# A Little More, How Much It Is...

## Piloting Basic Income Transfers in Madhya Pradesh, India

SEWA Bharat

By SEWA Bharat, New Delhi
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## Abbreviations

AAY- Antodaya Anna Yojana
AIDS- Acquired Immuno-Deficiency Syndrome
ANM- Auxiliary Nurse Midwives
APL- Above Poverty Line
ASER – Annual Status of Education Report
ASHA -Accredited Social Health Activists
AWW- Anganwadi worker
BAR- Bank Account Rate
BC- Business correspondents
BI- Basic Income
BPL-Below Poverty Line
CBS- Core Banking Service
CCT- Conditional Cash Transfer
CHC-Community Health Centre
CSE – Center for Science and Environmnet
CT- Cash Transfer
DBT- Direct Benefit Transfer
DFID- Department for International Development
DID- Difference in Differences
DOTS-Directly Observed Treatment- Short course (treatment for TB)
DPEP-District Primary Education Programme
FCI- Food Corporation of India
FES- Final Evaluation Survey
FHH- Female headed Household
FIF- Financial Inclusion Fund
FIP-Financial Inclusion Plans
FITF-Financial Inclusion Technology Fund
FPS – Fair Price Shop
FSA – Food Security Act
GCC- General Credit Cards
GDP – Gross Domestic Product
GPS - Global Positioning System
HH- Household
HIV- Human Immunodeficiency Virus
ICDS- Integrated Child Development Scheme
ICT- Information and Communication Technology
ID Card- Identity Card
IDF-India Development Foundation
IES- Interim Evaluation Survey
ILO-International Labour Organisation

KCC-Kisan Credit Cards
KYC- Know Your Customer
LKG- Lower Kindergarten
LMP- Local Medical Practitioners
LPG- Liquid Petroleum Gas
MCH -Maternal and Child Health
MDM-Mid Day Meal
MGNREGA- Mahatma Gandhi National Rural Employment Guarantee Act
MGNREGS- Mahatma Gandhi National Rural Employment Guarantee Scheme
MHH- Male headed Household
MMR- Maternal Mortality Rates
MP- Madhya Pradesh
MPUCT- Madhya Pradesh Unconditional Cash Transfer
MSP – Minimum Support Price
NABARD- National Bank for Agriculture and Rural Development
NBA - Nirmal Bharat Abhiyan (Total Sanitation Campaign)
NCAER- National Center for Applied Economic Research
NCEUS-National Commission for Enterprises in the Unorganized Sector
NEFT-National Electronic Funds Transfer
NREGS- National Rural Employment Guarantee Scheme
NRHM- National Rural Health Mission
NSS- National Sample Survey
OBC- Other Backward Class
OGIP - Odisha Girls' Incentive Programme
PCA- Principal Components Analysis
PDS- Public Distribution System
PFES- Post Final Evaluation Survey
PHC-Primary Healthcare Centre
PL- Poverty Line
RBI- Reserve Bank of India
RCT- Randomized Control Trials
RRB-Regional Rural Banks
RSBY- Rashtriya Swasthya Bima Yojana
SC- Scheduled Caste
SEWA- Self-Employed Women's Associations
SHG-Self Help Group
SMS – Short Mesage Service
SSA- Sarva Shiksha Abhiyan (Universal Literacy Campaign)
ST- Scheduled Tribe
STCCS-Short-term Cooperative Credit Structure
TB- Tuberculosis
TV- FES- Tribal Village Final Evaluation Survey
TV- IES- Tribal Village Interim Evaluation Survey
TVCT- Tribal Village Cash Transfer Pilot

UID- Unique Identification Number
UK- United Kingdom
UKG- Upper Kindergarten
UNDP- United Nations Development Programme
UNICEF- United Nation's International Children Emergency Fund
UPA- United Progressive Alliance (Congress-lead coalition government between 2004-14)
USA- United States of America
WHO- World Health Organisation

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# EXECUTIVE SUMMARY

## Introduction

***The Madhya Pradesh Unconditional Cash Transfers Project (MPUCT) is an innovative pilot testing the potential that such transfers hold for addressing vulnerabilities faced by low income Indians.*** It is the first time that unconditional cash transfers (UCTs) have been subject to such a detailed assessment in India. The results of the pilot should assist those trying to reach a balanced judgment on whether or not UCTs can be incorporated into Indian social protection and economic policy.

***Cash transfers were mostly marginal in Indian policy….until recently.*** However, evidence on the success of cash transfers in some Latin American and East Asian countries led many to believe that direct cash transfers could result in positive outcomes. That fanned opposition among those who suspected it to be a ruse to cut public services leading to acrimonious exchanges between advocates of cash transfers and public services such as the Public Distribution System (PDS) or what whittled down later into a debate on "cash" versus "food".[1] In 2013, two initiatives were launched by the United Progressive Alliance (UPA) government which left the conflict unresolved. While the 'direct benefit transfer' (DBT) pilots were launched, the Food Security Act became a law. Both were presented as "game changers" even though they pulled in opposite directions. Another drawback of the debate around cash transfers is that commentators have used the term with different ideas in mind. There are four types of cash transfers: incentives (as in the case of India's Janani Suraksha Yojana); subsidies (e.g. those through the PDS); cash benefits (like old age pensions); and bonuses (which are lump-sum amounts given to particular communities).

***Despite the vigorous debate around cash transfers, there was little credible evidence from India on the causal link between such cash transfers and outcomes.*** The knowledge base on the outcomes of *unconditional* cash transfers was particularly poor. In order to provide credible evidence and to bring in the experiences of beneficiaries themselves, UNICEF and the Self Employed Women's Association (SEWA) entered into a partnership to pilot an unconditional cash transfer experiment in rural areas of the state of Madhya Pradesh in India. Given the strong position on cash transfers, the experiment avoided taking an ideological stand, and for purposes of the pilot an alternative name was coined– a name that could be seen as compatible with different ideological positions, but which did not have the baggage that the term cash transfers has acquired. Perhaps 'basic income' (BI) was the goal to pursue. Basic income is usually defined as a sum paid regularly, in money, to individuals, without conditions, as a rights-based payment.[2]

***The central design premise of the pilot was that the basic income was paid every month, to all individuals within a village.*** Every individual registered as a usual resident at the launch of the project received the income, the only requirement being that they opened a bank account within three months of the launch. Transfers for children under the age of 18 went to the mother or, if there was no mother, a designated guardian. Individual transfers were made to assess the

[1] See for instance Khera, Reetika (2013). "Cash vs In-Kind Transfers: Indian Data Meets Theory". IEG Working Paper No. 325; Drèze, Jean (2011). 'The Cash Mantra', Indian Express, 11 May; The Economist (2012). 'Cash, with Strings', 10 November; and Standing, Guy (2012), "Cash Transfers: A Review of the Issues in India". Social Policy Working Paper Series -1, UNICEF India.

[2] http://www.basicincome.org/bien/aboutbasicincome.html.

utilization by different types of individuals within a household including for instance the elderly, women and differently abled persons. Another feature was the regularity of payment: all individuals received the designated amount every month to assess spending patterns. The transfers were given to all residents of a village in order to avoid distortions due to means-testing and to enable evaluation of the impact of basic income on households with different income levels. Thus, the project paid all individuals – rich, poor, elderly, women, children, differently abled, those belonging to vulnerable caste groups – the same amount every month over a period of a year in designated villages.

***Crucially, the experiment did not impose any conditionalities.*** In other words, the transfers were made with no conditions attached on how they "should" be spent. The targeted recipients were informed in advance that they could use the money as they wished, and that there would be no direction by anybody connected with the project. The money was transferred directly into an account in a financial institution: for most individuals into a bank account and for women who were SEWA members into their individual co-operative account. Conditions were done away with for two reasons. The first was a more empirical reason. Research on conditional cash transfers (CCTs) shows that conditionalities are often expensive to implement, and further even when implemented well, it is hard to draw causal links between outcomes that are seen as improving (e.g. children's health and nutrition, educational attainment etc.) and the condition per se.[3] The second reason was a more conceptual one. The research team wanted to test the hypothesis that people are generally capable of making their own decisions and do so in the best interests of themselves, their children and their families, rather than spending it on private bads such as alcohol. While the team firmly believed that this hypothesis would hold true, that it in fact did was one the strongest findings of the study which resonated with top policymakers.

