

FROM CASH TRANSFERS TO BASIC INCOME: AN UNFOLDING INDIAN AGENDA

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This article provides a review of the arguments for and against cash transfers in India, taking care to distinguish between different types of cash transfer schemes, which include a universal unconditional basic income as well as conditional schemes. The article sets out some principles by which any social policy should be judged and goes on to discuss cash transfers alongside other instruments of social policy, namely the Public Distribution System (PDS) and the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). It then examines the principal hypotheses associated with the arguments for and against cash transfers as a social policy instrument, drawing upon international experience. The article concludes that a universal unconditional basic income would have important advantages over alternative schemes, but cautions against undue haste in rolling out cash transfers to ensure a smooth transition.

Keywords: *Cash transfers, Basic income, Subsidies, Public works, Public Distribution System, Mahatma Gandhi National Rural Employment Guarantee Scheme, Social policy*

I. INTRODUCTION

The debate on cash transfers in India has reached an impasse. Opponents have tended to assume a particular form of cash transfer scheme that they suspect conceals an ideological agenda to dismantle India's social policies. A presumption is that cash transfers will replace subsidy schemes and be targeted at 'the poor'. Yet cash transfers come in many forms. And while undoubtedly there are neo-liberals who want to dismantle the social state and see cash transfers as a way to facilitate that objective, many advocates of cash transfers are not neo-liberal and regard them as a means of strengthening the social state.

This article reviews the issues, beginning with an appeal for more precise terminology. Thus the UPA Government's 'cash transfer' scheme, piloted in Kotkasim, Rajasthan, in 2012, is in fact an indirect subsidy scheme; it does not provide direct cash benefits. The intended beneficiaries, if possessing a Below the Poverty Line (BPL) or Antyodaya card, must still buy kerosene from the ration shop, at the market price, with the subsidy being paid into their bank. Given the problems with the Kotkasim pilot, including delayed payments into banks and the resulting drop in kerosene purchase, the planned rapid roll-out of the scheme was

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reckless. However, even if teething problems were resolved, the scheme is simply a subsidy in another guise. As such, it is irrelevant for assessing the appeal of direct cash transfers.

The authorities should assess the advantages and disadvantages of the various forms of cash transfer before rushing ahead with any particular design. With that in mind, this article considers the claims and counter-claims made by opponents and supporters of cash transfers, after first considering the terminology, setting out justice principles that should be used to evaluate any social policy, and discussing the main alternatives to cash transfers in the Indian context.

II. WHAT IS IN A NAME?

In 2009, it was still presumed that cash transfers were marginal in Indian social policy. In 2010, the positions sharpened. The apparent success of conditional cash transfers (CCTs) across Latin America led to a conversion within the World Bank. This fanned opposition by Indian 'Leftist' economists, who saw cash transfers as a ruse to cut public services. Since some on the political right did have that objective, the issue became clouded by ideology. Through 2011 and 2012, it was almost impossible to have a temperate debate, with acrimonious exchanges between advocates of cash transfers and the PDS, 'cash' versus 'food'. Then in 2013, the UPA Government introduced two initiatives that left the ideological conflict unresolved, launching 'direct cash benefit' pilots at the same time as rushing the Food Security Act into law. Both were presented as 'game-changers', even though they pulled in opposite directions.

One drawback of the debate around cash transfers is that commentators have used the term with different ideas in mind. Social scientists must make clear what they are talking about. There are four types of 'cash transfer'—incentives, subsidies, bonuses and benefits. Until recently, the first two have predominated, with an occasional populist resort to the third. Cash incentives are sums given to individuals if they do something that the State wishes to encourage (such as the delivery of girls in hospitals); cash subsidies are paid to cut the cost of consumer or producer commodities, as in the PDS; cash bonuses are lump-sums given to particular communities; cash benefits are sums paid regularly. All may or may not be targeted (for the poor only), selective (for designated groups), and/or conditional (paid only if the person does something specific in return). One type of cash benefit scheme, which would be compatible with either ideological position, is a basic or 'citizen's' income, a universal unconditional benefit paid regularly, in money, equally to all adults with a lesser amount for every child.

III. PRINCIPLES OF POLICY EVALUATION

How should the success of any social policy be judged? Many schemes may reduce 'poverty', but may do so inefficiently or may involve costs that offset their short-term advantages. For example, the PDS may reduce poverty because a lot of money is spent on it, but unless it is shown that it is more effective than other feasible alternatives, we should be wary of declaring it a success.

In general, ethical principles should guide evaluation, as in the following (for an elaboration, see Standing, 2009, 2011b):

- * The *Security Difference Principle*, drawing on John Rawls: A policy is socially just only if it lessens the insecurity of the most insecure groups in society. If a policy helps others but not the most insecure, it is unlikely to be just.
- * The *Paternalism Test Principle*: It is socially unjust to impose controls or directives on some groups that are not imposed on the ‘most-free’ groups.
- * The *Rights-not-Charity Principle*: A policy that extends the discretionary power of bureaucrats or other intermediaries while limiting the rights of recipients is socially unjust.
- * The *Dignified Work Principle*: A policy is socially just if it enables recipients to pursue a more dignified working life.
- * The *Ecological Constraint Principle*: No policy should create externalities that result in pollution or environmental damage affecting the recipients or the communities in which they live.

These principles can be used to assess all social policies. In that regard, we should reflect that nominally there are about 1,200 Centrally-sponsored social policies in India, and in the states there are hundreds more.

IV. THE ECONOMIC AND SOCIAL CONTEXT

India’s social protection system should be designed to correspond to the future structure of society, not its past. This can be overlooked by policy-makers steeped in traditional ways of looking at the socio-economic structure.

The national income will probably double in a decade. Market forces will spread as the country becomes more commercialised and monetised; liberalisation and flexible labour markets will predominate. India will be increasingly urban and geographical mobility will grow. Families will be stretched, so that ‘thin’ relationships of support will displace ‘thick’ relationships. More households will contain migrants. Households will be more ‘endogenous’, that is, they will be shaped by policy and not by fixed parameters.

The stretching of relationships is eroding familial and community support mechanisms. In the future, more people will be disinclined to provide support to relatives or friends, as the reciprocity underpinning family-based social protection continues to wither. This will increase people’s vulnerability to shocks, hazards, risks and uncertainty, and will have implications for the desirability of a household-based system of social protection.

Globalisation has ushered in another trend with implications for the type of social protection system that is feasible or desirable. This is the changing class structure. Something like a five-speed India is evolving. Inequality has grown and has changed character.

At the top is a tiny plutocracy (mainly comprising those 65 billionaires), with vast economic and political power. They, along with others who live off financial capital, are racing ahead. Below them in terms of average income are the ‘proficians’, those with

electronic, scientific and social skills that enable them to have an affluent lifestyle. They too are enjoying a high-speed growth of income.

Travelling at a slower speed is the 'salarial', in the public sector and corporate bureaucracies. They have employment security and enterprise benefits, but their incomes are lagging behind those of the first group, and they face growing insecurity. Probably, the salariat will shrink, and more in it will find that the non-wage benefits on which they have relied will become inadequate for economic security. This may affect their attitude to social protection.

