

**IN THE SUPREME COURT OF INDIA**

CIVIL APPELLATE JURISDICTION

I.A. NO. OF 2011

IN

WRIT PETITION (C) NO. 196 OF 2001

IN THE MATTER OF:

**People's Union for Civil Liberties**

**& Others**

**... Petitioner(s)**

**Versus**

**Union of India & Others**

**...Respondent(s)**

**AFFIDAVIT IN COMPLIANCE OF THE ORDER DATED  
29.03.2011 PASSED BY THIS HON'BLE COURT, ON  
BEHALF OF THE RESPONDENT – PLANNING  
COMMISSION.**

I, Mr. B.D Virdi, S/o Late Shri JR Virdi presently working as Advisor, Planning Commission, at New Delhi do hereby solemnly affirm and declare as under:

1. That I am the currently working as the Director in the Respondent – Planning Commission and as such I am competent to swear, affirm and file the instant affidavit on behalf of the respondents herein, as per records maintained in the normal course of business and made available to me and believed by me to be

true and correct. I am fully conversant with the facts of the case, hence competent to swear this present affidavit.

2. Vide order dated 29.03.2011 this Hon'ble Court was pleased to observe inter alia as follows :-

“.....The other main question which has been canvassed today was about the statistics of the BPL population given by the Union of India which are in clear conflict with the figures of BPL population in their respective States.

Mr.Gonsalves submits that even in those States which meticulously followed the parameters laid down by the Union of India, the actual population of BPL is much larger than what has been indicated by the Central Government.

He has particularly drawn our attention to the affidavit filed by the Special Secretary, Food and Civil Supply Department, State of U.P. In the said affidavit it is mentioned that as per the Central Government estimate made on 1.3.2000, the number of BPL families (inclusive of AAY families) in the State of Uttar Pradesh were 106.79 lacs. As stated, the Government of India has fixed limit of 106.79 lacs of BPL families on the basis of ration cards issued to 106.79 lacs BPL families.

Although the number of BPL families in U.P. is much more than 106.79 lacs, but due to the rider imposed by the Central Government, the BPL ration cards could not be distributed to all eligible members of BPL families. Almost all other States have endorsed the same thing. We fail to comprehend the rationale and justification of putting a cap by the Planning Commission. Once the parameters have been crystallized by the Central Government and according to those parameters, the actual population of BPL should be entitled to get the benefit of the BPL schemes. Mr.Parasaran submitted that he would take instructions from the Planning Commission about the rationality and justification of putting a cap and make his submissions on the next date of hearing.”

3. During the next date of hearing dated 04.04.2011 in the above captioned, leave was sought on behalf of the Planning Commission to file an application in response to the above captioned order. During the next date of hearing dated 20.04.2011 this Hon'ble Court was pleased to formally implead the Planning Commission as a party respondent in the above captioned case. The instant affidavit is filed in compliance of the order dated 29.03.2011 and order dated 20.04.2011 of this Hon'ble Court.
  
4. This Hon'ble Court has directed the respondent herein to respond to three main questions :-
  - (i). Does the Planning Commission impose a cap of 37.2 percent as uniform poverty ratio for BPL assistance?
  - (ii). Whether, in the year 2011, the Planning Commission is still following data of 1990's to determine the quantum of BPL?
  - (iii). Whether Rs.20 for urban areas and Rs.11 for rural areas has been fixed as the poverty norm?
  