> *This study also eliminates a second class of arguments. It is generally believed that people will spend cash in wasteful ways, and that liquor consumption will increase. The study shows what happens when people get cash. It shows that people use cash towards development and not in a wasteful manner.*
>
> - Dr. Montek Ahluwalia, Former Deputy Chairperson, Planning Commission

***Given the starkly different milieu of tribal villages, a separate pilot was undertaken for these villages.*** The state of Madhya Pradesh has a substantial tribal population (nearly 21% according of the Census of India, 2011). The tribals in MP live, usually, in forest tracts and are considerably poor than their non-tribal counterparts. To differentiate findings of the pilot across the two contexts, two experiments were carried out. For both, a modified Randomised Control Trial (RCT) methodology was used. Under the 'general' pilot, basic income was provided directly into bank accounts of individuals in 8 villages, while in 12 other similar villages nobody received the basic income. In order to test the impact of a voice organization, 50% of all villages were those in which SEWA was active. An exception was made for female recipients in SEWA villages for whom the transfers went into a SEWA cooperative account. The impacts of the transfers were studied by comparing what happened in four sets of villages (4 SEWA basic income recipient villages, 4 non SEWA basic income recipient villages, 6 SEWA control villages, and 6 non SEWA control villages) (see table 1). In the second pilot – the Tribal Village Unconditional Cash Transfer (or the 'tribal' pilot) – two similar tribal

[3] See for instance Baird, S., Ferreira, F.H.G., Ozler, B. and M. Woolcock (2013). "Relative Effectiveness of Conditional and Unconditional Cash Transfers for Schooling Outcomes in Developing Countries: A Systematic Review". *Campbell Systematic Reviews*, 2013:8.

villages with SEWA presence were compared; one where everyone received basic income transfers in cash and one where no one did. Given the limited number of households (about 100) in the former village, SEWA arranged for payment in cash on a designated day, every month.

Nearly everybody received the basic income in designated villages; by the end of the project reversals in bank accounts went down to zero.

**Table 1. How the basic income was disbursed**

| | | |
|---|---|---|
| **General Pilot** | | |
| Basic Income SEWA villages | 4 | Bank accounts for men<br><br>Cooperative accounts for women |
| Basic Income non SEWA villages | 4 | Bank accounts for men and women |
| Control SEWA Villages | 6 | - |
| Control non SEWA Villages | 6 | - |
| **Tribal Pilot** | | |
| Basic Income Village | 1 | Cash to both men and women |
| Control Village | 1 | - |

***For between a year and 17 months, over 6,000 individuals received small unconditional monthly cash transfers, or what was called a basic income, under the two pilots.*** Initially, in the general pilot, each adult received 200 rupees a month and each child 100 rupees a month. After one year, the amounts were raised to 300 rupees and 150 rupees respectively. In the tribal pilot, the amounts were 300 rupees and 150 rupees for the entire period of 12 months. Their situation before, during and after receiving the basic income was evaluated by use of several rounds of statistical surveys—a Baseline survey (census), an Interim Evaluation (sample) Survey (IES), a Final Evaluation Survey (FES) (census) and a sample Post-Final Evaluation Survey (PFES)--comparing the changes in the period with what happened to a control group that did not receive the transfer. In total, the surveys covered over 15,000 individuals. In addition a hundred in-depth case studies were carried out with recipients over the period of the experiment as were community level surveys, interviews with key respondents, along with a tracking of children's weight for age (as a proxy for a nutrition) and their attendance and performance in schools to assess if these outcomes were influenced by receipt of the basic income.

The original amount of the cash transfer was calculated so that it was not high enough to substitute for employment, but was enough to make some difference towards fulfilling basic needs. This amount was roughly calculated as between 20% and 30% of the income of families in the lower-income scales; at, or just above, the current poverty line.

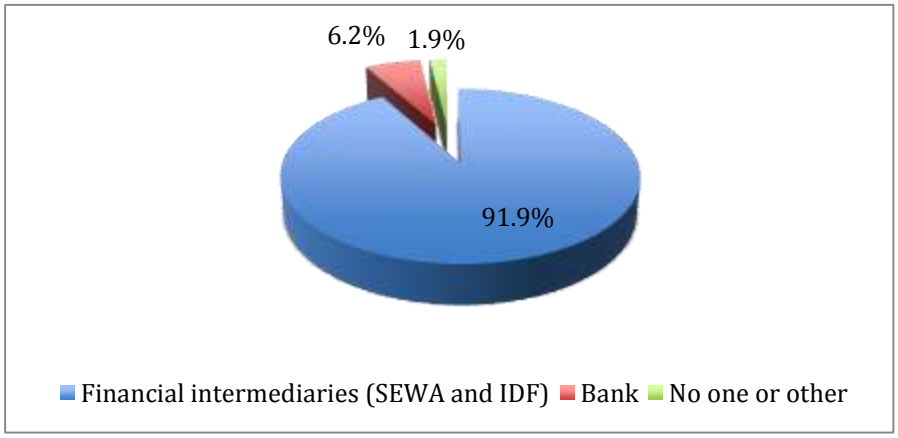
***The share of intended recipients actually receiving the benefit of the scheme was high; further recipients tended to receive the full benefit.*** Among the more important steps in implementing any scheme is to ensure that the take-up is high, the costs for recipients and policy implementers are low and the procedures are "user friendly". Nearly all the basic income recipient households in the general pilot (98.3%) when surveyed for the FES said that they had received the basic income, although in some households, not all members had received it. For those few who did not receive the benefit, the main reasons were that their names were not on the list (some members had joined the household after the baseline census on account of marriage or birth) or they faced difficulties with banks (including delays in opening bank accounts or problems in operating them). Also, some households, and members within households voluntarily declined the basic income. However, it can be said with certainty that

the National Electronics Funds Transfer (NEFT) system that ensured real time transfer of money to individual accounts worked very well: while initial difficulties such as errors in account numbers resulted in 12% reversals in the first month, reversals went down to 0.5% by the fourth month and to 0% by the end of the project. The tribal pilot, in comparison, was more streamlined as payments were made in cash every month to all residents in the treatment village.

***Financial inclusion was rapid and near universal.*** Opening individual bank accounts was done intensively and within four months of the start of the general pilot, 95.6% of individuals had bank (or co-operative) accounts. For the remaining 4%, accounts were opened in the next three months. Due to the presence of SEWA, more women (365) than men (117) had accounts before the project in SEWA basic income villages. Totally the basic income went to 5547 accounts in the 8 villages covered by the general pilot. As mentioned earlier, in the tribal pilot, no accounts were opened and the basic income was disbursed in cash.

***Financial intermediaries were important for financial inclusion.*** The response from the banks towards opening accounts for the general pilot tended to be mixed and dependent on the individual branch manager. In some branches, managers were co-operative and helped by holding 'camps' in the villages. In others, managers were reluctant to take on the extra work required. Given the legwork required in working with the banks, the presence of financial intermediaries e.g. SEWA or the firm that undertook the baseline census (the Indian Development Foundation (IDF)) helped, as illustrated by Figure 1 below:

**Figure 1. General pilot: Share of accounts opened by different institutions**




Source: MPUCT FES, 2012 and n=839

***For women, the doorstep banking approach of SEWA led to better overall financial inclusion.*** Women in the four SEWA basic income villages faced less problems in opening accounts – nearly 70% said they faced no problem in opening a cooperative account compared to 44% women in non-SEWA basic income villages (who said they faced no problem in opening a bank account). Similarly, while 61% of households in non-SEWA basic income villages said they faced considerable difficulty in withdrawing their money, only 27% in SEWA basic income villages faced difficulties. The relatively easier experience of dealing with a financial intermediary such as SEWA in comparison to banks also reflected in the number of times individuals dealt with both institutions. In SEWA basic income villages, where women received money in cooperative accounts, nearly 86% said they could approach the institution

(in this case the cooperative) several times. In comparison, only 44% of women in non-SEWA villages said they went to their banks multiple times.

***Like other experiments before it, the project and research associated with it has certain limitations.*** For one, it deviates from the strict randomized control trial approach. While some may view it as a limitation, the RCT approach also its share of problems.[4] The principle behind RCT, as its name implies, is that those receiving the "treatment" should be selected "randomly" from a wider population, and the control group should also be selected "randomly". At the stage of planning and designing the pilots, it was decided that villages be selected randomly and cash transfers be given to everybody in these villages. Similarly, it was decided that the project draw up another sample of villages where nobody receives the cash transfer. This is not a strict RCT design because individuals and families *within* villages are not treated randomly. However, it was felt that the act of doing so (giving cash to some people within the village and not others) would doom the experiment and lead to similar problems that arise in other targeted schemes. It could also potentially lead to inter-household resentment. The second limitation is that cash transfers under the project were not given in lieu of a subsidized public service (e.g. subsidized food made available through the public distribution system (PDS)), and therefore findings from this experiment cannot firmly conclude which is better: cash or the subsidy? There were two reasons for adopting this approach. Cash in lieu of the subsidy had already been tested in another experiment on the PDS undertaken by SEWA in Delhi.[5] Two, the MPUCT project wanted to test the feasibility of a modest unconditional cash transfer, a basic income that could be given to a poor population in a sample area, and compare outcomes of individuals and families living in this area with others. In some cases, it was hypothesized; the cash could lead to better access to and use of the public service e.g. purchase of food when supplies arrive at the PDS shop. Even so, the surveys conducted for the project did ask perceptions of recipients on which form of delivery they preferred.