However, it is the strata below the salariat where economic insecurity will grow the most. The first is the old working class, always small but now shrinking, as elsewhere. They, the elite, proficians and salariat may account in total for 15 per cent of India's population, most of them in the tax-paying range, even if many do not pay what they should.

Below them in terms of economic security is the growing 'precarial', consisting of people labouring in unstable insecure jobs, dependent on low and volatile wages, without non-wage benefits, without rights, and with no sense of the future (Standing, 2011b). The precariat differs from the conventional notion of the 'informal economy', which consists of petty producers, traders and the like. However, both groups are gaining little from economic growth.

Below them is 'village India'. It has been largely left out of the growth process, though parts of it have flourished. The rural population will continue to shrink, and be subject to more commercialisation and cash-based relationships. Village India is still vast, but social protection should not be based on an image of static communities and extended families.

The precariat will become a mass class, as it is doing globally. Its travails will reflect the changing nature of economic insecurity induced by globalisation. If society consisted of most adults in stable full-time jobs with stable families, a social insurance system could be built to cover standard contingency risks; governments could calculate probabilities and administer compensatory payments. However, nothing like that resembles the India of today or tomorrow.

Instead, the globalising market system is characterised by more social and economic shocks. People are also exposed to more costly hazards; normal life-cycle events (marriages, births, illnesses, deaths, etc.) are more economically threatening, because of their rising costs and capacity to disrupt incomes. There is also more economic uncertainty, which is uninsurable.

Given all this, economic insecurity will be pervasive. A social protection system that tried to provide compensatory *ex post* benefits would be inappropriate. More weight should be given to *ex ante* security, and to improving people's capacity to respond to and recover from shocks. This should lead to reconsideration of the three main approaches to poverty alleviation—the food and commodity line, the labour line, and the cash transfer line. Each of these is discussed in detail below.

V. THE FOOD AND COMMODITY LINE

“We spend far too much money funding subsidies in the name of equity, with neither equity objectives nor efficiency objectives being met.” (Speech by Prime Minister Manmohan Singh at the inauguration of the Golden Jubilee Year of the Institute of Economic Growth, 15 December 2007)

The main approach to social protection in India has been the provision of subsidised food and kerosene through the PDS, involving a vast bureaucratic edifice. Subsidised food for ‘the poor’ presumes that what they lack most is food. That may be true on average. However, in the emerging market economy, a presumption that all poor people suffer from ‘food poverty’ may not be as reasonable as in traditional village India. Other ‘lacks’ may be as or more important.

The PDS is costly and provides low-quality food. Although its defenders claim that the PDS could be improved,¹ inefficiency is enormous, not marginal. Rajiv Gandhi asserted in the 1980s that nearly 85 per cent of the funds going in food subsidies were diverted from the poor. More recently, the UPA Government and World Bank have admitted that 59 per cent of the grain allotted to the PDS does not reach low-income households. The Deputy Chairman of the Planning Commission, Montek Singh Ahluwalia, said in 2009 that only 16 per cent of the resources allocated to the PDS reached the poor (reported in *The Economist*, 2010). The Commission estimated in 2005 that only 27 per cent of the total PDS expenditure reached its intended recipients (Planning Commission, 2005). Meanwhile, the Finance Minister warned that the PDS was set to become “an albatross around our neck and an opportunity for rent seekers to enrich themselves” (Press Information Bureau, 2007).

Defenders of the PDS say that it provides food and income security by enabling the poor to spend on non-food essentials while protecting them from food-price fluctuations. This was claimed, for example, by the group *Rozi Roti Adhikar Abhiyan Delhi* (2011) in their note of protest against the Delhi pilot cash transfer scheme. However, defenders of the PDS need to explain how its inherent failings could be overcome.

It is not enough to say that there are ‘identification errors’ in identifying the ‘poor’, which could supposedly be corrected. There is *no* statistical method that would identify the poor accurately. All methods involve exclusion and inclusion errors. Adding criteria and proxies merely opens up scope for more errors and inefficiencies. And while defenders of the PDS recognise its long-established deficiencies, such as ‘irregular supply’ and ‘grain leakages’ before the food reaches the fair-price shops, they contend that some states, such as Tamil Nadu and Chhattisgarh, have corrected these failings, and that if improved elsewhere, the PDS would work optimally.²

This view lies behind the Food Security Act (FSA) of 2013, which is designed to broaden entitlement to subsidised food. It will lead to a vast increase in expenditure, of 45 per cent according to the UPA Government’s own estimates.³ However, even if an unprecedented improvement were to overcome distribution problems, and even if corruption were to end miraculously, the PDS would still suffer from structural failings.

It has been criticised as not addressing the root causes of malnutrition, such as poor sanitation and high prices for nutritious pulses, which are not covered by the FSA (Kazmin, 2013). Ration shop owners will defend the system, since it gives them a cosy monopoly. However, it removes any incentive or pressure to ensure that the food is of high quality, or delivered on time and in adequate amounts. It is not surprising that the PDS has become what one newspaper called “*a clever ploy to palm off barely edible stuff to vulnerable people. The premise, it appears, is that like beggars, they cannot be choosers. But miffed at the mouldy wheat and worse, those who are supposed to accept it gratefully are no longer doing so.*” (*The Tribune*, 2011).

Against that, one might say that subsidised food is desirable where markets do not exist (Gentilini, 2007). However, subsidised food may ensure that proper markets do not develop. Subsidies distort markets and act as a disincentive to produce local food (Besley and Kanbur, 1988). The extra procurement to meet the FSA target of reaching over half the Indian population will denude the open market and drive up urban food prices (*Business Line*, 2013). This was noted at the time that the FSA was being passed, by the Chairman of the Commission on Agricultural Costs and Prices, Ashok Gulati, who added that cash transfers would save 400 billion rupees for similar outcomes on food consumption (Winterbottom and Bhardwaj, 2013).

There are also objections to the PDS on the demand side. A drawback with any subsidy is that an undervalued (subsidised) product will be undervalued by consumers. If consumers obtain food items well below the market price or the cost of production, they will tend to be wasteful. And if the market price exceeds the ration shop price, ration shops have an incentive to divert food from intended beneficiaries, so as to sell it in the open market.

Subsidies for non-food items such as kerosene can block technological change. Traditionally, kerosene was rarely used as a cooking fuel, and it is far inferior to electricity for lighting. Yet kerosene is subsidised even where there is electrification (Kapur, 2011). Moreover, international evidence shows that utility subsidies (water, electricity, kerosene, housing) benefit the non-poor more than the poor (Komives, *et al.*, 2007).

Another claim made for food transfers is that people who are not in need of subsidised food will ‘self-select’ themselves out, because of the stigma or the costs of gaining access to it (Himanshu and Sen, 2013). Yet surely those who are the least able to access the ration shops will be those with the least energy or those who are living the farthest away (often in the poorest areas).