5. The Planning Commission is the official agency of the Government of India, which makes estimates of the

percentage of population below poverty line in the States and for the country as a whole. This is being done since the Alagh Committee submitted its report in 1979, followed later by the Lakdawala Committee, which submitted its report in 1993. The original poverty line following Alagh Committee was fixed as the value of a consumption basket that provided the desired number of calories per capita per day for rural and urban areas separately at 1973-74 prices. The poverty line has been indexed upwards in subsequent years to reflect the impact of inflation in accordance with the recommendations of the Lakdawala Committee. These poverty lines are applied to expenditure class wise population distribution as obtained from the large sample NSSO Consumption Expenditure Surveys. Over the years the method for calculating poverty based on the NSS Consumption Expenditure Survey has been periodically refined on the basis of expert advice. A summary of the methodologies adopted is given in **ANNEXURE-A.**

6. Estimating the scale of poverty with respect to a fixed poverty line is relevant for many purposes, including judging whether the development process is helping the poor. It is also relevant in the context of Public Distribution System (PDS) for the following reasons. Up to 1997, the PDS made no distinction between those above or below the poverty line, and the PDS entitlement was common for all at a price that was slightly below the minimum support price. In other words, there was an element of subsidy available uniformly to everybody who used the PDS. In 1997, the system was converted into a Targeted PDS (TPDS) under which

those below the poverty line received food-grain at a lower price involving a much higher subsidy. To implement this system it was necessary to determine who would be eligible for this special favoured treatment. Government of India decided that this special treatment would be made available to all persons/households, which are below the officially declared poverty line in each State.

7. The Government of India took the latest available estimates of poverty made by the Planning Commission using the 1993-94 NSS Consumption Expenditure Survey, and by applying the Lakdawala Committee method which was then in operation. As explained in Annex-I, the Lakdawala method applies state-specific poverty lines to the NSS data for each state to estimate the state-specific estimates of poverty. These state-specific estimates are then aggregated across states to yield the national poverty estimates. The percentage of poor on this basis in 1993-94 was 37.3 percent in rural areas and 32.4 percent in urban areas, yielding a combined estimate of 36 percent for the country as a whole. The poverty estimates for 1993-94 for each State using the Lakdawala method are given in **ANNEXURE-B**.
  
8. It may be seen that the poverty percentage is not uniform across States. Poorer states have a much higher percentage of poor as compared to the richer states. Although the eligibility of each State to receive a quantum of subsidized foodgrain from the central pool

was determined by the Central Government poverty estimates, the task of identifying which households would get the benefit was left to the State Governments. The Planning Commission never set out any parameters with regard to identification of BPL cardholders. Different States may have used different consumption or income criteria to identify population eligible for BPL status. Unlike the NSS estimates, the scientific and statistical accuracy of these estimates is not known, and it cannot be assumed that such estimates ensure comparability in the definition of poverty across States.

9. In 2002, the Ministry of Rural Development suggested some guidelines to help States identify households that should be eligible for BPL benefits for the purpose of Rural Development Schemes. The guidelines involved scoring households on a scale of 0–4 for each of 13 different parameters. *The aggregate scores obtained by each household were to be used to rank households in a descending order such that households scoring lower on this scale can be said to be poorer than the others.* It must, however, be noted that the Rural Development Ministry methodology cannot be used to determine the extent of poverty. It only serves to determine the relative position of households in the sense that households receiving lower marks are deemed to be poorer than households receiving higher marks. There is, therefore, no basis for prescribing a uniform cut-off level in terms of marks, which would indicate whether a household is below poverty line or not. The purpose of ranking households was only to give effect to Planning Commissions poverty estimates, rather than determine the incidence of poverty.

10. The current size of BPL population for the TPDS is based on 1993-94 survey applied to the projected population of March, 2000. This yielded a total of 6.52 crore BPL households. the Hon'ble Supreme Court in 2006 directed that the BPL entitlement of each State should be based on Planning Commission estimates for 1993-94 applied to the projected population of March 2000, or the States' own estimates, *whichever is less*.
11. The next quinquennial large sample NSS survey which could be used to update the 1993-94 estimates was the survey for the year 1999-2000. However, there were some issues raised regarding the design of the questionnaire because of which the results were not considered to be comparable with the 1993-94 survey. Because of this non-comparability, these estimates were not recognised by the Planning Commission as part of a comparable series.
12. The next quinquennial large sample NSS survey which the Planning Commission used was for the year 2004-05. This survey was comparable to the 1993-94 survey, and the Lakdawala method applied to this survey yielded a poverty estimate of 27.5 percent. However, by the time these estimates became available, the methodology for estimation of poverty was already under review, and the Planning Commission had appointed an Expert Committee under Prof. Suresh Tendulkar to revisit the appropriateness of the poverty line. The Tendulkar Committee concluded that whereas the urban poverty line being used was reasonable, the manner of indexing the rural poverty line recommended by the Lakdawala