This summary attempts to provide a gist of key findings on various issues that the surveys touched upon. They provide merely a glimpse of the effects that the basic income had on individual and household level outcomes, their attitudes and behaviour, and on community development. Details may be found in the full report (available on request) and Davala, Jhabvala, Kapoor Mehta and Standing (2014)[6].

## Key Findings

***The basic living conditions in basic income villages improved starting with improvement in sanitation in villages covered by the general pilot.*** About 16% of the households in the basic income villages covered by the general pilot said they had made changes to their toilets by the end of the project, compared to only 10% in the control villages (figure 2). A majority of households attributed the change in their toilet arrangements to receipt of the basic income: 14.3% fully and 46.9% partly so. Among the households that had no toilet at the outset in the general pilot, more than 7% reported building a new toilet as compared to 4% in the control

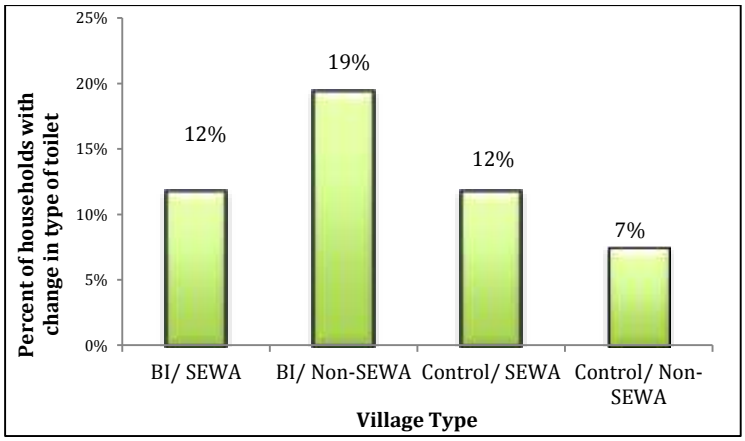
[4] There has been a debate, for instance, about the potential use of RCTs for assessing the impact of the Millennium Development Goal strategy.

[5] For more details on this experiment, see Standing, Guy (2012), ibid.

[6] Davala, S., R. Jhabvala, S. Kapoor Mehta and G. Standing. 2014. *Basic Income: A Transformative Policy for India*. London: Bloomsbury.

villages. In comparison, no significant[7] change in availability of toilets was observed in the tribal basic income village.

**Figure 2. General pilot: Percent of households with change in type of toilet, by village type**




Source: MPUCT FES, 2012, n = 649

***Some of the basic income was invested to get better access to drinking water, especially in tribal villages.*** There was evidence of improved access to drinking water in both general and tribal villages receiving the basic income, but the source of improvement varied. Basic income households covered under the general pilot, for instance, were significantly more likely than their counterparts in control villages to use public taps/ hand pumps for drinking water and were less likely to use their neighbours' house, private water sellers and public wells or taps suggesting better investment in public resources[8]. On the other hand, in the tribal village receiving the basic income, there were significant improvements in private water sources, which were meant both for household use as well as for irrigation. In other words, tribal BI recipient households spent a part of their extra cash in investing in better (private) water resources for drinking. One in every five households made their own tubewells and another one in five invested with a neighbour, instead of using a public handpump.

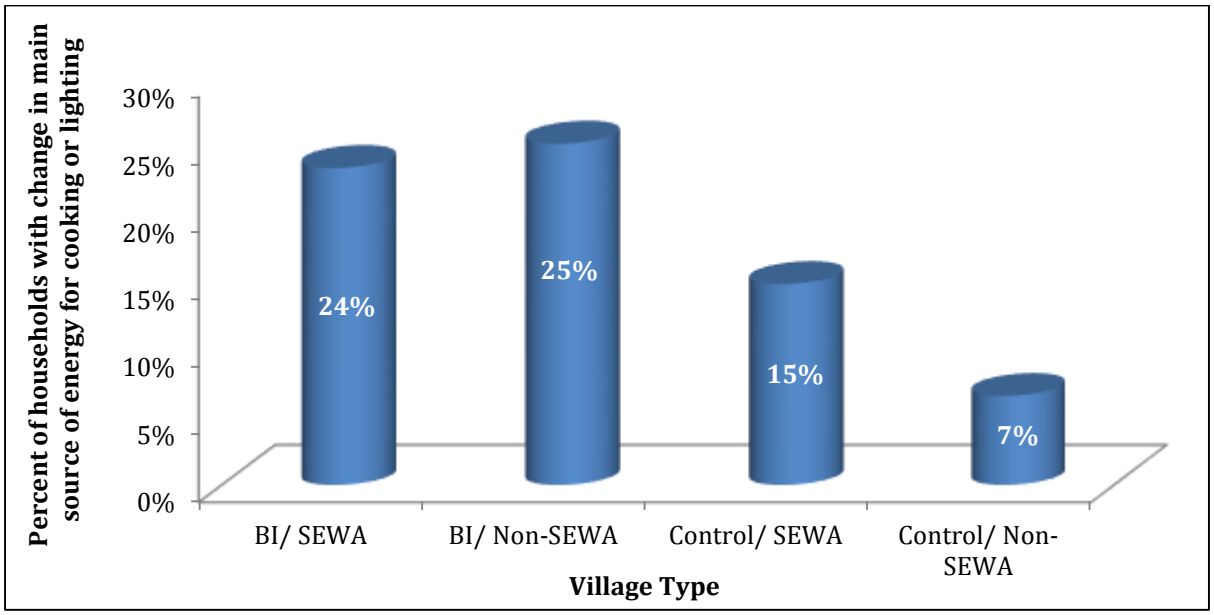
One in every four households receiving the basic income in the general pilot changed their sources of energy for cooking or lighting; in comparison only 10% of households in the control villages made that shift.

***Cooking and lighting energy sources also improved.*** Many households in the general pilot used their basic income payments to change or improve their energy or lighting sources. According to the FES, 24.3% of basic income households covered under the general pilot had changed their main source of energy for cooking or lighting in some way in the previous 12 months, compared to just 10.6% in the control villages, with the difference being highly significant statistically. The tribal village too reported changes: 16% of households in the recipient village reported using a better cooking fuel and 14.5% reported improving their lighting, compared with practically no change in the control village.

[7] Wherever the word significant or significantly occurs in this document, it implies statistical significance. In other words, in this case no "statistically" significant change was observed in availability of toilets at the 10%, 5% and 1% significance levels.

[8] Again, this means that the difference between households receiving the cash and those that didn't viz. usage of public taps/hand pumps was "statistically" significant.

**Figure 3. General pilot: Percent of households with change in main source of energy for cooking or lighting, by village type**




Source: MPUCT FES, 2012, n = 2034

Significant increases were observed in asset ownership in the tribal village receiving the basic income, particularly in livestock and modes of transport.

***The tribal villages, which were much poorer than the general villages, recorded significant increases in ownership of household assets.*** Some of the basic income money was spent by recipients on buying household assets in the general pilot, but it was not much. Households were more likely to buy productive assets to earn more income, rather than assets that would give them more comfort. However in the tribal villages families purchased all types of assets over the course of the project, but families receiving basic incomes were more likely to purchase them. For instance, transport is an important need for tribal families, given the remote location of both villages, particularly the basic income recipient village. So more families in the BI village purchased bicycles. In total, about 13 bicycles were purchased in the recipient village in comparison to only two in the control village. Further, in the basic income tribal village nearly 27% of households purchased a total of 32 scooters and motor-cycles, whereas only two new two-wheel motor vehicles were purchased in the control village. Households in both villages also bought televisions, dish TVs and furniture during the course of the pilot, but tribal families in the basic income village were significantly more likely to buy them.

***In both the general and the tribal pilot, those who received basic income reported a statistically significant increase in their food sufficiency six months into the intervention.*** The results were striking in the tribal pilot where the proportion of basic income recipient households reporting their income to be sufficient to satisfy their expenditure on food increased from 52% at the start of the pilot to 78% after six months of receiving cash. In comparison, little changed in the control village: in fact the numbers reporting their income to be sufficient to fulfil their food needs only declined (from 59% to 57%) over the same period. In the general pilot too, receipt of basic income was associated with a rise in reported sufficiency, particularly for vulnerable households such as the Scheduled Caste (SC) and Scheduled Tribe (ST) households.