Some defenders of the PDS say that the only way to make it efficient is to make it universal. Every person should be entitled to subsidised food, or at least certain types of food, such as ‘staples’. This would mean that those who did not want or need it would get it, expanding the secondary market or encouraging wasteful use. Some argue that the non-poor would be discouraged from taking their entitlement by queues and poor food quality (Shrinivasan, 2011). Yet *de facto* targeting in this way is likely to hit the poor the hardest. Usually, the poorest have the most onerous labour and work schedules, leaving them with little time to trek to ration shops and wait in queues in the hope that the food items would

have arrived. Furthermore, using queues and poor quality food to induce self-selection is scarcely a laudable objective.

Finally, subsidies induce corruption, epitomised by but not restricted to ‘food theft’ (Pandey, 2011). Corruption is so ingrained that it would be naïve to imagine that it could be rectified.

VI. THE LABOUR LINE

A second route to tackling poverty and economic insecurity is the provision of labour for the designated poor, as in the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS, formerly NREGS) and public works. We do not need to review all the claims and counter-claims made with respect to these initiatives. However, certain features of the labour line need to be borne in mind.

Advocates of the labour line, and public works in general, claim that they: (a) are targeted at the poor, (b) create jobs, (c) lead to the construction of public infrastructure, (d) supplement other incomes, (e) hold down wages, (f) reduce seasonal income variability, and (g) are equitable because they are self-selecting. Thus, Pritchett and Bhattacharya (2012) claim that cash-for-work schemes like the MGNREGS work more efficiently than cash transfers because they induce self-selection targeting.

The morality of this claim is suspect because self-selection is not equitable. Not only does the first round of *de facto* targeting have nothing to do with voluntary action, because the *panchayat* typically gives preference to certain groups, but the idea that only the most in need would undertake the labour is risible. The fittest are likely to be from higher-income families, and they will be favoured. The poorest and frail would risk their health and incur medical costs that exceed any income they could earn. Moreover, the view that the labour *should* be stigmatising, as that strengthens self-targeting, is morally deplorable. Logically, it could lead to a justification for making the labour as unpleasant as possible.

There are other arguments against the labour line. It offends the Paternalism Test Principle, as it involves controls imposed on those most in need. The jobs offered are short-term, often involving ‘make-work’ activities, without economic justification beyond giving people something to do (McCord and Farrington, 2008).

The labour line also results in poor targeting, since many of the poorest will be excluded while some near-poor will be included. So the policy offends the Security Difference Principle. If the labour and pay are attractive, as they should be if the policy is ethically grounded, then the first to apply or the most persistent and best connected will gain. The disabled, those in labour-constrained households, those coming far from where the labour is on offer, or those who have no contact with the *sarpanch*, will be pushed aside. There is no reason to suppose that the policy will be well-targeted at the most insecure and the poorest.

Public works usually result in poor output, as in the case of washed-away roads and bridges. Under the MGNREGS, fewer than half the projects begun between 2006 and 2011 were completed, including road building and irrigation systems. It would have been cheaper to have had them built commercially, when the output might have survived longer. If they were

not completed, or if they subsequently collapsed, the State could have held the contractors responsible. Nobody can fairly be held liable if the objective is to make work for the poor, and if contractors are denied the sensible option of being able to use modern machinery.

Public works have high administrative and monitoring costs (which is why they are rarely evaluated). Those in charge of implementation rarely have incentives to ensure that the labour is efficient and productive. Commercial criteria are not the primary justification, so resources are systematically wasted. One estimate concluded that only 22 per cent of the expenditure on the MGNREGS scheme reached the poor (Guhan, cited in Kapur, *et al.*, 2008a). However, the scheme has not been subject to evaluations of the sort that its defenders demand should be applied to cash transfers.

As for those undertaking the labour, they too know that producing excellent output is not the objective. They are poorly trained, and thus unproductive. If evidence-based policy had been applied, the MGNREGS would have been abandoned long ago. If the intention is to maximise low-skilled manual jobs, then it is a contradiction to assert that skill generation is an objective. Workers are not allowed to use machines that would raise productivity. Instead, they must use heavy pickaxes and shovels. This suggests that the MGNREGS is inconsistent with the Dignified Work Principle.

Another claim made for the MGNREGS is that it strengthens the workers' bargaining position. Indeed, there have been anecdotes of complaints by farmers that they cannot obtain labour or have to pay more for it. The question is whether the wage rise is due to people being unavailable because they are labouring on MGNREGS or because the workers have earned money from the scheme so that they can hold out for higher wages. If it is the former, then MGNREGS labour acts as a constraint on local production. If it is the latter, production would not be constrained and farmers could offer what is justified by the farm's productivity. However, for people earning from the MGNREGS, a non-labour-using cash transfer would be economically preferable and less onerous.

It is also claimed that labour-for-cash schemes reduce seasonal income and consumption variability. Here, the MGNREGS may have had some success (Ravi and Engler, 2008). Nevertheless, one is entitled to ask whether other forms of assistance could do so better. And citing examples of income smoothing does not mean that MGNREGS does so in general.

Labour-for-cash or labour-for-food schemes can also disrupt livelihood strategies if they take somebody away from contributing to work on family or other local activities at critical times. Drawing one person away may leave others in more vulnerable circumstances. The labour line also discriminates against labour-constrained households, or those without members available to take such jobs. The poorest households often have people who are ill, aged or frail. And the labour can be particularly onerous for women, who are under time pressure owing to household and other work, and who are expected to do energy-draining labour. This may mean that the calories used in the labour exceed the calorific value of the food that could be purchased as a result of it.

Labour-for-cash schemes also have large substitution and deadweight effects. Paying people to labour on a public scheme reduces the opportunity for firms or individuals to do

that type of activity. This substitution could be disadvantageous economically, since in the long run commercial firms survive by providing acceptable output that will lead them to being hired again. They will thus be discouraged and may just opt out of the sector altogether.

This leads to a peculiarity of labour-for-cash schemes, which is that they tend to lower wages in the low-income areas. In this, the MGNREGS has surely had a better record than its predecessors, because it has had a fixed wage that often exceeds the local wage for manual labour. However, usually the wage on such schemes is set below the market rate for comparable labour. This must drag down market wages, unless there is a tight labour market with no unemployment. And there is scope for local administrators to use piece rates and other devices to lower the hourly or daily wage.

Above all, the labour line leads to political capture, bureaucratic capture and corruption. It is impossible to prevent such schemes from being ‘discretionary’ and discriminatory. This is perhaps why such approaches are supported by politicians. They can steer schemes to groups whose support they want, or make it appear that it is due to them that certain groups benefit. The schemes thus become vehicles for patronage.

In sum, while the MGNREGS has some beneficial effects, one should consider the opportunity cost of the resources poured into this huge social policy. In general, the labour line mixes commercial and social objectives in an unsustainable way. It scarcely succeeds in passing the Policy Principles and has economic drawbacks that make it poor social policy. That said, cash transfers could co-exist with labour-for-cash schemes, should policy-makers wish to persist in spending vast amounts on the latter.

VII. THE CASH TRANSFER LINE

All countries have some cash transfers in their social policy system. However, the modern debate is about addressing poverty and economic insecurity through *non-contributory* cash transfers, of which there are a wide variety of possible schemes.