Committee underestimated the actual price inflation in rural areas, and therefore needs to be revised. The Tendulkar Committee recommendations, applied to 2004-05 NSS data, yielded a higher estimate of poverty ratio of 37.2 percent country as a whole, comprising of 25.7 percent in urban areas and 41.8 percent in rural areas. This estimate has been accepted by the Planning Commission for 2004-05. It is attached as **ANNEXURE-C**.

13. The Planning Commission will apply the Tendulkar methodology to the large sample NSS Consumption Expenditure Survey of 2009-10, which is shortly going to become available. This will give an updated estimate of the percentage of population below poverty line in 2009-10.
14. The poverty line emerging from the Tendulkar methodology is a consumption of Rs.579 per capita per month for urban areas and Rs. 447 per capita per month for rural areas at the 2004-05 prices. The poverty line would be significantly higher if updated to reflect the current prices
15. In the light of facts described above, our response to the issues on which the Court has called for a specific response is as follows:
  - (i) Planning Commission has not fixed a uniform cap of 37.2 percent for every State. In fact, it makes the estimate of poverty line every five years based on the NSS large sample consumption expenditure survey, which differs from State to State because

of the price differentials. The resulting poverty percentages also vary from State to State. However, the percentage fixed for each State does amount to a de-facto cap for that State as far as central allocation and subsidies are concerned. It is respectfully submitted that in any system of entitlement which is not universal, there will be a cap. The key issue is whether the cap is fixed in a rational manner. In the instant case, the cap is fixed with reference to a state-specific poverty line, which is comparable across States taking into account the price differentials between them. It must be noted in this context that some States have issued more BPL cards than warranted by Planning Commission poverty estimates, and that the Central government has not placed any restrictions to this so long as the concerned State makes its own provision for the additional subsidy and grain requirement. Thus, in effect there is only a ceiling on the resources that a State can claim from the Centre on this account. It should also be noted that such use of official poverty numbers as a parameter to determine devolution of resources from Centre to States has been widely used in other contexts, by both the Planning Commission and the Finance Commissions, and it has the approval of National Development Council.

- (ii) It is true that for the purpose of public distribution system, the Department of Food & Public Distribution has been following the Lakdawala poverty head count ratios of 1993-94. The 2004-05 numbers, which had become available, were not

used, because the methodology for estimation of poverty was under review. This has now been resolved by the Tendulkar Committee. The latest poverty estimate would soon be computed from the NSS large sample survey data for the year 2009-10. This could be applied to the updated population totals from the 2011 Census conducted by the Registrar General of India.

(iii) The Planning Commission does not fix poverty lines on daily consumption expenditure basis, nor does it fix them on the basis of household incomes. As per Tendulkar Committee estimates, the poverty line for urban areas is fixed at a consumption expenditure of Rs. 579 per capita per month, and for rural areas at Rs. 447 per capita per month at 2004-05 prices. On a thirty day basis this amounts to per capita consumption of Rs 20 per day for urban areas and a per capita consumption of Rs 15 per day for rural areas at 2004-05 prices. These amounts could be significantly higher if updated to reflect the effect of price rise since 2004-05.

16. The Planning Commission is aware that many States complain that people who are indisputably poor are left out of the BPL list because of the cap imposed by the Central Government. It is not denied that this is indeed the case in many states. However, it is respectfully submitted that the cap is not the reason for this, but the fact that certain non-entitled persons are given BPL

cards leaving those entitled to BPL cards uncovered. Many studies have shown that the practice of including those who should not be included, while excluding those who should be included is widespread. However, the solution lies in rectifying this, and not in interfering with the methodology carefully developed by experts over the years to estimate the incidence of poverty in different parts of the country.