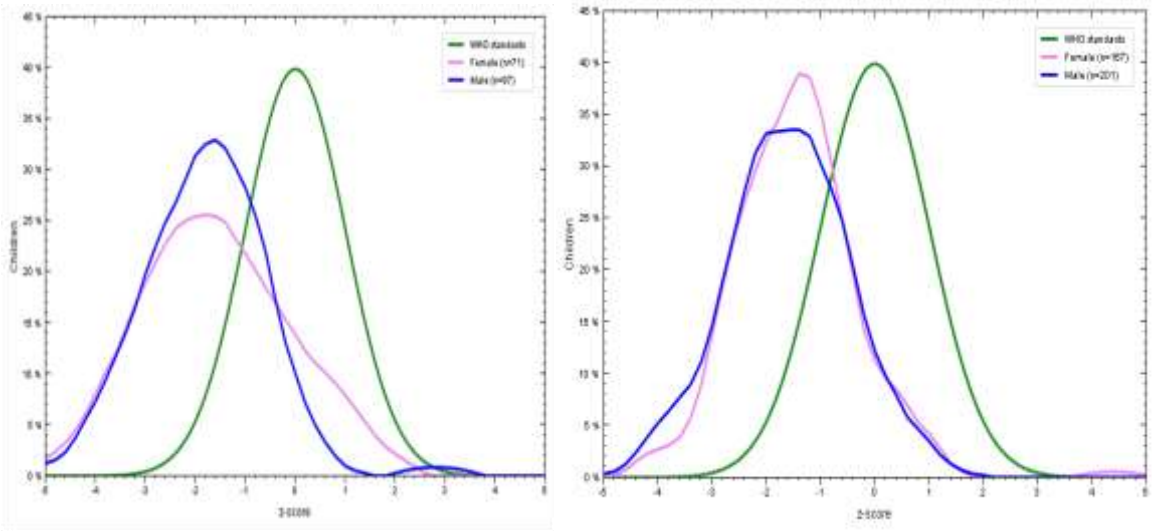
***Receipt of basic income had a statistically significant impact on children's nutrition, in both general and tribal villages, particularly on nutrition levels of female children.*** Before the basic income transfers started, the proportion of normal weight-for-age children in the recipient villages under the general pilot (as suggested by z-scores constructed using anganwadi records) was lower than in control villages (39% compared to 48%). However, by the end of the intervention, a 20-percentage point improvement was observed in the former set of villages (from 39% to 58%). In comparison, the increase in control villages was a modest 10 percentage points (from 48% to 58%). Further, while the nutritional status of boys improved in both types of villages, there was a rise in the proportion of girls with normal weight-for-age in basic income villages (a 25 percentage point improvement compared to a 12 percentage point improvement in control villages). The difference was statistically significant. In effect, as Figure 4 indicates, the weight-for-age distribution particularly for girls shifted towards the right, towards normal in general villages receiving the basic income. Interestingly, the improvement in z-scores for girls was higher in SEWA villages suggesting that having a voice organization for women can heighten the impact that basic income transfers can have on nutritional outcomes, particularly that of girls.

> A 25-percentage point improvement was observed in the proportion of girls with normal weight-for-age in 'general' villages receiving the basic income payment. In comparison, the nutritional status of girls in control villages improved by only 12 percentage points over the period of the cash transfer.

***Disaggregating the weight-for-age scores by social groups, transfers under the general pilot were found to be progressively benefiting, in that children from ST households recorded the greatest improvements and the least improvements were recorded for children from general category households.*** In contrast, in the tribal pilot, while improvements in nutrition levels were recorded for basic income recipient households, the difference between them and the improvements recorded by control households was not statistically significant. This could be on account of the high levels of malnourishment in these villages, before the start of the project. So even though some improvements were observed, they were not enough to show up in a significant rise in numbers of 'normal' weight-for-age children.

**Figure 4: General pilot: Weight-for age distribution for BI villages, by gender**

a. April 2011 b. September 2012



Source: Anganwadi records for April 2011 and MPUCT FES data for September 2012

***Basic income improved capacity of households to buy from the market, resulting in a qualitative shift in their food basket; but more money did not result in more expenditure on alcohol.*** Households receiving the basic income reported a higher propensity to consume fresh vegetables and milk. Their ability to do so was more pronounced in the tribal pilot where basic income beneficiaries reported a substantial rise in consumption of more nutritious food like pulses, vegetables, eggs, fruits, fish and meat. **No evidence was found of an increase in spending on alcohol, either in the general villages or the tribal pilot.** If anything, when asked whether they were buying more or less of specific food items, a slightly higher proportion of households in basic income villages in both sets of pilots said they were buying less alcohol than before.

***Regular, basic income payments facilitated a more rational or considered response to illness, through more regular medication, and for some households, through more intake of food.*** While the period of the pilots was too short to expect any observable effects on health, interestingly enough households receiving the basic income reported a lower incidence of illness at the end of the intervention than those that had not been receiving them in both general and tribal villages. The difference was more striking in the tribal pilot: while households in the control village were more likely to report an incidence of illness (70% had at least one person ill in the three months before the end of the transfer), a lower proportion in the basic income village (about 58%) reported an illness in that period. A majority of basic income recipients in both pilots perceived an improvement in their health and attributed it to basic income payments. When asked how the transfers had helped, most in the general pilot agreed that the basic income had enabled them to buy medicines (66%); some spoke of having food more regularly (27%); while some said that the payment had helped improve their health by reducing anxiety levels (16%). Interestingly, Scheduled Tribe respondents put more weight

> Majority of individuals receiving basic income in the general pilot perceived an improvement in their health and attributed it to receipt of the cash transfer. Of those who perceived an improvement, 66% said the improvement was because they could afford to take medicines more regularly.

on regular food intake as a reason for a perceived improvement in their health, relative to other groups, emphasizing the importance of food sufficiency for this vulnerable group.

***Basic incomes also afforded families more choice in the type of health service to use and in the timing of seeking health care.*** Over the course of the pilots, the use of government hospitals as a first port of call when ill declined in the general basic income recipient villages slightly and the use of private doctors and hospitals increased. A similar trend was observed in the tribal BI village while in the control village, households increased their reliance on traditional home remedies. While the project does not make a claim that private services are better than public, what is clear is that when given a choice, more people opt to pay for the private service. Perhaps this is a switch from government to private. Perhaps it is also a tendency to opt for treatment than forego any. What is more noteworthy is that the basic income seems to allow preventive responses to illnesses. In the general pilot for instance, the basic income allowed people to take medicines more regularly. In fact, the impact of basic income in this regard (vis-à-vis regular intake medicines) was stronger in SEWA villages, suggesting that additional work undertaken by SEWA (e.g. information campaigns around health and healthcare facilities) had had an impact. Similarly, more people in the basic income villages took out a health insurance (7.6% of all households) compared to 2.5% households in control villages under the general pilot.

***Basic income payments reduced the burden of households to fund their health expenses through a vicious cycle of debt.*** Borrowing for hospitalization expenses was lower in basic income villages by the end of the general pilot (at 46%) compared to control villages (55%), with the difference being statistically significant. Instead, more cash recipient households said they had used their own income/savings to pay for hospitalization. What was even more encouraging was that SC and ST households in the general pilot tended to rely less on loans than their counterparts in control villages. So while around 64% of SC households and 68% of ST households with an incidence of illness in control villages had used loans and/or mortgaged their assets to fund hospitalization expenses, in basic income villages 52% of SC respondents and 46% of ST respondents did so. Consistent with the findings from the general pilot, BI recipients in the tribal pilot borrowed less on interest than households in the control village: some 50% borrowed to fund hospital treatment in the former, compared to 58% in the latter.

Borrowing for hospitalization expenses was lower in basic income villages by the end of the general pilot (at 46%) compared to control villages (55%).

***Unconditional basic income payments had a salutary impact on enrolment levels, particularly that of girls, and more so girls in villages where SEWA was present.*** One of the strongest findings of the pilot was the ability of basic income to check the tendency of households pulling girls out from schools. While only 36% of girls of secondary school going age were enrolled in schools in the control villages in the general pilot, nearly 66% of girls of the same age cohort were going to school in basic income villages by the end of the intervention (Table 2). Interestingly, enrolment levels, more so for girls, were highest in basic income villages with a SEWA presence. In the tribal pilot, the basic income arrested the tendency of children dropping out from schools. So, while a 17-percentage point decline was

While only 36% of girls of secondary school going age were enrolled in schools in the control villages in the general pilot, nearly 66% of girls of the same age cohort were going to school in basic income villages by the end of the intervention; girls' enrolment was highest in villages where SEWA was present.

observed in school enrolment in the control village, only a 3-percentage drop was seen in enrolment levels in the basic income village over the course of the tribal pilot. These correlations are encouraging in that they testify to a positive effect of the basic income on school enrolment, which importantly arises without imposing any conditionality.

