THE RISE

Policy Brief

MARCH 2026

Saksham Bharat@2047:

Designing a Resilience Against Poverty Index for Bharat@2047

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First published in March 2026 By
Sarvoday TheRise Foundation

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Please cite the work as follows:
Yadav, A., Yadav, S. (2026). 'Saksham Bharat@2047: Designing a Resilience Against Poverty Index for Bharat@2047' *TheRise*. 0326(1)-1-20

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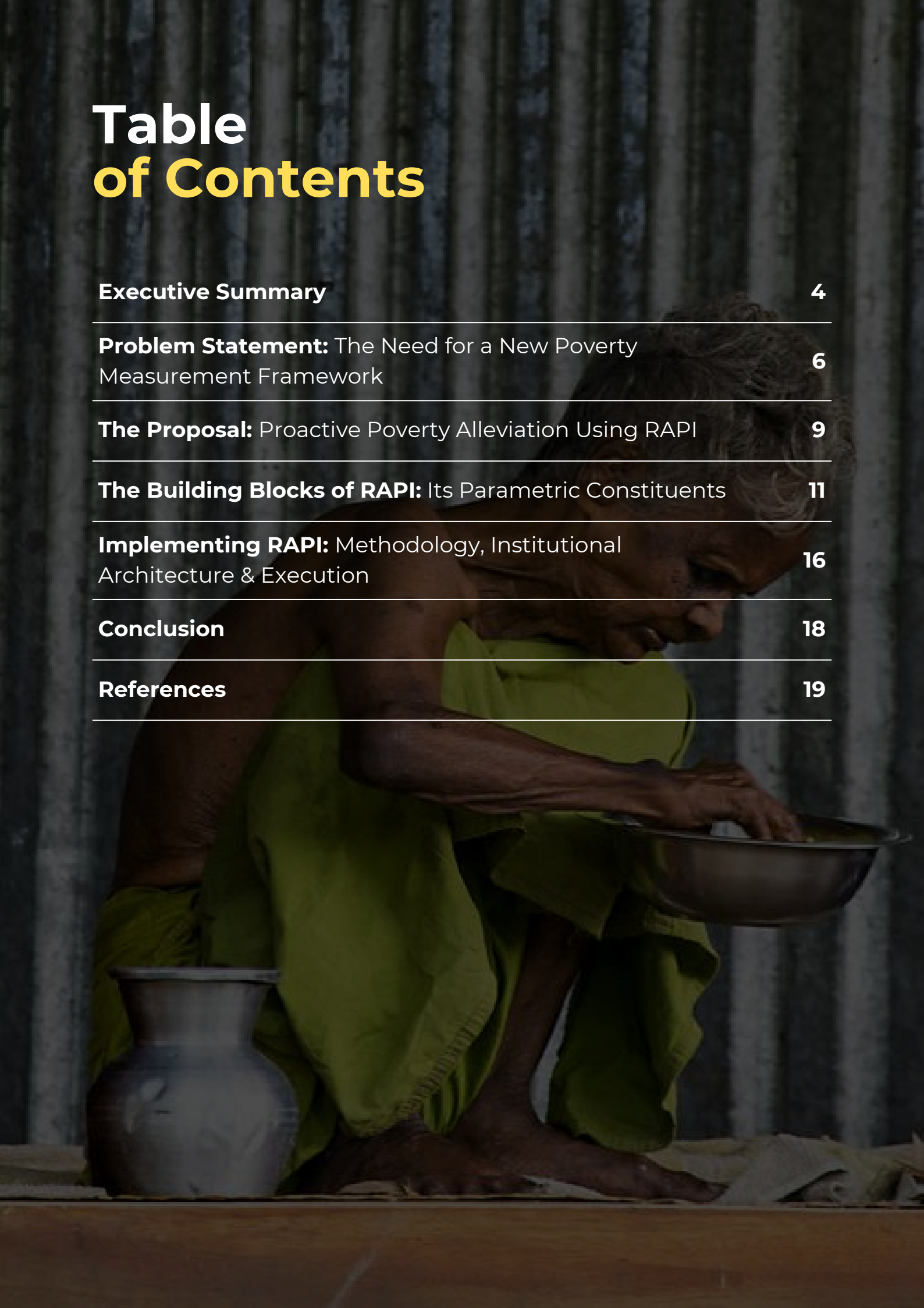