17. it is most respectfully submitted that the information submitted in the instant affidavit constitutes due compliance of the orders passed by this Hon'bel Court. The Planning Commission most solemnly undettakes to provide any further information that this Hon'ble OCurt may call upon it to do so.
18. No part of it is this affidavit is false and nothing material has been concealed there from.

**(DEPONENT)**

**VERIFICATION :-**

Verified at New Delhi on this                      day of May, 2011 that the contents of the above affidavit are true and correct. No part of it is false and nothing material is concealed therefrom.

**(DEPONENT)**

**A Brief Note on Methodology of Estimation of Poverty in the Country**

The Planning Commission is the nodal agency in the Government to estimate the number and proportion of people living below the poverty line at the National Level and at State levels for rural and urban areas separately. The poverty line defined by the Planning Commission adopts Monthly Per capita Consumption Expenditure (MPCE) as the criterion. The number and proportion of persons living below the poverty line (BPL) is computed by applying the defined poverty line to the data obtained from Large Sample Survey on Households Consumption Expenditure carried out by the National Sample Survey Office (NSSO) of Ministry of Statistics and Programme Implementation with an interval of five years approximately. The methodology adopted to define poverty line and estimate poverty ratio has been based on the suggestions/ recommendations made by the Experts in the field and has been reviewed from time to time followed by required revision in the poverty estimates as duly approved by the Planning Commission.

**Task Force Methodology**

The Planning Commission, in 1977, constituted a Task Force on 'Projections of Minimum Needs and Effective Consumption Demand', which submitted its report in 1979. The Task Force (1979) defined the poverty line as per capita monthly consumption expenditure level of Rs.49.09 in rural areas and Rs.56.64 in urban areas at 1973-74 prices at national level. These correspond to a basket of goods and services anchored on a norm of per capita daily calorie requirement of 2,400 kcal in rural areas and 2100 kcal in urban areas. These poverty lines were applied uniformly across all the States. In order to ensure consistency with the national aggregates, the NSS consumer expenditure data was adjusted to the level of CSO's estimate of Private Final Consumption Expenditure (National Accounts Statistics) on a pro-rata basis across all expenditure classes. Using the poverty lines and the adjusted expenditure class-wise distribution of persons obtained from the national sample survey data on consumer expenditure of the states, the state-wise estimates of poverty were made.

**Expert Group (Lakdawala Committee) Methodology- Adopted by the Planning Commission since 1997**

The Planning Commission constituted an Expert Group on 'Estimation of Proportion and Number of Poor' to look into the methodology for estimation of poverty at national and state level also to go into the question of re-defining the poverty line, if necessary. The Expert Group submitted its Report in July 1993. The Expert Group adopted the poverty line defined by the Task Force i.e. Rs.49.09 per capita per month in rural areas and Rs.56.64 per capita per month in urban areas at 1973-74 prices at national level. However, it recommended the dis-aggregation of the national poverty line into State-wise poverty lines in order to reflect the state level price differential. The important points of departure between the Expert Group methodology and the Task Force methodology are:

- (a) The new method used state-wise poverty lines as against national level poverty line used in the earlier method.
- (b) The new method used state-specific cost of living indices for updating the poverty line separately in rural and urban areas. The old method used only one all-India Index which was also same for rural and urban areas.
- (c) In the new method, the NSS consumption expenditure data were not adjusted in any way and it is used as it is.

The Govt. of India accepted the recommendations of the Expert Group (commonly known as Lakdawala Committee, named after its Chairman) in 1997, with minor modifications. The Task Force method was then replaced by the methodology contained in the Report of the Expert Group, which was used to compute the poverty lines and poverty ratios on the basis of the 1993-94 NSS consumption expenditure survey.