**Table 2: General Pilot: School Enrolment by type of village, age and gender**

| **Age (in years)** | **Male** | | **Female** | | **Total** | |
|---|---|---|---|---|---|---|
| | BI Villages | Control Villages | BI Villages | Control Villages | BI Villages | Control Villages |
| **6-10** | 98.0 | 93.5 | 97.3 | 94.3 | 97.6 | 93.9 |
| **11-13** | 94.8 | 96.7 | 96.5 | 83.6 | 95.7 | 90.1 |
| **14-18** | 84.4 | 65.6 | 65.0 | 36.1 | 76.0 | 51.3 |

Source: MPUCT FES, 2012; n=3061

***Receipt of basic income also facilitated an increase in school spending – on items such as uniforms, shoes, and books in both pilots.*** Total expenditure by families on schooling as well as on different school objects was higher in basic income villages by the end of the general pilot. While no statistically significant differences were seen in villages where SEWA was not operative, households residing in villages with a SEWA presence and receiving the basic income spent nearly 82% more on sending their children to schools compared to households in control villages, with a SEWA presence. Further, and in what was a heartening trend, expenditure on schooling of girls was decidedly higher among households receiving the basic income in the general pilot, more so among households in SEWA villages. A similar development was observed in the tribal pilot. Like their counterparts in the general villages, BI recipients spent more on educating their girls than before the payments started. Afterwards, the total mean expenditure on educating girls increased by nearly 88%, suggesting that cash transfers had a salutary impact on the schooling of tribal girls. The case studies further provided testimony on how small expenditures, such as those on shoes, helped these children overcome small barriers (specifically poor appearance) to attendance. No longer 'dirty' or unkempt, children from vulnerable tribal households could now attend schools without a sense of 'shame'.

***Along with an increase in schooling, the basic income had a positive effect on waged child labour, especially in SEWA villages under the general pilot.*** There was a 20% reduction in child wage-labour in the general basic income villages compared to a 5% drop in control villages, with the difference being statistically significant. In the tribal pilot there was an interesting paradox as child labour for wages reduced and labour for own-account work increased. Children in Ghoda Khurd (the basic income village) were *more likely* to work than those in Bhilami (control village). But their work was *less likely* to affect their schooling. So, 36% of children in Ghoda Khurd worked as opposed to 26% in Bhilami, but only 16% said their schooling was adversely affected, as opposed to 37% in the control village.

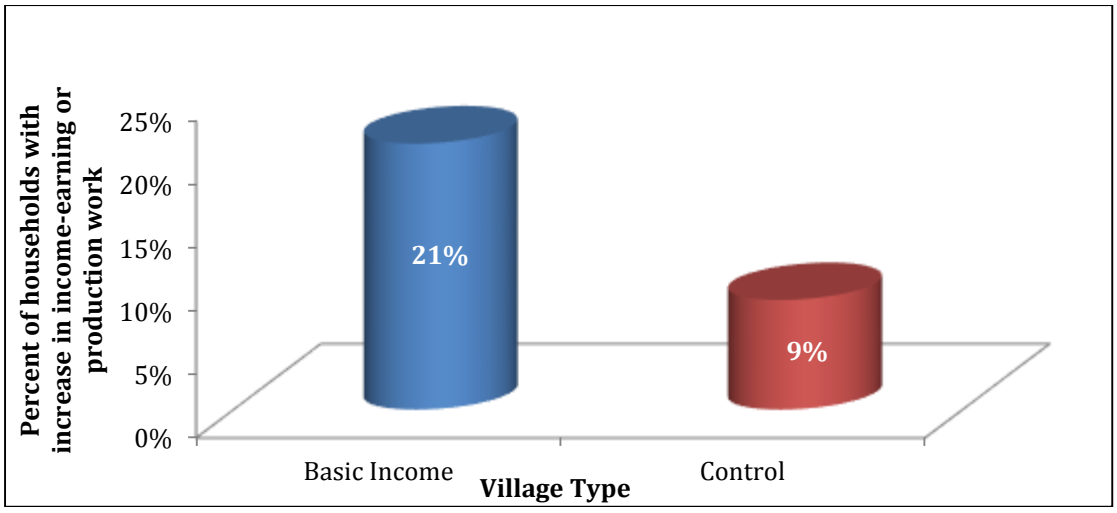
There was a significant increase in own account farming in the tribal village receiving the basic income; in the control village in contrast, wage labour remained the primary occupation for most households.

***The basic income did not reduce the level of migration but it did change the pattern, especially in the tribal villages.*** The general villages had a low rate of migration (about 5%), and the basic income had no impact on it. The tribal villages had a much higher rate of migration: 29% in the BI village and 20% in the control village. The top most reason given for migration by families in both tribal villages was to seek work. However, six months into the tribal pilot and by the time of the Interim Evaluation Survey, only 20% of those migrating from the tribal BI village said they were migrating to seek labour, whereas 36% of those in the control village said so. In fact, and by the time of the FES, about 40% of migrations in the tribal BI village were on account of schooling, compared with under a quarter in the control village.

The pattern of migration changed in the tribal village receiving the basic income: from migration for labour to migration for schooling.

***One of the most important findings was the growth of productive work in both general and tribal villages, leading to a sustained increase in income.*** Nearly 21% of basic income recipient households in the general pilot reported an increase in income-earning work or production, compared with just 9% of the control households (figure 5). The transfers also seemed to be progressive. More SC households receiving the basic income reported an increase in economic activity (19.4%), whereas only 7.2% of SC households in control villages said they had experienced an increase. The difference was not statistically significant for other social groups.

**Figure 5: General pilot: Percent of households with increase in income-earning work, by village type**

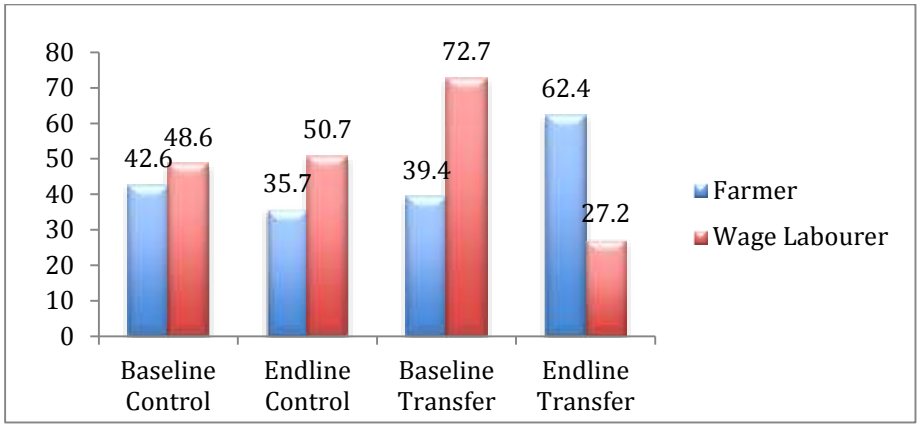



Source: MPUCT FES, 2012, n = 2016

***In the tribal villages, perhaps the biggest impact of the project was to enable small farmers to spend more time and also invest on their own farms as opposed to working as wage labourers.*** The monthly cash transfer ensured that daily expenses such as those on food could be met by tribal families, thereby allowing them with some extra funds to buy seeds and fertilizers. Figure 6 below shows the shift in how people reported what their primary occupation

was in the tribal pilot baseline and then in the FES or the endline. Whereas in the baseline, less than 40% of households in the tribal cash transfer village said they were farmers, by the end of 12 months, this number had risen to over 62%. Conversely, only 35% of control village households said that they were farmers by the end of the project, the rest earning their living as labourers.

**Figure 6: Tribal pilot: Shift in proportion of time spent on own farm vs as wage labourer**




***Multivariate analysis using data from the general pilot suggested that receipt of the basic income was strongly associated with diversification into a second activity combined with a primary one.*** By the end of the general pilot, 21.9% of all adults in the basic income recipient villages and 22% in the control villages had some second economic activity, compared with 19.1% and 20% respectively at the start. It is notable that the basic income payments induced some more villagers, especially more women to start a second main economic activity.

***For the general villages, the multivariate analysis also revealed a positive and significant effect of basic income on the number of hours worked.*** Households receiving basic income under the general pilot had nearly 32% higher odds of working more hours than households not receiving the payment. Women too appeared to have had higher odds of putting in more hours in their main and secondary activity than men. Similar results were obtained in the tribal pilot: individuals in the village receiving the basic income significantly increased their days of work, whereas no change was seen in the control village. In fact, in the former village, by the end of the pilot, around 52% individuals reported getting 11-20 days of work in a month (up from 43.5% at the start of the pilot). In contrast, the percentage reporting getting that amount of work fell in the control village over the course of the pilot.

***One of the reasons for increased income and productivity was the increase in productive assets, especially in the tribal village.*** In the general pilot, households that received the basic income used it to buy productive assets. There were increases especially in ownership of sewing machines and tube wells, but these were not statistically significant. In the tribal pilot, however, there was a major increase in livestock in the cash transfer village, which had implications for economic activity and household income. In the said tribal village (i.e. Ghoda Khurd), small livestock increased from 424 to 633 in number and large livestock increased from 259 to 323 between the baseline and FES. During the same period, in Bhilami (the control tribal village), small livestock decreased in number from 466 to 355 and big livestock decreased from 207 to 190. Households in Ghoda Khurd also reported a statistically significant increase in wells and ploughs, by 34% and 48% respectively vis-à-vis a 13% and 9% increase in the control village.