Executive Summary

India has witnessed a historic decline in headcount poverty, lifting nearly 25 crore people out of multidimensional deprivation between 2013 and 2023. However, as the nation moves toward the goal of Viksit Bharat@2047, the nature of deprivation is evolving. In 2026, being "not poor" by income standards does not equate to being resilient against systemic shocks. This brief argues for a **Resilience Against Poverty Index (RAPI)**, in which six new resilience-based parameters are introduced to measure a household's capacity to tide over poverty vulnerabilities.

The evolution of poverty measurement in India is a century-long narrative of moving from a focus on biological survival to a broader understanding of human capability. This journey began in 1867 with Dadabhai Naoroji, who introduced the "jail cost" model—a subsistence line based purely on the bare minimum food required for physical survival. Following independence, the methodology entered a "Calorie-Centric Era" defined by nutritional deficits, where committees like the Alagh Committee (1979) and the Lakdawala Committee (1993) set poverty lines based strictly on daily caloric intake—2,400 calories for rural populations and 2,100 calories for urban populations.[1][2] However, this methodology reduced the measurement of poverty largely to caloric consumption, thereby ignoring the broader dimensions of well-being.

A historic shift occurred with the Tendulkar Committee (2009), which finally moved beyond nutrition-based metrics to incorporate private expenditures on health and education.[3] This evolution culminated in the current NITI Aayog National Multidimensional Poverty Index (NMPI), which tracks 12 indicators across health, education, and living standards, recognising poverty as a deprivation of essential services rather than merely a lack of income.

While comprehensive, the NMPI remains largely static, measuring existing deprivation rather than the vulnerability of households falling into poverty. In this sense, NMPI falls short of being a leading indicator that enables pre-emptive policy tweaks to diffuse the poverty stress points. Further, it also fails to account for emerging structural challenges such as climate change, digital transformation, AI permeation, and other systemic shifts.[4]

To achieve Viksit Bharat@2047, India needs a dynamic index that acts as an early-warning signal against the poverty stress accumulating in the system. This will enable timely policy action to protect households from volatility by accounting for their dynamic vulnerabilities and resilience capacities.

To achieve this, the brief proposes a Resilience Against Poverty Index (RAPI), a forward-looking framework that introduces six resilience-based parameters designed to address the "Invisible Pillars of Future Deprivations". These indicators include the MSME Ecosystem Health, the Resilience to Climate Shocks, the Productive-Time Poverty for Women, Digital Capability, the Informal Indebtedness, and the Income Diversification Score.

Problem Statement

The Need for a New Poverty Measurement Framework

India's current poverty measurement framework relies heavily on household consumption and multidimensional deprivation indicators, drawing primarily from large-scale household surveys such as the National Family Health Survey (NFHS), which are conducted at multi-year intervals. While these instruments are effective in identifying structural deficits in health, education, and basic services, they are inherently retrospective in nature. This creates a "lagging-data trap" in which poverty metrics reflect past deprivation rather than current or emerging vulnerabilities. As a result, policy responses often address yesterday's poverty while contemporary crises—triggered by climate volatility, labour-market disruptions, or rising living costs—remain unobserved until welfare failure has already occurred.

This limitation stems from the fact that existing indices are primarily designed to capture static conditions of deprivation, rather than the dynamic risks that are shaping household vulnerability in the 21st century. Consequently, several emerging determinants of poverty remain outside the scope of traditional measurement frameworks.

