state were in accordance with the Planning Commission's poverty estimate for the state, so as to prioritise the 'most needy' first. The Expert Group appointed by MoRD and responsible for the design of the survey declared this to be a major improvement over previous censuses in terms of targeting methods and cost effectiveness. In addition, and in response to the consistently high number of poor households identified by the states, the Planning Commission allowed up to 10 percent more poor households to be given BPL status than the official poverty estimate predicted.

Lowering the threshold was seen to be necessary in order to offer more comparable poverty figures between those estimated to live below the poverty line and the number of rural poor as identified by MoRD. By arbitrarily allowing 10 percent more poor to be identified by the survey, the Planning Commission indirectly admitted that previous poverty figures had understated the poverty situation. On the state level though, as had been the case in the previous censuses, significantly more households were identified as living below the poverty line than



allowed for by the Planning Commission, even considering the extra 10 percent. Thus this census too was again flawed by notable exclusion and inclusion errors, due to conflicting poverty definitions.

In conclusion, it can be said that measuring and identification in India are two separate policies, with different objectives, different definitions of poverty, using different methods, implemented by different bodies and treated as totally different mechanisms. Yet the Planning Commission continues to play the dominant role in defining poverty figures in India, their official estimates providing the basis for how many poor are to be classified through the BPL Census. As a result, a poverty line imposed by the Commission is vulnerable to accusations of being too low, of measuring starvation instead of poverty, and of serving as a guideline for the BPL census despite its vast targeting errors, ambivalent character and discriminating practises.

4.3. The Problems of Targeting

Targeting has the purpose to inform the government of who is poor and who is not so that subsidised public resources can be channeled to the 'deserving' without wastage. However, as much as sensible targeting seeks to assure that the poor are the main and rightful beneficiaries of welfare programmes, critics remind us of the problematic aspects of this practice. Fischer (2009) charges that the segmenting nature of targeting "reinforces social and economic stratification by removing middle classes and their political voice from the services that are supplied to and accessed by the poor" (Ibid.: 6). Sen goes further in speaking of "discriminating awards" involved in the practise of targeting, and the more detailed the targeting is laid out to be, the more "invasive" the survey would be, putting the individual's privacy and autonomy at risk (Sen 1995: 13-14). Moreover, the term 'targeting' suggests that the intended 'target' is a passive receiver rather than an active agent. Sen identifies the basic problem of targeting to lie exactly here: if the "targets" were "easily identifiable and unreacting", this would be the end of the matter and make our debate about targeting redundant. Precisely because people are acting and reacting individuals, their behaviour will change according to anti-poverty policies applied to them (Ibid.: 12).

Srivastava correctly identifies the "raison d'être of targeting" in the "asymmetric information between the government, seeking to provide



transfers to the poor, and individuals or households in the economy who can legitimately or otherwise seek these transfers” (Srivastava 2004: 50).²⁷ It can thus be expected, however, that “if the subsidy is aimed at the poor who are identified by some specified criterion of being counted as poor, those who would not satisfy that criterion could nevertheless pretend that they do by providing inaccurate information” (Sen 1995: 12). Most households in rural India are very familiar with the procedure of BPL identification and informed about at least some benefits that can be accessed with the BPL status. Thus, the targeting criteria of the BPL Census and how to fulfil them – combined with a lack of verification mechanisms – are inevitably subject to manipulation. The importance of this categorisation is emphasised by the public attention which is paid to it, described by Hirway as a “mad rush in the villages to be enrolled as BPL households” (Hirway 2003: 37).

Moreover, in order to conform with the targeting criteria and to become eligible to benefits from an array of public services, households could be discouraged to invest in beneficial assets, such as education, sanitation, etc., if ‘being poor’ is defined otherwise. Thus the BPL Census from 2002 did use information on the education levels and housing statuses of a household to conclude the level of poverty. These survey questions were severely criticised for discouraging poor households to send their children to school, invest in sanitary arrangements or in sustainable housing. Instead they would be encouraged to remain in absolute poverty in order to benefit from state support. Information and incentive distortion are serious concerns, as they contradict the purpose of policies aiming at alleviating poverty by creating a disturbing ‘competition’ of households to be officially listed as ‘poor’.