***Women's empowerment was one of the more important outcomes of this experiment; most women receiving the basic income thought they could participate in decisions on spending their basic income.*** In other words, the basic income appeared to have made household decision-making more equitable than before. In the general pilot, 54% of women in basic income villages reported that household income was shared equally, compared to 39% women in control villages. This was also true for decision-making dynamics in the tribal pilot. Between the time of the baseline and the end of the pilot one-year later, in the basic income tribal village there was a perceptible shift from a strong norm of the household head deciding on how income was spent to a weaker norm and a relative shift towards equal decision-making. The change within the basic income households as compared to the control households was highly significant statistically.

***Individual accounts and individual transfers strengthened women's control over finances.*** When asked whether they preferred payments into their individual accounts or into family accounts, fewer women in the basic income 'general' villages said they preferred a family account—40% as compared to 47% of men. More women were likely to prefer an individual account. The question on whether the money should be given to the household head or the individual yielded a similar pattern of responses, with over 42% of women preferring individual transfers compared to 34% of men.

Women in basic income villages participated more in household decision-making.

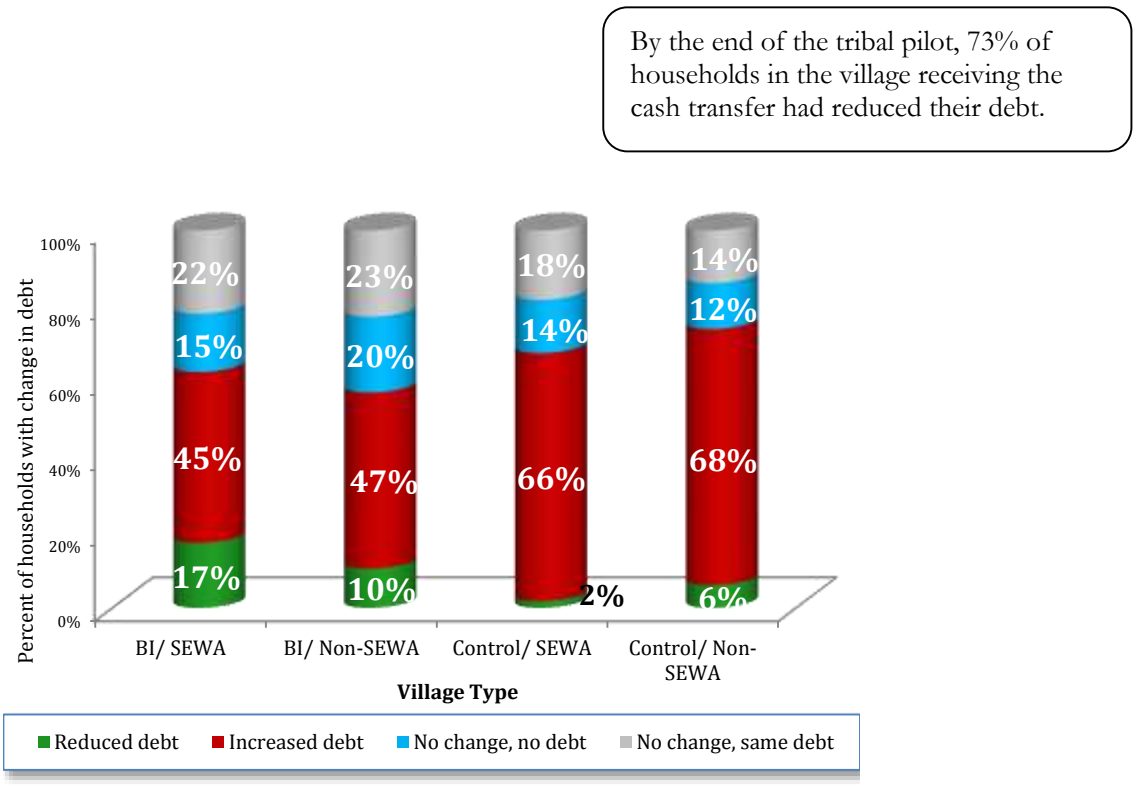
***Women and girls also benefited disproportionately from the basic income in terms of nutrition, health and education outcomes.*** As discussed earlier, the z-score index on nutrition suggested that girls experienced a greater drop in malnutrition than boys of the same age group in the general village pilot. There was also some evidence that girls gained parity in diets and as a result gained in relative terms. Into adulthood, there was evidence that women in general – and disabled women in particular – gained relatively more in terms of access to food and in their dietary balance. Female students benefitted more than boys with the secondary school enrolment going up among girls in families receiving the transfer under general pilot. In the tribal BI village, impacts were seen on women's healthcare: more tribal women in the BI village (Ghoda Khurd) accessed health facilities and took medicines regularly than in the control village. In the tribal baseline, when respondents was asked what form of medical treatment was first taken, 22% of women in Ghoda Khurd said that they tried "home remedies", whereas only 8% of men said that. However, by the end of the tribal pilot at the time of the FES, this had changed significantly, with less than 2% of women in Ghoda Khurd saying their first option was home remedy. Like the men, they too went to the local medical practitioner or to the private or government hospital.

***Women who received the basic income increased their labour and work relative to women who did not, particularly in the tribal village where women's labour force participation increased by 16%, while it scarcely changed for men.*** One reason for this was the shift to own account work, which was particularly significant in the tribal village where the share of women doing it rose from 40% to 60%, while in the control village it actually shrank. Another reason for the shift was that small-scale and marginal farmers in the tribal village were able to farm their land. The share of women in the tribal BI village, whose primary activity was farming almost doubled, rising from 39% to 66%. There was a 6% increase in BI recipient households owning assets such as sewing machines, whereas the number fell among the control group.

Similarly, assets such as livestock were also bought which had implications for household income and women's work.

***Basic income had a direct impact on indebtedness of households.*** Households receiving the basic income in the general pilot villages were less likely to have increased their debt, six months into the intervention, and were in fact more likely to have reduced it, with the difference between them and households in control villages being statistically significant (figure 7). In the tribal pilot, while in the baseline both the control and transfer village had two-thirds of households in debt of some form or the other, in the latter, after six months, 18% of the households reported that their debt had reduced. After 12 months, 73% of basic income recipient households reported that their debt had reduced.

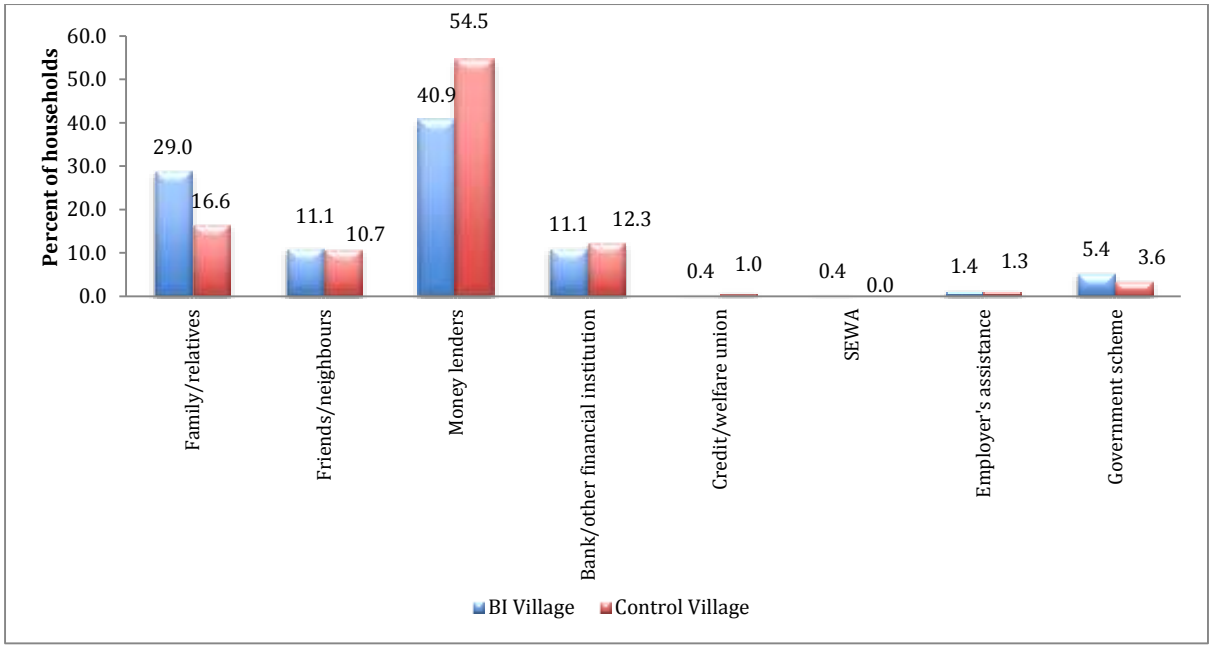
**Figure 7: General pilot: Percent of households by change in debt and village type**




Source: MPUCT IES, 2012, n = 875

***Basic income enabled households to shift away from harsher forms of borrowings to more benign forms.*** Figure 8 shows that during the most serious shocks, households in the general pilot villages usually depended on moneylenders, followed by relatives and then friends and neighbors. However, when we compare households in the BI villages with those in control villages, the latter were more dependent on moneylenders. In the BI villages, in contrast, reliance on relatives was much greater.