First, environmental risk remains largely absent from current metrics. Sudden climate shocks such as heatwaves, floods, droughts, and other extreme events can cause immediate income loss and health stress, rapidly pushing households classified as non-poor into deprivation.

Second, digital exclusion has emerged as a new dimension of poverty. In an economy where access to welfare delivery, labour markets, and essential services is digitally mediated, the absence of meaningful connectivity and digital literacy effectively locks households out of public support systems.

Beyond these external shocks, current measures also fail to account for intra-household vulnerabilities. Gendered labour constraints, particularly women's productive-time poverty and low labour-force participation, significantly weaken household income resilience. These vulnerabilities remain largely invisible when deprivation is assessed at the aggregate household level.

Another significant factor of vulnerability that remains unaccounted for in the existing poverty metrics is the informal indebtedness. A CRISIL estimate suggests outstanding informal credit in India was around ₹1.4 lakh crore (~$17 billion) as of 2022.[5] Dependence on high-cost informal borrowing often pushes households into cycles of debt that deepen vulnerability, even when they are not classified as poor by conventional metrics.

At a broader structural level, poverty measurement frameworks also overlook the health of local economic ecosystems, particularly the resilience of the Micro, Small, and Medium Enterprises (MSME) sector. MSMEs constitute a critical pillar of India's labour market, employing nearly 30 per cent of the total workforce.[6]

Weakening local MSME ecosystems can therefore trigger widespread employment shocks that are not immediately captured in household-level deprivation indicators.

Taken together, these gaps reveal a structural limitation in current poverty measurement approaches. Continued reliance on static, access-based indicators risks creating a welfare blind spot, wherein households deemed non-poor lack the resilience to withstand short-term economic, climatic, or health-related shocks. Such misclassification delays preventive intervention, weakens policy prioritisation, and ultimately raises the fiscal and social cost of welfare delivery.

There is therefore a pressing need to complement existing multidimensional poverty indices with a forward-looking Resilience Against Poverty Framework that captures not only present deprivation but also the vulnerability to future shocks, in alignment with India's evolving development challenges and its long-term resilience

The Proposal

Proactive Poverty Alleviation Using RAPI

This research seeks to bridge the gap between "counting the poor" and "protecting the vulnerable". The objective is to design a Resilience Against Poverty Index (RAPI) that introduces new resilience-based parameters to achieve the following:

- **Shift from Static to Dynamic Profiling:** Move poverty assessment from retrospective, one-time snapshots to a real-time "early-warning system" that tracks evolving risks in contemporary India.
- **Improve Welfare Precision:** Enhance the precision of targeting by identifying the "Vulnerable Non-Poor"—households that appear stable on paper but lack a crisis recovery buffer.
- **Operationalise "Meaningful" Inclusion:** Redefine digital and financial inclusion metrics beyond mere access (ownership) to functional capability.
- **Resilience to Climate Shocks:** Measure household resilience to climate shocks such as floods, drought, and other extreme events to enable timely adaptive social protection before disasters strike.

- **Address Intra-Household Deprivation:** Utilise time-use data to measure productive-time poverty for women, ensuring infrastructure investments specifically target the barriers to women's labour force participation.
- **Strengthen Local Economic Indicators:** Use district-level MSME health and GST data as lead indicators to predict and prevent community-wide income collapses.
- **Advance Evidence-Based Governance:** Create a unified "National Resilience Dashboard" that harmonises satellite, digital, and economic datasets for data-driven policy prioritisation.
- **Policy Roadmap for a resilient India:** To overcome the lagging-data trap, the Resilience Against Poverty framework integrates satellite, digital, and MSME datasets into a unified National Resilience Dashboard, enabling near real-time monitoring of emerging vulnerabilities. By transitioning to a dynamic social registry, the system allows monthly vulnerability updates and automated policy triggers during economic, climatic, and other systemic shocks.