The twenty-first century debate has been fired by the realisation that twentieth-century social insurance cannot work in open, flexible-labour-market economies. Contingency-based benefits, such as unemployment insurance, are ineffective and inequitable. They do not reach those working informally or those in the precariat (on the reasons, see Standing, 2011b). We will not discuss social insurance here, but its proponents must explain how it could be ‘extended’ to the majority of the Indian population.

Today, by contrast, there is a growing interest in providing cash to the poor, by hand or via bank or postal accounts. Let us consider the four design criteria that cause policy-makers difficulty.

1. Targeting

The idea of targeting is that only the poor are entitled to receive the cash. This raises questions about how potential recipients are to be identified. The outcome is somewhat arbitrary. In India, the standard method of targeting has been via the BPL, Above the Poverty Line (APL), Antyodaya and ration shop cards.

Although there are several forms of targeting—household means testing, proxy means testing, geographical targeting, community-based targeting and so-called self-targeting—all of them aim to focus the benefits on the poor, by using a notional poverty line. A ‘poverty line’ is somewhat subjective because many people who are in or near poverty experience fluctuating incomes. They may be just above the poverty line in one week, just below it in another. In India, procedures are so cumbersome that determining whether a household is poor is often done years before entitlement to a benefit is put into effect. In short, targeting is riddled with errors, both conceptual and practical (Jhabvala and Standing, 2010). At every point, difficulties arise as a result of ignorance, fear, mistakes, bureaucratic indifference and discretionary decision-making.

Targeting by means testing is always inaccurate, with large exclusion and inclusion (Type I and Type II) errors. This has led to elaborate attempts to develop proxy means tests (sets of indicators correlated with income poverty). However, these are no better, as they identify the poor inaccurately, at great expense and with long lags between the gathering of data and classification of households (Australian Agency for International Development, 2011). Proxy means tests were recommended by the Saxena Committee for identifying those deserving a BPL card (Ministry of Rural Development, 2009), but that route will be as cumbersome and as prone to exclusion and inclusion errors as similar schemes have proven elsewhere.

Irrespective of whether means tests or proxy means tests are used, targeting creates poverty traps. A policy intended exclusively for the poor creates moral and immoral hazards. The former arise from the fact that if a household obtains a benefit only if it is classified as poor, then it pays to stay poor. Increasing income to just above the poverty level means losing more than is gained in earned income. So, there is a disincentive to earn extra. This prompts the immoral hazard. Someone gaining a little more income will have an incentive to conceal it, so as not to lose entitlement to the benefit.⁴

Targeting also involves high administrative costs. International evidence shows that these are inherent to means testing (Caldés, *et al.*, 2004). When evaluations measure the cost of a scheme, they should take account of the fact that funds spent on administration could be used to give benefit recipients more money.

In India, targeting has been ineffectual, partly because estimating the number below any poverty line has been discredited. Since 1992, the Ministry of Rural Development has conducted censuses to identify the number of poor, and procedures have become steadily more complex (Mehrotra and Mander, 2009). The resultant chaos has been subject to withering criticism (Saith, 2007). As the Chairman of the Saxena Committee observed, the failure of targeting was shown up by the National Statistical Survey, which revealed that vast numbers of the poor were excluded from having a BPL card, while many who were not poor were allocated one (Saxena, 2010).

Surveys in Gujarat, Delhi and Madhya Pradesh have shown that a large proportion of those in need do not have cards or have been denied them for some spurious reason (Standing, *et al.*, 2010). The incidence of possession is often regressive, with the poorest least likely to have them.

Another aspect of targeting is that it implicitly presumes that policy should address yesterday's, not tomorrow's, poverty in helping those who have fallen into poverty rather than those in danger of doing so (Krishna, 2007). The way to reduce poverty most effectively is to prevent it, bearing in mind that preventing poverty costs less than helping people out of it.

Several studies have considered whether targeted or universal schemes have more effect in reducing poverty. Due to exclusion errors, targeting has fared worse. In the four largest Latin American countries, targeted schemes, on average, reached less than half of the poorest 20 per cent, which implies that they failed the Security Difference Principle. Similar failings emerged in Brazil's *Bolsa Familia* and Mexico's *Oportunidades* (Lindert, *et al.*, 2006; Soares, *et al.*, 2007). In China, cities that used more targeting were less likely to reduce poverty (Ravallion, 2007).

There should be more discussion about whether the benefits should be targeted at all. In several universal experiments in India, in which this author has been involved, thousands of villagers have received an unconditional monthly amount. Although full results have yet to be published, the universality has been shown to have important advantages, including community benefits.

As Richard Titmuss, a 'father' of European welfare states, put it, policies that are only for the poor are invariably poor policies, a point reiterated later by Amartya Sen (1995). Some have deduced a paradox of redistribution—the more the policies are targeted at the poor, the less likely it is that poverty and inequality will be reduced (Korpi and Palme, 1998; Mkandawire, 2005). If there is one aspect of Indian social policy that needs new thinking it is targeting.

The income should be provided universally—for every legally resident Indian citizen. Many commentators think that giving cash to everybody would be inequitable, wasteful or unaffordable. However, the Government could tax back the equivalent from wealthier individuals, through income tax, or sales tax on luxury goods and services. And if people had to apply for the cash transfers, the experience elsewhere suggests that richer individuals would probably choose to forego their right, generating an ethically pleasing form of self-targeting.

2. Selectivity

A second distinction is between selective and non-selective payments. Selectivity means directing the cash to groups with particular characteristics, on the grounds that they deserve help, rather than others. The most common schemes provide cash payments only to women with young children, those from the Scheduled Castes (SCs), those over a certain age (pension), and those with disabilities. Many selective schemes are also targeted, so that, for instance, only women with children *and* with low incomes receive the cash payments. Prominent advocates of cash transfers in India have presumed that cash transfers would be both selective and targeted, linked to the BPL card system (Kapur, *et al.*, 2008b; 2008c).

Many of the failings of targeting apply to selectivity. There is a tendency to omit people who are poor but who do not fall into the category selected for special treatment, and there

are usually plenty of people supported who would not otherwise be singled out for special assistance. Moral and immoral hazards are also strong. If people receive support only if they are in a given situation, they will be induced to enter or stay in it. This scarcely makes for good social policy.

3. Conditionality

Globally, the most controversial aspect of cash transfers is conditionality. Conditional cash transfers (CCTs) have become enormously popular, with the World Bank pouring billions of dollars into loans to start and scale up CCT schemes. The Bank has defined them in a narrow way:

“Conditional cash transfers are programs that transfer cash, generally to poor households, on the condition that those households make pre-specified investments in the human capital of their children.” (Fiszbein and Schady, 2009, p. 1).

However, CCTs often have other motives and apply conditions that have little to do with ‘human capital’. Sometimes the various objectives have been in competition, if not in conflict. There are several types of conditions—those that must be satisfied prior to the receipt of a benefit, those that must be satisfied during its receipt, and those that must be satisfied afterwards. The most common are behavioural conditions, such as entitlement based on a child’s attending school for at least 85 per cent of the time, or on sending a child to a health clinic once a month. Conditionality blends into selectivity and targeting, making policy more paternalistic and promoting forms of dependency.