Using above mentioned methodology based on Lakdawala Committee recommendations, the poverty estimates for all the previous years, starting from 1973-74, were re-worked in the Planning Commission. The state-wise poverty lines computed at 1973-74 prices were updated subsequently to reflect the price level of the years for which the poverty was to be estimated. Consumer Price Index (CPI) deflators were used for updating the poverty line, namely CPI of Agricultural Labourers (CPI-AL) for rural areas and CPI for Industrial Workers (CPI-IW) for urban areas. The state-specific poverty lines for rural and urban areas were used to arrive at state-specific poverty ratios. All India poverty ratios were obtained as the weighted average of the state-wise poverty ratios. The all India poverty line (implicit) was worked out from the expenditure class-wise distribution of persons and the poverty ratio at all-India level. On the basis of Lakdawala methodology, the poverty head count ratio for

the year 2004-05 was computed as 27.5 percent, comprising 28.3 percent for rural areas and 25.7 percent for urban areas at national level.

### **Tendulkar Committee Report**

The methodology for estimation of poverty has been reviewed recently by another Expert Group headed by Prof. Suresh D. Tendulkar which submitted its report in December, 2009. Some of the major recommendations of the committee are:

- Moving away from anchoring the poverty lines to the calorie intake norm.
- Adoption of Mixed Reference Period (MRP) based estimates of consumption expenditure as the basis for future poverty lines. (This is in line with the decision of NSSO to shift from Uniform Recall Period (URP) based consumer expenditure survey to MRP based survey).
- The Expert Group has also recommended MRP equivalent of urban Poverty Line Basket (PLB) corresponding to 25.7% urban headcount ratio as the new reference PLB for both urban and rural areas.
- State specific rural and urban poverty line estimated for reflecting the inter-State price differential for rural and urban areas separately by using the implicit price indices obtained from the NSSO survey data itself.

The poverty line was recomputed as monthly per capita consumption of Rs.579 for urban areas and Rs 447 for rural areas at all India level for the year 2004-05. The recomputed poverty lines are reported to have taken into account the adequacy of actual private expenditure per capita near the poverty lines on food, education and health by comparing them with normative expenditures consistent with nutritional, educational and health outcomes. On the basis of above methodology, the all-India rural poverty headcount ratio for 2004-05 is estimated at 41.8 %, all-India urban poverty headcount is estimated at 25.7% and all India poverty headcount is estimated at 37.2%. These estimates are not comparable to the Lakdawala poverty estimates because of different methodologies. **The Planning Commission has accepted the Tendulkar Committee recommended poverty lines and poverty ratio for the year 2004-05.**