The Building Blocks of RAPI

Its Parametric Constituents

While the National Multidimensional Poverty Index (NMPI) provides an important framework for assessing existing deprivation across health, education, and living standards, it is primarily designed to capture current conditions of poverty. However, emerging economic, climatic, and social risks require a forward-looking framework that measures poverty vulnerability and households' resilience against it. The Resilience Against Poverty Index (RAPI) aims to address this gap.

This index attempts to incorporate parameters like MSME Ecosystem Health, Productive-Time Poverty for Women, Meaningful Digital Connectivity, Informal Indebtedness, Resilience to Climate Shocks, Income Diversification, and the Capability Metric.

1. MSME Ecosystem Health Indicator (Early Warning System)

In India, poverty is predominantly livelihood-driven rather than asset-driven. The MSME sector is the second-largest employment generator in the country after agriculture, providing livelihoods to over 30% of the Indian workforce. Because so many households depend on these small units for their daily wages, any weakness in this sector can act as an early indicator of rising poverty risks.[7]

By monitoring MSME activity and related economic data, the government can identify "Economic Stress Zones". This allows for proactive policy interventions, such as collateral-free credit support or interest subvention, to local businesses before they are forced to lay off vulnerable workers.

2. Resilience to Climate Shocks (Environmental Risk)

The 2025 Global Multidimensional Poverty Index (GMPI) confirms that 887 million people globally face the "Double Burden" of poverty and climate hazards.[8] In the Indian context, climate change acts as a "regressive tax" on the poor. India-specific projections cited by the World Bank warn that climate change and disasters could push over 45 million Indians into extreme poverty by 2030.[9]

Satellite data, hazard mapping systems, and State Emergency Operations Centres can be used to identify vulnerable blocks and panchayats within 24–72 hours, enabling early targeting of adaptive social protection. This can help reduce the vulnerability to poverty of households in these regions.

3. Addressing Productive-Time Poverty

According to PLFS 2024, 43.3% of women are out of the labour force due to domestic responsibilities. This "Productive-Time Poverty" prevents women from participating in productive work, keeping household income fragile.[10]

By integrating Time-Use surveys and PLFS data, the Resilience Against Poverty Index (RAPI) can identify the level of Productive-Time Poverty for Women. This shift transforms the index into an early-warning system that triggers infrastructure investments, such as community childcare, to free up women's time for economic participation and break the cycle of intergenerational poverty.

4. Digital Capability (Beyond Device Ownership)

Digital access in 2025 is a core economic utility, but mere ownership of a mobile phone does not translate into poverty reduction. What matters is the ability to use digital tools to enhance productivity, access markets, and build economic resilience. While mobile penetration in India is high, meaningful digital participation remains uneven due to unreliable connectivity, limited digital literacy, and constrained functional usage.

Global experience from countries such as Estonia, Brazil, and Kenya shows that deep and functional digital integration can reduce exclusion by improving labour-market matching, enabling digital payments, and strengthening last-mile welfare delivery. Poverty metrics that rely on binary indicators, such as device ownership, therefore fail to capture households' actual ability to participate in digitally mediated economic systems.[11]

The Resilience Against Poverty Index (RAPI) addresses this limitation by incorporating a Digital Capability indicator, which assesses functional access through service reliability, usage regularity, and basic digital capability.

By capturing functional rather than nominal connectivity, the RAPI enables early identification of vulnerable non-poor households and supports a shift from reactive poverty alleviation toward resilience-oriented social protection, where digital skill-building and connectivity support can be deployed before economic shocks translate into deprivation.

5. The Informal Indebtedness Parameter (Debt-Trap Vulnerability)

Despite high levels of financial inclusion, access to formal credit remains uneven. According to the World Bank's Global Findex 2021 report, about 35% of bank account holders in India had inactive accounts in 2021, indicating that many households remain outside the formal financial system.