Conditions in Latin American schemes have been associated with a high incidence of exclusion, as people entitled to the cash withdraw when they cannot comply or find it hard to comply with some condition. In Mexico, those excluded in this way were mainly the poorest, as the burden of compliance was too great (Alvarez, *et al.*, 2006).

In India, the team conducting the SEWA-led basic income pilots had an extensive discussion on conditionality, which led to a consensus against it. The main reason was that it is presumptuous to think that people need to be steered to make decisions in their own interest. They are adults and can make decisions for themselves. Moreover, conditions impose behavioural demands on women that are not imposed on men, thereby intensifying the ‘feminisation of obligations’.

By definition, conditions are paternalistic, patronising and contrary to human rights and freedom. They are costly to apply, inefficient and inequitable, and may be counter-productive and create barriers of suspicion and resentment among recipients. They turn policy implementers into interferers, benevolent or otherwise.

They also raise moral dilemmas. Suppose an impoverished mother is told that she can receive the payment only if her children go to school every day. If she cannot force her 12-year-old son to go, will the policy-maker take away the money, leaving the woman and son in dire poverty? If not, what happens if somebody does not send her child to school? Too much discretion is given to bureaucrats, which is unfair. The only morally defensible condition is that people should adhere to the law, which should be equal for all. A condition that deviates from the law is unfair; one that reiterates the law should be redundant.

Nevertheless, there is political pressure in favour of CCTs.⁵ It must be hoped that critics will turn their hostility towards conditionality rather than the idea that low-income people should have more to spend to improve their lives. There is no point in having conditions if the services that recipients are meant to use are defective or absent. Schools, for instance, suffer from high rates of teacher absenteeism. Obliging children to go to schools that have no teachers would scarcely be rational.

Conditions also beget conditions, as they lurch towards social engineering, in which transfers are used as ‘carrots and sticks’, to be given or taken away depending on whether entitlement criteria are in accordance with State-determined norms.⁶ Bureaucrats tend to reason that if one condition does not work, or does not work well enough, tougher conditions are needed. Ethical principles are easily forgotten.

In our pilot basic income schemes in Delhi and Madhya Pradesh, we found that people act rationally by spending on their own priorities, such as food for their children and medicines for them and themselves. They buy shoes for their children so that they can attend school more regularly. If payments are universal, there is moral pressure from neighbours to do the right thing. This is the normal human condition.

4. Choice of the Recipient

There are also questions about who should be the recipient of the cash and the related issue of whether it should be paid on a household, family or individual basis. A popular view is that women should be the recipients, as it is widely believed that they make decisions on spending more ‘responsibly’ than men (see, for example, Kapur and Subramanian, 2009). However, not all women are responsible, and not all men should be presumed to be irresponsible. Moreover, if just one person is given the cash, intra-family tensions will be encouraged. Many women would be under intense pressure to ‘share’ the money. It is fairer to provide each individual with an equal amount. Although this does not mean that intra-household or family pressures will disappear, it does provide scope for gender-based and age-based bargaining within households.

As for linking cash transfers to family or household size or structure, these are not exogenously determined but change in response to policy changes. For instance, if the amount to be paid is determined by the number of people ‘staying’ in the dwelling, there is an incentive to classify temporary migrants as usual household residents. There are other moral hazards that one could imagine.

Since household structures are endogenous, payments should not be provided on a household or family basis. The household is not a fixed unit, and will be even less so in the future. It is more equitable to provide cash transfers to individuals, perhaps with lower amounts for children under a selected age, such as those who are below the age of 14 years. This would facilitate intra-household bargaining, conveying a message that each person counts equally, even if patriarchal and other cultural factors have deemed otherwise.

Before the Government launches more initiatives, it should reconsider the idea that the money should be provided on a ‘family’ basis. In basic income pilots in India, Latin

America and Africa, it has been found to be efficient and equitable to provide cash transfers to individuals, with the children's money being given to the mother or a surrogate. Among the advantages is that individualised payments raise the status in the family of women, the elderly and the frail, each of whom has a proper claim to the resources linked to the transfer.

VIII. ARGUMENTS AGAINST CASH TRANSFERS

Before considering the potential benefits stemming from cash payments or a basic income, it is worth considering the six main objections to cash transfers. These are discussed below.

1. "Cash Transfers Hide an Ulterior Ideological Motivation"

The vehemence of opposition to cash transfers in India has been largely ideological and the standard resort to any new idea (Hirschmann, 1991). Much of the opposition seems to stem from a belief that cash transfers constitute a smokescreen for a policy of dismantling the public welfare system. Jean Dreze, for example, has said that the proponents of cash transfers suffer from an 'illusion' that cash can replace public services, which is 'remarkably dangerous' (Dreze, 2011; for a response, see Standing, 2011c). This is unfair, since not only are many proponents of cash transfers in favour of strengthened public social services, but the arguments for public services and for cash transfers also stand on their own. The funding of public services, including the role of user charges, is a separate issue.

There are arguments in favour of modest user charges for public services and utilities, in the interests of both quality and efficiency. As noted earlier, providing something free of charge induces carelessness, lack of appreciation and a disincentive to conserve resources or use them efficiently. If we pay for water, we are more likely to turn off a tap. The concern of defenders of public services should be that the vulnerable have no resources to buy them.

The strident denigration of cash is neither fair nor helpful (Shah, 2008; for a response, see Kapur, *et al.*, 2008c). To describe proponents of cash transfers as singing a 'siren song' is tantamount to scaremongering (Ghosh, 2011b; also see Ghosh, 2011a), implying that giving people cash will destroy them, just as the sirens lured sailors onto the rocks to destruction. Perhaps the writers of such articles would like to do without money for a while and subsist on rations set by an inherently inefficient State.

2. "Cash Transfers Are Unjustified Hand-outs"

Another criticism is that cash transfers are 'hand-outs', something for nothing. This argument was used to justify conditionality in Brazil and Mexico, when it was thought that middle-class opposition would block cash transfers.

There are philosophical retorts to the criticism. First, wealthy people obtain numerous benefits without being required to give something in return, and their children receive hand-outs that village children could not dream about. An unconditional cash transfer would be a minor correction for brute ill-luck. Second, economic liberalisation has benefited the elite and salariat much more than those living in the villages and slums. Third, the wealth and income of any person today is founded on the endeavours and skills of past generations, but

we do not know whose ancestors made the greatest contributions. A universal basic income would represent a social dividend on the investment made by those preceding generations. One could extend this by saying that a country's natural resources belong to all, so that a dividend should go to all, perhaps paid via a sovereign wealth fund.

However, the instrumental response may be most telling for policy-makers. Cash transfers can be regarded as social investments rather than hand-outs. If they improve, directly or indirectly, health, education and productive activity, then they reduce other social costs and boost economic growth and development. It may be hard to demonstrate all this statistically, but the economic logic is surely telling.

3. “Cash Transfers Induce Dependency and Laziness”

A related claim is that cash transfers promote dependency and laziness, reducing labour supply, because a guaranteed income, paid regardless of work status, age, marital status or 'need', would allow people to labour less. This criticism, if valid, would apply to any benefit, unless conditions were applied. But is it valid?