**Figure 8: General pilot: Main source of finance during shocks in past 12 months**




Source: MPUCT-FES, 2012, n=587

***The basic income also enabled households living in the general pilot villages, access many government schemes.*** At the start of the general pilot, an assessment suggested that there were as many as 321 government schemes in the 20 villages covered by the general pilot that were aimed at addressing poverty and social protection. Most of them were targeted schemes with different types of conditions. The basic income helped households in these villages to obtain many of these schemes. For instance, the PFES examined access to 32 schemes in two cash transfer villages and found that having cash in hand allowed families in these villages to buy from the ration shops, take transport to government hospitals, open bank accounts etc. Table 3 below reveals some of the benefits.

**Table 3: General Pilot: Households eligible for and obtaining specified schemes, and whether basic income helped**

| Scheme | Eligible for scheme | Of those Obtained scheme | Basic income helped |
|---|---|---|---|
| Subsidized grain | 75% | 60% | 73% |
| Subsidized kerosene | 93% | 92% | 63% |
| Old age pension | 41% | 12% | 9% |
| Widow pension | 21% | 22% | 6% |
| Ladli Laxmi Scheme | 35% | 53% | 5% |
| Janani Suraksha Scheme | 34% | 50% | 11% |
| MGNREGA | 81% | 22% | 2% |
| Bicycle scheme (school) | 23% | 53% | 15% |
| Janshri Beema Yojana | 55% | 4% | 57% |
| School Uniform | 34% | 70% | 21% |
| Government Hospital | 91% | 60% | 37% |

Source: MPUCT PFES, 2012, n = 698, 649, 598

## Concluding Reflections

The findings from the quantitative study combined with the qualitative case studies and focus group discussions led us to formulate some conclusions, which could show a way forward into policy directions.

***Unconditional Cash Transfers are beneficial and the benefits build on one another.*** For one, our findings suggest that households use cash transfers wisely and do not dissipate it in wasteful ways like spending it on alcohol. This is even more important because the pilots did not impose any conditions. However, and crucially so, lack of conditions did not induce people to spend money in ways against their own interest. On the contrary they spent it on nutrition, health, education and productive assets among other things. This finding from the study removes one of the fears that is often voiced about cash transfers. Two, the unconditional nature of cash transfers meant that transfer became easy once a bank account was opened and recipients did not have to spend time and energy to get proof that they had fulfilled certain conditions, thereby increasing the take-up rate to over 98% of the households. Finally, the benefits of unconditional cash transfers usually built on one another, and therefore had a true emancipatory effect on households. For example, increased schooling increased schooling reduced child labour; productive assets increased income which increased access to nutrition; reduced debt freed up incomes for productive work etc. While this project was not intended as an attempt to compare conditional and unconditional cash transfers, data emerging from the pilots leave little doubt about the overall benefits of 'unconditional' cash transfers, including the ease of such transfer.

- *Recommendation 1: Unconditional cash transfer or basic income schemes can be tried out as pilots by governments in different states, and where they are successful, they can be adopted as a means of social protection.*

***Universal financial inclusion is possible and desirable and cash transfers along with financial intermediation, further hasten the process.*** Coincidentally, while the pilots were taking place, there was an intense debate in the media on the need for financial inclusion. The pilots were able to demonstrate that a regular cash transfer, such as that in the project, led to rapid opening of bank accounts. They were also able to underscore the important role "financial intermediaries" can play. But underlying it all, was the empirical evidence that when given a reason, people do open accounts in financial institutions. Furthermore, they use these accounts not only to receive benefits, but also for savings and in some cases for accessing loans.

- *Recommendation 2*: *The present campaign of the Government towards the "Jan Dhan Yojna" demonstrates its willingness to invest social and financial resources to achieve financial inclusion. A scheme of cash transfers tied up with such a program can increase people's willingness to open accounts, leading them into mainstream financial operations. Cash transfers and financial intermediation can facilitate rapid financial inclusion.*

***Deepening financial services requires doorstep banking and a better system of banking correspondents.*** Financial inclusion means more than just opening a bank account; it requires strengthening people's capacity to actually operate that bank account, to save, borrow and undertake financial planning. Since the bank branches are far from villages and understaffed, doorstep banking is the only solution. Other than the banks, there are many financial institutions such as co-operatives, SHG federations, micro-finance agencies that do provide doorstep banking. This experiment demonstrates that using such institutions can facilitate more genuine financial inclusion. The Banks and the Reserve Bank of India have been promoting a system of "Banking Correspondents" (BCs) all over the country. Unfortunately, we found this system to be more or less non-operational, mainly because the BCs could not earn even a modest living from it, and because they did not get the full co-operation of banks.

- *Recommendation 3: In order to derive the full benefit of basic income, the Banking Correspondent model needs to be re-examined by the RBI and needs to be made more remunerative and easier to operate.*

*Individual accounts and individual transfers lead to empowerment of the more vulnerable sections of people.* During the course of the pilot there was internal debate in the project team as to whether the transfers should be individual or household based. Eventually, the project decided on paying money into while accounts, after extensive consultation, especially with villagers. The findings of the study further reaffirmed the need to do so: individual transfers in fact gave more control of money to vulnerable sections especially women, disabled and the elderly.

- *Recommendation 4: For unconditional cash transfers to be effective, especially for vulnerable sections of society, they should be paid individually to members of a household, rather than at the household level to one member such as the household head.*

***The involvement of a voice agency helps the basic income to work optimally.*** One of the unique features of this project has been that the pilots have been designed to try to identify the impact of both the basic income and independent voice, the underlying hypothesis being that the strength of positive effects of the basic income would be augmented by the existence of a collective body able to assist, advise and support vulnerable recipients. These expectations were borne out by the data in most respects, if not all. In fact, the data showed that basic income linked with SEWA activities produced better results vis-à-vis families using health and education services. Also being a member of SEWA tended to make households less averse to taking risks.

- ***Recommendation 5:*** *While the project recognizes that SEWA is a particular type of collective organisation, which has stronger effects on some issues than on others, it is reasonably confident in recommending involvement of a body such as SEWA, so as to enhance the impact of cash transfers, as well as smoothen the process of financial inclusion. The main role of such an organization should be to help in the education of recipients on how to acquire and manage money and in how to protect their new economic and social right that an unconditional basic income provides. This educative function is vitally important in communities where cash in people's hands has been relatively scarce. In other words, financial emancipation, not simple inclusion, should be the goal.*

***Tribal communities can be game changers.*** The tribal pilot conducted under the aegis of this project has shown that basic income can have particularly strong transformative potential in tribal villages.

- *Recommendation 6: The project recommends basic income pilots in states with large tribal populations that can be taken up under the tribal sub-plans. Specifically, it recommends that the Government of Madhya Pradesh launches pilots of its own in tribal villages. There are principled and pragmatic reasons for doing so. The principled reasons include knowledge that tribal villages are among the most deprived and vulnerable communities in the State and in India generally. These communities have also been centres of social discontent, ripe for becoming recruitment centres for extremist groups. Basic incomes offer the strong prospect of inducing a transformative development in these communities. The pragmatic reasons for proposing a trial basic income scheme in tribal areas is that they are relatively self-contained communities and are thus relatively easy to administer for a pilot. And a pilot of this kind could allow the MP Government to refine its new Three Pillar Model of Samruddhi.*[9]

***Cash transfer plans should be rolled out slowly and carefully.*** Most states have upward of 300 schemes focusing on the poor, the vulnerable and the deprived. The Government of Madhya Pradesh and other State Governments are working towards convergence and conversion of many schemes into cash transfers. But it cannot be done overnight. To succeed, cash transfers must be rolled out slowly and methodically across individual states and across the country, step by step.

- *Recommendation 7: Basic income or other cash transfer systems should be phased in before existing subsidy schemes are replaced or phased out.*[10] *This approach would pay social*

[9] It is worth noting that the Chief Minister of Madhya Pradesh has initiated Chief Minister Choupals and has held a series of panchayats with diverse social groups, including tribals. These are promising initiatives. And there would seem to be adequate funds available for a series of pilots that would fit that strategy. That could be used in part to fund a serious pilot in at least two districts of MP and/or cover a wide variety of tribal communities.