This dependence on high-cost informal credit can trap households in cycles of debt, thereby increasing their risk of falling into poverty despite not being classified as poor by income measures.[11]

Incorporating an Informal Indebtedness parameter into the poverty framework improves poverty analysis in three critical ways. First, it distinguishes between sustainable consumption and debt-financed consumption, preventing the misclassification of households that temporarily maintain living standards through borrowing. Second, it captures forward-looking vulnerability, identifying households at high risk of future poverty due to debt servicing pressures rather than current income shortfalls. Third, it reveals hidden welfare failure, where inadequate access to affordable credit or timely public support pushes households into informal debt markets.

6. The Income Diversification Score (Resilience to Sectoral Shock)

Poverty reduction is more stable in regions where households have multiple sources of income.

Using the Simpson Index of Diversification (SID), the framework measures the balance of a household's income streams. A score closer to 0 indicates higher risk (income specialization), while a score closer to 1 indicates greater resilience (income diversification).

The Income Diversification Score improves poverty measurement by capturing resilience to income shocks, not just current earnings. By identifying households whose livelihoods are concentrated in a single sector, it flags hidden vulnerability among families that appear non-poor but are exposed to several market and non-market-led disruptions. This shifts poverty assessment from static income thresholds to risk-adjusted vulnerability, enabling earlier identification of households likely to fall into poverty despite adequate present income.

Implementing RAPI

Methodology, Institutional Architecture & Execution

Implementing the Resilience Against Poverty Index (RAPI) requires integrating existing public data systems into a unified, privacy-preserving decision framework. Rather than creating new surveys, the RAPI utilises already available administrative, geospatial, and regulatory datasets, coordinated through a central platform.

Methodology & Parametric Weightage

The RAPI adopts the Alkire-Foster (AF) methodology, widely used in global poverty measurement, to construct a composite indicator of household resilience against poverty vulnerabilities.[12] However, unlike traditional poverty indices that focus on current deprivation, the RAPI accounts for exposure to future economic, climatic, and social shocks. The index comprises six indicators, each assigned an equal weight (16.7%) to ensure balanced measurement of structural and emerging risks:

- MSME Ecosystem Health Indicator
- Productive-Time Poverty Index
- Digital Capability
- Informal Indebtedness
- Income Diversification Score
- Resilience to Climate Shocks

Each indicator contributes equally to the final vulnerability score, allowing the index to capture multiple dimensions of economic fragility and resilience without prioritizing one risk factor over another. Furthermore, unlike traditional indices that rely on 5-year survey cycles, the RAPI is designed for real-time tracking. It utilizes a Dynamic Data to prevent the Lagging-Data Trap.

Institutional Architecture

The RAPI should be built on the National Data & Analytics Platform (NDAP), which already hosts standardised datasets from 53 Ministries. A group of NITI Aayog, MoSPI, NDMA, MeitY, RBI, MoMSME, and select State governments should oversee governance, data sharing, and trigger protocols. State Disaster Management Authorities (SDMAs) and district administrations should act as additional sources of data.

Execution Mechanism

All indicators are integrated into a National Resilience Dashboard hosted on NDAP with continuous Dynamic update depending on data availability. Automated thresholds flag vulnerable districts, which are then verified through rapid field checks or phone surveys before major interventions are released. Existing welfare schemes should serve as delivery channels, avoiding a new fiscal architecture.

Conclusion

India has made significant progress in reducing multidimensional poverty, but future challenges are increasingly shaped by climate risks, livelihood volatility, and household fragility. In this context, being above the poverty line does not necessarily mean being secure.

The RAPI responds to this shift by moving poverty measurement beyond static deprivation toward assessing vulnerability and resilience. By integrating climate exposure, livelihood stability, debt dependence, and other critical functional inclusion, the RAPI helps identify households that are at risk before shocks push them into poverty.

As India moves toward Viksit Bharat@2047, this transition from reactive welfare to anticipatory governance is essential to ensure that poverty reduction remains durable and inclusive.

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