Concluding Remarks

Reviewing, measuring and alleviating poverty, requires an understanding of the parameters and the varying implications. A definition of poverty, or at least a conceptual idea of it, is needed before it can be measured or surveyed. Clearly this is easier said than done, as has become evident in this analysis. Poverty is often looked at from a predominantly economic perspective, especially in the policy context for the purpose of determining who is poor and who is not. In general, however, there is a growing realisation that poverty goes beyond the simple monetary



concept and that “economic growth by itself is not a reliable indicator of improvements in economic well-being” (Sarma 1987: 1). This survey of the theory and practice in India’s efforts to define poverty and provide material support for the poor has demonstrated the enormous difficulties of arriving at acceptable and sustainable policies since measuring and targeting poverty is affected directly by factors of economic, social, and psychological deprivation for people who lack sufficient ownership, control or access to resources to maintain ‘minimum levels of living’.

This explains why a uni-dimensional perspective on poverty does not do justice to the intensity of poverty and its causes in India. The capabilities approach of Amartya Sen demonstrates the extent to which important indicators of poverty are at the risk of being ignored if we consider income or expenditure to be the only aspect of poverty and vulnerability. Because of the uncountable indicators and weighting of individual dimensions, governments cannot hope to combine all the different aspects that influence the capabilities of a person and translate them into one representative measure. The BPL Census provides good evidence that the implementation of the multi-dimensional approach faces two main difficulties:

- a) how to retrieve reliable information from households, and hence to identify those in need of supportive services from the state, and
- b) how to weight that information appropriately.

In this sense, for measuring purposes, the headcount ratio as practised by India’s Planning Commission is probably the easiest way of producing statistics with a degree of plausibility. It adheres to a straightforward and simple interpretation of poverty in terms of consumption and hence has a high communication value. However, due to its many limitations it is unsuitable to act as an official poverty index. The official numbers need to derive from clear indicators; without a clear definition, Government of India is bound to continue to present arcane attempts to measure poverty in the future, which will again be riddled with contradictions. It is imperative not to forget that the official poverty estimates are not simply about retrieving a statistical figure, but about defining a proportion of the population that is eligible to receive subsidised access to essential goods and services. The arbitrary categorisation of households into living above or below the poverty line can bear some perverse



implications, which I have elaborated above.

What then is the purpose of poverty estimates if they neither reflect the multi-dimensionality of poverty, nor give an indication of the causes or gravity of poverty? With its limited functions, India's official poverty estimates can at most serve as a tool to compare income poverty between the states and Union Territories in India.

Poverty estimation has as much to do with politics as it has with poverty. It is clearly in the interest of a state, in this case the Government of India, to keep poverty estimates low, and it seems less important if the figures represent the real picture or an imagined one. High poverty numbers would naturally urge the state to commit to higher investments in the social sector; it would also put in question the economic development of a country which on the basis of high economic growth figures proudly presents itself as a transition country as opposed to a developing one. This, however, stands in clear contrast to annual human development statistics. India is home to one third of the world's poor. Keeping in mind the tendency to lower the poverty line there is good reason to expect the real numbers to be a lot higher.

Postscript by the author

The poverty debate in India received considerable attention from the public in September 2011 when the Planning Commission placed an affidavit before the Supreme Court that placed the poverty line at 26 Rs. per capita per day in rural and 32 Rs. in urban areas. This number is simply an update of consumer price indices from the 1970s when it aimed at paying up to a fixed calorie consumption. Over time, changes in consumption patterns and the need for basic health services and education were neglected. Growing attention to these deficits may increase the pressure on the Planning Commission to obtain a more realistic approach to the poverty matter in the future. Following the controversy of the past months, the Government has already declared that multiple dimensions of deprivation will be taken into account for arriving at specific entitlements to rural households and that the current estimates will not impose any ceilings on the number of households to be included in public schemes. We will still have to see how this will translate into improved policies, but it is certainly a first step in the right direction.



Endnotes

- 1 India's official track record in poverty reduction appeared to be quite impressive with only 27.5 percent (official estimate of 2002) of its population living below the poverty line. In the revised report of the Suresh Tendulkar Committee the poverty estimate for 2004-2005 was set at 27.2 percent.
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