## ANNEXURE-B: Poverty Estimates using Lakdawala Methodology

Sl. No	Name of State/UT	1993-94			2004-05		
		Rural	Urban	Combined	Rural	Urban	Combined
1	Andhra Pradesh	15.9	38.3	22.2	11.2	28.0	15.8
2	Arunachal Pradesh	45.0	7.7	39.4	22.3	3.3	17.6
3	Assam	45.0	7.7	40.9	22.3	3.3	19.7
4	Bihar	58.2	34.5	55.0	42.1	34.6	41.4
5	Chhattisgarh	n.a.	n.a.	n.a.	40.8	41.2	40.9
6	Delhi	1.9	16.0	14.7	6.9	15.2	14.7
7	Goa	5.3	27.0	14.9	5.4	21.3	13.8
8	Gujarat	22.2	27.9	24.2	19.1	13.0	16.8
9	Haryana	28.0	16.4	25.1	13.6	15.1	14.0
10	Himachal Pradesh	30.3	9.2	28.4	10.7	3.4	10.0
11	J & K	30.3	9.2	25.2	4.6	7.9	5.4
12	Jharkhand	n.a.	n.a.	n.a.	46.3	20.2	40.3
13	Karnataka	29.9	40.1	33.2	20.8	32.6	25.0
14	Kerala	25.8	24.6	25.4	13.2	20.2	15.0
15	Madhya Pradesh	40.6	48.4	42.5	36.9	42.1	38.3
16	Maharashtra	37.9	35.2	36.9	29.6	32.2	30.7
17	Manipur	45.0	7.7	33.8	22.3	3.3	17.3
18	Meghalaya	45.0	7.7	37.9	22.3	3.3	18.5
19	Mizoram	45.0	7.7	25.7	22.3	3.3	12.6
20	Nagaland	45.0	7.7	37.9	22.3	3.3	19.0
21	Orissa	49.7	41.6	48.6	46.8	44.3	46.4
22	Punjab	12.0	11.4	11.8	9.1	7.1	8.4
23	Rajasthan	26.5	30.5	27.4	18.7	32.9	22.1
24	Sikkim	45.0	7.7	41.4	22.3	3.3	20.1
25	Tamil Nadu	32.5	39.8	35.0	22.8	22.2	22.5
26	Tripura	45.0	7.7	39.0	22.3	3.3	18.9
27	Uttar Pradesh	42.3	35.4	40.9	33.4	30.6	32.8
28	Uttarakhand	n.a.	n.a.	n.a.	40.8	36.5	39.6
29	West Bengal	40.8	22.4	35.7	28.6	14.8	24.7
30	Puducherry	32.5	39.8	37.4	22.9	22.2	22.4
	<b>Total</b>	<b>37.3</b>	<b>32.4</b>	<b>36.0</b>	<b>28.3</b>	<b>25.7</b>	<b>27.5</b>

**ANNEXURE-C: Poverty Lines and Poverty Head Count Ratio for 2004-05 using Tendulkar Methodology**

State	Povertyline(Rs.)		Poverty Headcount Ratio (%)		
	Rural	Urban	Rural	Urban	Total
Andhra Pradesh	433.43	563.16	32.30	23.40	29.90
Arunachal Pradesh	547.14	618.45	33.60	23.50	31.10
Assam	478.00	600.03	36.40	21.80	34.40
Bihar	433.43	526.18	55.70	43.70	54.40
Chhatisgarh	398.92	513.70	55.10	28.40	49.40
Delhi	541.39	642.47	15.60	12.90	13.10
Goa	608.76	671.15	28.10	22.20	25.00
Gujarat	501.58	659.18	39.10	20.10	31.80
Haryana	529.42	626.41	24.80	22.40	24.10
Himachal Pradesh	520.40	605.74	25.00	4.60	22.90
Jammu & Kashmir	522.30	602.89	14.10	10.40	13.20
Jharkhand	404.79	531.35	51.60	23.80	45.30
Karnataka	417.84	588.06	37.50	25.90	33.40
Kerala	537.31	584.70	20.20	18.40	19.70
Madhya Pradesh	408.41	532.26	53.60	35.10	48.60
Maharashtra	484.89	631.85	47.90	25.60	38.10
Manipur	578.11	641.13	39.30	34.50	38.00
Meghalaya	503.32	745.73	14.00	24.70	16.10
Mizoram	639.27	699.75	23.00	7.90	15.30
Nagaland	687.30	782.93	10.00	4.30	9.00
Orissa	407.78	497.31	60.80	37.60	57.20
Pondicherry	385.45	506.17	22.90	9.90	14.10
Punjab	543.51	642.51	22.10	18.70	20.90
Rajasthan	478.00	568.15	35.80	29.70	34.40
Sikkim	531.50	741.68	31.80	2.90	31.10
Tamil Nadu	441.69	559.77	37.50	19.70	28.90
Tripura	450.49	555.79	44.50	22.50	40.60
Uttar Pradesh	435.14	532.12	42.70	34.10	40.90
Utarakhand	486.24	602.39	35.10	26.20	32.70
West Bengal	445.38	572.51	38.20	24.40	34.30
<b>All India</b>	<b>446.68</b>	<b>578.80</b>	<b>41.80</b>	<b>25.70</b>	<b>37.20</b>