There is no evidence in India or elsewhere that people are inherently indolent. The normal human condition is to want to develop one's capabilities and improve one's family living standards. If an impoverished person is suffering the effects of poverty—malnutrition, listlessness, lack of energy and confidence, a proneness to illness and so on—then a modest basic income could produce an improvement, making it possible for people to concentrate, learn, apply themselves and labour more.

Another claim is that people would 'waste' the money if it were given without conditions, spending it on private 'bads', such as tobacco and alcohol. This is a patronising presumption, implying that people cannot learn to make rational choices. On that basis, one could say the rich should have money taken away because many waste it on whisky and cigars. The argument is disingenuous. Chronic insecurity induces privately 'bad' behaviour. Basic security offers hope.

4. “Cash Transfers Have Leakages”

Then there are practical objections. For example, *Rozi Roti Adhikar Abhiyan Delhi* (2011) said that “leakages will remain even in cash transfers”. However, they envisaged a targeted scheme, going only to the designated poor. Leakages are high in any targeted scheme, because targeting gives scope for discretion by bureaucrats and classifiers. If grants were universalistic, there would be minimal leakages on that account. In contrast to subsidised commodities, cash is transparent, offering fewer avenues for leakages into the pockets of officials.

5. “Cash Transfers Would Be Useless”

Another criticism is that even if cash transfers could be used to buy public services and utilities, the transfers would be 'useless' because schools and health services are insufficient and inadequate. This, it is argued, is unlike the situation in Brazil where the CCT *Bolsa*

Familia has been successful (Ghosh, 2011b). However, this argument overlooks the fact that when the scheme was being rolled out in Brazil, there was also a dearth of decent social services, including schools and medical clinics. The cash transfers helped create a public demand and public pressure for more and better facilities.

A graphic example can be seen in the pilot basic income scheme in Namibia. Beforehand, the local clinic was a run-down place, with few medicines, demoralised nurses and dirty surroundings; doctors supposed to visit it refused. Most HIV/AIDS sufferers did not go to it, as they could not afford to buy adequate food essential for the treatment, even though it was free. The basic income transformed the situation. Villagers were charged a small amount for each visit, and the nurses used the money to buy medicines and improve the clinic; patients had more trust in the treatment; HIV/AIDS sufferers bought better food and so were nutritionally able to take the treatment. The basic income created a virtuous circle. The complementarity resulted in an improvement in the public social service.

6. “Cash Transfers Would Be Inflationary”

Some critics contend that cash transfers would be inflationary by increasing the demand for food and other commodities (Pani, 2011). This neglects the supply side. There is no reason to believe that supply would not respond to higher demand, given that the money would be spent mostly on basic goods and services. To lessen the likelihood of initial inflation, stocks of food and other basic goods could be released until there was time for supply to increase through the market. Again, evidence from other countries suggests that the influx of money into local economies via transfers leads to a rapid increase in the supply of basic goods and services, partly by encouraging people to grow more food crops, make more clothes and so on, and partly by inducing merchants to direct more goods and services into these economies.

IX. ARGUMENTS FOR CASH TRANSFERS

Let us now turn to the claimed advantages of cash transfers, which are delineated below. We will focus on the behavioural claims since most research has focused on these, although there are also macro-economic effects; the influx of money into local economies stimulates spending and investment, thus raising economic growth.⁷

1. “Cash Transfers Would Strengthen Economic Citizenship”

Humanitarian relief organisations have come to appreciate the advantages of cash in terms of speed, transparency and the fact that it allows those in need to make choices about their spending, which enables them to retain dignity in times of crisis (Creti and Jaspars, 2006). Basic income cash transfers also offer a transparent and equitable means of reducing the growing inequalities that are systemic in an open economy. Research shows that high and rising inequality reduces economic growth, threatens social stability and worsens the welfare of all.

In contrast, India’s transfers via subsidised goods are selective, intended to benefit certain groups and not others, and most are regressive, since they go to the salariat and

elite as much as to the income poor. A fuel subsidy, for example, goes to those who can afford vehicles. Their annual cost, at over 2 per cent of the GDP, could fund a universal basic income. One may ask rhetorically as to why critics do not contrast cash transfers with existing subsidies rather than with public services.

Cash transfers in the form of a basic income would give recipients basic economic security and economic freedom. People assured of income to cover their basic needs are better placed to make rational choices about consumption, work and personal relationships. Cash transfers would satisfy the Security Difference Principle, if they are universal and unconditional. The caveats are important. If targeted, they would exclude some of the most insecure in society, having the same failings as any other targeting scheme.

Finally, as far as economic citizenship is concerned, there is international evidence that individualised payments strengthen financial self-reliance and the dignity of vulnerable family and community members. In particular, they strengthen the relative position of the elderly and women, by giving them incomes of their own.

2. “Cash Transfers Would Combat Paternalism and Enhance Freedom”

Another advantage of universal unconditional cash transfers—but not of CCTs—is that they would satisfy the Paternalism Test Principle, better than any available alternative. Paternalism arises from a presumption made by policy-makers, and by many commentators and economists, that they know what the poor lack and what they want and need. Paternalism takes away people’s sense of agency.

One claim is that the poor lack the ability to make rational choices about how to spend money, and should be given things that are good for them instead. One suspects that this attitude is linked to the caste system with its baggage of patronising prejudices that is translated into structural limitations of choice. Universal cash transfers could help break that structure and erode caste inequalities. Once people have the means to make choices rationally, they learn by trial and error. To depict lack of ability to make choices as a reason for opposing cash transfers is equivalent to justifying the persistence of any such inability.

This does not mean that people do not make bad choices; we all do. But the need is for better information, infrastructure and opportunities to make rational choices. That could not come from a rigid system of disbursement of a few subsidised commodities. By extension, conditional cash transfers are also freedom-constraining, which is one reason for unconditional transfers (Orton, 2010).

Opposition to cash tends to come from people who would not want their own freedom of choice to be constrained by the lack of ready cash. They want the freedom to make choices about how they spend their income. Even if people spend unwisely, they would resent being told how to spend their money. By the same token, they should respect the choices of their fellow citizens.

3. “Cash Transfers Would Limit Bureaucrats’ Discretionary Power”

Another advantage of cash transfers is that they would satisfy the Rights-not-Charity Principle. The subsidy system gives administrators and bureaucrats the licence to be lax, discretionary

and arbitrary in how they conduct themselves. Although most attention is given to blatant corruption, the basic problem is that the policies give too many bureaucrats the opportunity to make judgements on whom to help and whom not to help. This is an inherent feature of policies that rely on subjective judgements, from the top all the way to the bottom of the edifice of the subsidy state.

Would a universal basic income overcome the discretionary tendency? Perhaps not entirely, but the transparency and simplicity would minimise the opportunity for it. This is an advantage for any rights-based policy. The fact that everybody would be entitled to a basic income would strengthen social solidarity and prompt a collective defence of it. Anyone cheated of their income would be in a relatively strong position to elicit support from others in the community, thereby putting pressure on bureaucrats to fulfil their duties.

Universal transfers would also respect the Ecological Constraint Principle. They would weaken the pressure to use public works as a primary weapon against poverty and income insecurity, since casual low-paid labour by unskilled or untrained people uses resources while creating low-quality goods.

Finally, a universal basic income respects the Dignified Work Principle, since it would give people more confidence to object to exploitative and oppressive labour. People would have less fear of falling into destitution, and they would have greater opportunity to do work (for example, producing their own food) that is not labour (for wages). After all, it is the poor who have to labour more because of the low returns for their labour.

4. “Cash Transfers Would Increase Social Policy Efficiency”

As cash transfers are in money form, they involve lower administration and transaction costs than other forms of benefit. If there were a comprehensive banking system to facilitate transfers, the easiest way to implement them would be through individualised bank accounts. However, even without such accounts, cash payments are far simpler and more transparent to administer than food subsidies or public works. Think how much more difficult it is to operate a national system of distributing subsidised goods, with all the complexities of purchasing, collecting, storing, pricing, measuring and distributing items across many thousands of villages.

International evidence is encouraging for those who believe that cash transfers would reduce the administrative costs of social policy. In Mexico, once the initial take-up costs were covered, annual administrative costs of the cash transfer scheme fell to 5 cents for each dollar's worth of transfer. For comparison, the PDS spends 3.65 rupees for every rupee of income transfer (Planning Commission, 2005). Huge savings could be made.

5. “Cash Transfers Would Reduce Poverty”

The truth of this claim is not obvious, but there is extensive evidence that cash transfers can reduce poverty substantially. In Mexico, *Oportunidades* reduced the poverty headcount ratio by 10 per cent, the poverty gap by 30 per cent, and the poverty severity index by 45 per cent (Skoufias and Parker, 2001). In the Namibian pilot scheme, the basic income transfer

reduced the number who had insufficient income for food, housing needs, and access to schooling and health facilities. A social protection system anchored on cash transfers could make the difference between achieving and not achieving the key Millennium Development Goal (MDG) of halving poverty by 2015 (Ortiz and Yablonski, 2010). Critics might say that other policies could do even better, but they have not shown it.

6. “Cash Transfers Would Strengthen Social Solidarity and Reduce Inequality”

Guaranteeing people a modest monthly cash transfer would give them basic security. Psychologists have shown that this leads to more altruism and social solidarity, which are intangibles with considerable social value. People who feel secure themselves are more inclined to be tolerant towards others, particularly towards those with different characteristics (see ILO, 2004). In India, this is obviously important, given the caste system and religious tensions that have marred its history. If people know that everybody is receiving cash equally, they will surely feel less resentful towards others.

Universal transfers would tend to reduce inequality. If a specific amount was paid equally to all, cash transfers would obviously represent a greater relative share of income of the lower-income groups. To the objection that it is inefficient to give rich as well as poor people a modest cash transfer, two arguments can be presented. First, as noted earlier, the money could be recovered through a claw-back of higher taxes on luxury goods and services that only the rich consume. Second, governments could devise a strategy like the one Iran has pursued since 2010. There, a monthly unconditional universal payment was introduced to replace hefty oil subsidies. In order to become eligible for the transfer, citizens were required to fill in a tax form. For most, this did not matter, as they did not have enough income on which to pay tax. But the government announced that if people did not want to receive the cash, they need not fill in the tax form, which encouraged the rich not to apply.⁸

Cash transfers can also reduce inequality by lessening the debt and credit restraints on lower-income groups. In the Namibian pilot, during the year following the introduction of the basic income, the earnings of the poorest rose by more than for those who had been higher earners. The poorest were able to buy seeds and small-scale equipment, such as sewing machines, and pay off debts.

The Latin American experience also shows that cash transfers reduce inequality (Soares, 2007). At the macro-economic level, Brazil, in particular, is one of the very few countries to reduce inequality during the twenty-first century; this achievement is linked to the introduction of the extensive cash transfer scheme. Meanwhile, with all its subsidies, inequality grew in India.

7. “Cash Transfers Would Boost Human Development – Education”

Three aspects of cash transfers have been analysed more than any others: education, healthcare and nutrition, and economic activity. Regarding education, there are links between cash transfers and ‘human capital’ formation, which is measured mainly by enrolment, attendance and performance in school. Here the arguments and evidence, though strongly positive, are

difficult to unravel, since the predominant cash transfer scheme has been one in which the main 'condition' is proof of children's regular attendance in school.

The following are the primary education-related hypotheses associated with cash transfers:

- a) They raise school enrolment.
- b) They raise school attendance.
- c) They improve school performance.
- d) They reduce school drop-out rates.
- e) They lead to prolonged schooling, mainly through the effects of (a) to (d).
- f) They reduce child labour that disrupts schooling, through an income effect and through the increased propensity to attend and continue schooling.
- g) They reduce inequalities in school attendance and attainment associated with family background, wealth and household income.
- h) They reduce gender inequalities in all the above respects.

The evidence is strong that CCTs boost school attendance, though it is less strong with respect to school performance, albeit mostly positive (Fiszbein and Schady, 2009; Slavin, 2010). In Mexico, for instance, since *Oportunidades* was introduced (initially as *Progresa*), secondary enrolment has risen by a third and school drop-out rates have fallen by 20 per cent. There and elsewhere, attendance rates have also risen.

The difficulty of interpreting evaluations of CCTs lies in separating out the effect of the cash from the effect of the conditionality. However, there is evidence that conditions are unnecessary. For instance, in the pilot unconditional scheme in Namibia, school attendance went up sharply, though there was no pressure on parents to send their children to school.

The dynamics were revealing. The primary school was a state school, but parents were required to pay a modest fee (equivalent to about 50 rupees per term) for each child. Before the pilot, registration and attendance were low, and the school had too little income from fees to pay for basics, which made the school unattractive and lowered the teachers' morale. Once the cash transfers started, parents had enough money to pay school fees, and teachers had money to buy paper, pens, books, posters, paints and brushes. The school became more attractive, giving parents and children an incentive, while raising the morale and, probably, the capacity of the teachers.

An evaluation of another African cash transfer scheme, a CCT in Malawi, also suggested that cash rather than conditions was responsible for a positive effect on education. The finding was accidental, in that due to an oversight, recipients in one area were not told about the conditions, which were then not enforced. An econometric evaluation concluded that "a \$5/month transfer to a household made unconditionally had roughly the same impact on schooling outcomes as a \$15/month transfer made conditional on school attendance" (Baird, *et al.*, 2009, p. 22).

Both unconditional and conditional schemes have been associated with a rise in school enrolment, in Latin America and in African countries. In South Africa, the effect was particularly large for young children (Case, *et al.*, 2003; Samson, *et al.*, 2004). Similarly,

in Malawi, cash transfers raised enrolment and reduced the school drop-out rate (Miller, *et al.*, 2006). There is also evidence that the impact varies by age group. In low-income areas, cash transfers seem to have a particularly strong impact on early school attendance, whereas in higher-income areas the effect is stronger for teenagers.

The international evidence also suggests that the effect on enrolment is particularly strong for young girls, as found in Bangladesh and Cambodia as well as in Latin America (Khandker, *et al.*, 2003; Filmer and Schady, 2006). This is surely of great significance for India today, where lack of attention to girls is notorious.

Finally, there is the impact on child labour, particularly in hazardous forms and in forms that interfere with schooling. The evidence is mostly positive. In Brazil, the Inter-American Development Bank estimated that the CCT reduced child labour substantially. Although some studies have been less sure, on balance, that cash transfers have positive effects on schooling, they have recorded a modest negative effect on the extent of child labour.

8. “Cash Transfers Would Improve Health and Nutrition”

Although some claim that cash transfers do not have much effect (Narayanan, 2011), many studies suggest strong positive effects on child nutrition, child and adult health status, the incidence and severity of illness, and use and effectiveness of medical services.

The main health-related effects of cash transfers can be listed as follows:

- a. They improve maternal health, thereby reducing female morbidity, health problems related to childbirth, and maternal mortality.
- b. They improve child nutrition, resulting in less stunting and improved weight-for-age and height-for-age measurements.
- c. They raise the incidence of timely vaccinations of children against diseases such as polio, diphtheria and tetanus.
- d. They lead to greater use of health services, including preventive services and services involving user fees.

Some studies have been sceptical about the impact on child nutrition and health (for scepticism in Honduras and Brazil, see Hoddinott and Barrett, 2008), but most have been positive. For instance, in Colombia, the CCT resulted in an improvement in the average height-for-age among children (Attanasio, *et al.*, 2005). In Mexico, the CCT reduced stunting among babies by 39 per cent among girls and 19 per cent among boys. As with education, the trouble with many studies is that it is unclear as to how much of the effect is due to the conditionality and how much to the cash. Fortunately, there is also evidence to show that unconditional transfers have similar positive effects (Aguero, *et al.*, 2007).

The Namibian pilot is worth highlighting once again. Using the World Health Organisation's (WHO's) z-score methodology, within six months of the start of the unconditional transfers, the weight-for-age figures for infants aged 0–5 years improved dramatically, with underweight children moving towards the norm and overweight children also doing so due to improved diets. No pressure was put on families to spend the cash in any particular way. They acted

as most would, looking after the interests of their children.

Unconditional transfers have been shown to lead to dietary diversity, a development associated with enhanced child nutritional status (Adato and Bassett, 2009). However, since conditional schemes greatly outnumber unconditional schemes, there is more evidence on their effects. Thus, Sri Lanka's *Samruddhi* cash scheme led to improved child nutrition (Himaz, 2008). In many places, including India, CCTs have been associated with a reduction in neonatal and perinatal deaths. There is also evidence, mainly from Latin America, that CCTs boost the use of preventive health services, being associated with more health check-ups (Bastagli, 2009). The same effect has also been found in India (Lim, *et al.*, 2010), and in the unconditional scheme in Namibia.

This is unsurprising; being rational, people soon work out that it is beneficial to have health check-ups if they can afford it and have the time to do so, and if the facilities are available. Thus, in those Namibian villages, the basic income meant that visits to the local clinic became affordable, while the clinic could improve the premises and raise the morale and status of the nurses. With cash transfers, small user fees become more affordable, although this is not to argue against fee waivers for individuals or groups that are chronically poor or prone to illness and medical expenses (for a review, see Bitrán and Giedion, 2003). There is also evidence that if people have cash with which to pay for medical services, this leads to pressure on public and private services to improve what they provide.

9. “Cash Transfers Would Enhance Women’s Economic Activity and Labour Supply”

Beyond better education and health, cash transfers to low-income people and communities boost local economic activity and labour supply. There is much evidence to support this, from large-scale statistical evaluations, from small-scale pilots and from anecdotal research. In Brazil, for instance, the *Bolsa Familia* has been associated with an increase in female labour force participation, because women can pay for transport to work and obtain alternative childcare (see research summarised in ILO, 2004). In Mexico, evaluations of *Progres-Oportunidades* concluded that the transfers had no net effect on labour force participation (Skoufias and di Maro, 2005). However, there and elsewhere, cash transfers have been linked to a reduction in child labour, compensated by a shift to adult labour.

In Namibia, the basic income led to an increase in work and labour by women and to more job search activity by both men and women. In South Africa, the labour force participation rate of those receiving transfers increased by 13–17 per cent as compared with those in similar households who did not receive them, with the greatest increase being for women (Samson, *et al.*, 2004).

In sum, the claims in favour of cash rest on their potential for having multiple positive effects. Unlike the labour line, they do not impose onerous labour on disadvantaged people; unlike subsidised commodities, they enhance the freedom and agency of people who surely need and want more of both.

X. CONCLUDING THOUGHTS

In the near future, it will be vital to impress upon India's politicians the need to roll out cash transfers slowly and systematically, learning practical lessons in the process, without the vast spending that would be involved if a rush forward were made. This is one reason for the success of Brazil's *Bolsa Familia*. It has been rolled out over a decade, in the process showing the dangers of even modest conditionality. Gradually, the authorities have moved to the idea of 'mutual responsibility'.

A final point, learned during the implementation of our Indian basic income pilot schemes, relates to the challenge of financial inclusion. Sceptics say that cash transfers will not work because only 35 per cent of Indians have bank accounts. However, we have found that the experience of cash transfers soon leads people to open bank accounts or their equivalent. Initially, transfers should be provided in hand, at designated venues, such as a school. Recipients should be told that within three months, they must set up a bank or cooperative account. Those who do so could be given a one-off incentive of, say, 200 rupees. The remainder should receive the cash in hand for three more months before they must have accounts. During that time, the *panchayat* and voluntary or paid groups should help people set up accounts. The success of cash transfers will depend as much on how they are implemented as on the cash itself.

Notes

1. They also claim that the PDS provides farmers with income security. There are arguments for buffer stocks and minimum support prices, but there are better ways to provide security for farmers while raising productivity and output. Many believe that the PDS helps large-scale farmers to the detriment of smallholders (Misra and Ramnath, 2011).
2. For one robust defence of the PDS, see Khera (2011). This used a sample survey to test the popularity of the PDS. However, for six of the nine states, it used a sample drawn from the BPL list, giving an automatic bias, since those eligible for the BPL, but without cards for some reason, are relatively likely to be critical of the PDS, for obvious resentment reasons.
3. The FSA was to make the consumer's cost of the grain about 10 per cent of the market price. Predictably, in the aftermath of passage of the FSA, there were conflicting estimates of the likely cost (see, for example, Bhalla, 2013; Ramaswami, *et al.*, 2013).
4. Means testing also creates what I call *precarity traps* (Standing, 2011b). These derive from heavy transaction costs for claimants.
5. For an argument in favour of conditional schemes, see Prabhu (2009). This praised the *Dhanalakshmi* scheme.
6. This should be an objection to any conditional benefits, and is why we should be wary of *libertarian paternalism*. For an explanation, see Standing (2011a).
7. Keynesian multiplier effects constitute the income generated above the initial input. Estimating these is complex, but for one attempt, see Davies and Davey (2008).
8. Initially this led to only about 80 per cent of the population applying for the cash transfer. However, after a few months, many more of the affluent lost fear, resulting in a take-up of well over 90 per cent (Tabatabai, 2011).

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