[10] This was advocated in a public article at the time of the Government's launch of pilot cash transfer schemes that did not apply this principle. G. Standing, "How to make cash transfers work", Indian Express, December 17, 2012. www.indianexpress.com/news/how-to-make-cash-transfers-work/1046254/0

*dividends later, since it would mean that low-income families would not face the initial risk and potentially severe cost of not obtaining the cash transfers while losing access to subsidised goods.*[11]

*To conclude, there is a great deal of discussion about cash transfers in the media today. We offer this evidence-based study on unconditional cash transfers as part of the on-going policy discussion.* It is crucial that policymakers handle what might be called the micro-politics of social policy reform with sensitivity. If the progressive principles of unconditional cash transfers are to be preserved and enhanced, it will be crucial to show that "basic incomes", or whatever they turn out to be called, are not being introduced as a means of lowering state benefits, let alone as a means of rolling back the state commitment to improving the welfare of the Indian population. They must not only be seen as being progressive but as not being a step towards the dismantling of public and universal social services. On the contrary, they should be seen as helping to make public services function better. In this regard, the "revealed preferences" of villagers should be interpreted correctly. Some used their basic income to turn to private schooling or private medical care. This does not mean that either public schooling or public healthcare is undesirable per se. However, it does suggest the quality and accessibility of those vital public services must be improved.

Among the critics of what transpired, see S. Prasad, "Lots of glitches to iron out in India's cash transfer scheme", Inside India, May 6, 2013. www.zdnet.com/lots-of-glitches-to-iron-out-in-India-cash-transfer-scheme-70000114906/

[11] This was recommended in the study of the Delhi Government and UNDP, undertaken by SEWA in 2010, where a "Policy of Choice" was recommended for moving from PDS to cash transfers.

## Chapter 1: Cash Transfers: A Review of the Issues in India

### 1.1.Introduction

The Indian debate on cash transfers has been particularly impassioned. Often, social scientists, mainly economists, have taken strong positions on either side and to complicate the issue further, the criteria for judging success of alternative policies have usually been left vague.

This introductory chapter reviews the issues as they have been debated in India. It begins with an appeal for more precise terminology, as transfers come in many forms. With that in mind, this chapter considers ways by which cash transfers could be made, and the challenges each raises, and sets the scene for the description of the pilots that form the subject of this report. It may be useful to start by reiterating principles that should be used to evaluate any social policy and the evolution of our own perspective before and during the course of the project.

### 1.2. Policy Evaluation Principles

How should the success or failure of any social policy be judged? Although policies are generally judged by whether the outcomes match the stated objectives, evaluations need to be more holistic and take into account fundamental principles of equity and social justice.

Thus a policy or scheme that makes entitlement conditional on families sending their children to school might be judged a success simply if the school registration rate rises. But if the poverty and use of time of the family worsen, then overall that policy might not be judged a success. Similarly, a scheme might reduce poverty simply because a lot of money is spent. But unless it is shown that the spending was more effective than feasible alternatives, we should be wary about declaring it a success.

However to evaluate policies properly one should go beyond measuring trade-offs of particular benefits and go beyond economic criteria. Social policies should be judged by ethical principles. Merging different ethical values is often difficult. But one can fairly easily blend perspectives into a coherent set of principles (Standing, 2009). Principles drawn from the ethical system of progressive liberalism could be:

* The *Security Difference Principle*, drawing on John Rawls' liberal theory of social justice (1971): This states that a policy is socially just only if it lessens the insecurity of the most insecure groups in society. If a policy helps others but does not help the most insecure, it is unlikely to be socially 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 in society.

* 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 only 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.

To these should be added principles drawn from a Gandhian perspective, as adapted by SEWA for practical application:

- The *Swadeshi Local Production Principle*: As far as possible, products and services required to meet basic needs should be produced locally. This ensures that wealth grows within villages and that communities are strengthened.

- The *Swaraj and Self-reliance Principle*: Literally meaning Self-rule, this has been interpreted by SEWA to mean self-reliance of individuals, families, communities and villages.

- The *Non-Violence and Harmony Principle*: This Gandhian value emphasises a way of life in which co-operation rather than competition is the norm, and where people can live in harmony with nature.

- The *Weakest at the Centre Principle*: This states that the most vulnerable should be strengthened first and any policy must ensure their economic and social security.

Clearly, the final Gandhian principle is another way of expressing the Security Difference Principle. However, all these principles merge into an ethical framework for evaluating any policy.

### 1.3. What is in a Name?

In 2009, in Indian policy making circles, it was still presumed that cash transfers were marginal in Indian social policy. In 2010, that began to change and positions sharpened. This stemmed from the view that Conditional Cash Transfers (CCTs) were a success across Latin America, which led to a conversion among staff within the World Bank.

That conversion fanned opposition by 'leftist' economists, suspecting it was a ruse to cut public services. As some on the political right evidently did have that objective, the debate rapidly became clouded by ideology. This continued through 2011 and 2012 and crystallised in acrimonious exchanges between advocates of cash transfers and the PDS, or more simply "cash" versus "food".

In 2013, two initiatives were launched by the UPA Government that left the ideological conflict unresolved. While "direct benefit transfer" (DBT) pilots were launched, the Food Security Act became a law. Both were presented as "game-changers", even though they pulled in opposite directions.

DBT proponents said it would reduce fiscal leakages, allow portability of benefits and spread financial inclusion, incidentally enabling migrants to send back remittances to deprived local communities. Proponents of the Food Security Act claimed that leakages would remain high even if the food subsidy were monetized, because of problems in the targeting, by using Below Poverty Line (BPL) lists known to be riddled with errors of exclusion and inclusion.

Their preferred solution was to universalise India's Public Distribution System (PDS) and to reduce leakages (by reducing food prices so sellers did not have an incentive to hoard subsidized grain and sell in the open market, or by adopting GPS and SMS technology to streamline PDS procedures). In turn, sceptics remained convinced that rolling out a complex, inefficient subsidy scheme would merely intensify the bureaucratic raj. But in any case the general election of early 2014 changed the context.

Another drawback of the debate around cash transfers is that commentators have used the term with different ideas in mind. There are four types of 'cash transfer' – incentives, subsidies, bonuses and benefits. Until recently, the first two have predominated, with occasional populist resort to the third.

Cash incentives are sums given to individuals if they do something the state wishes to encourage (such as 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 conditional (paid only if the person does something specific in return).

Old age pensions for example are unconditional cash benefits targeted and paid to selective groups (in the case of India, those above the age of 60 and in possession of a BPL card); but they do not require the beneficiary to do something specific in return. The Janani Suraksha Yojna on the other hand is a conditional cash incentive that requires selective groups (in this case pregnant women) to give birth in public hospitals to be able to qualify for the incentive.

Given the debate around cash versus public services in India, both UNICEF and SEWA, respectively the donor and the implementing agency of the pilot, did not want to be seen as taking an ideological position that cash transfers are better than public services or vice versa. The objective was to pilot an unconditional cash transfer scheme and generate evidence on its efficacy and outcomes. This was further reaffirmed by the poor knowledge base on outcomes of unconditional cash transfers in India.

For the purposes of the pilot, therefore, an alternative name was decided for unconditional cash transfers, a name that could be seen as compatible with either ideological position, but which did not have the baggage that the term cash transfers has acquired. Perhaps "basic income" or "citizen's income" is the goal to pursue.

Basic income is usually defined as a sum paid regularly, in money, to individuals, without conditions, as a universal rights-based payment, paid as an equal amount to all adults, or

citizens.[12] It does away with means-testing, and the exclusion and inclusion errors of measuring poverty lines. It thus removes poverty traps, in which anybody going from a low income to a slightly higher income would lose as much or more in lost benefits.

The pilots were called the Madhya Pradesh Unconditional Cash Transfer (MPUCT) Pilot and the Tribal Villages Unconditional Cash Transfer (TVUCT) pilot. The design of the pilot resembled that used for any basic income payment in that the payment was a sum regularly paid in cash, to all individuals within the pilot villages, without conditions.

This introductory chapter reviews the debate on cash transfers in India. It considers the claims and counter claims made about cash transfers and sets the scene for the description of the pilots that form the subject of this report. Before reviewing the arguments in favour of and those against cash transfers, it is appropriate to recall those made about the main alternatives to alleviating economic insecurity. These can be called the Commodity Line (providing food or other commodities for free or at subsidized rates for those designated as 'the poor') and the Labour Line (provision of labour, in return for monetary payment or food). Together with cash, they present the main ways by which successive governments have tried to reduce poverty or economic insecurity.

## 1.4. 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."*

Former Prime Minister of India, Manmohan Singh[13]

The main approach taken in India has been through subsidies, involving a vast bureaucratic edifice. It rests on provision of subsidized food and kerosene through the Public Distribution System (PDS). Managed jointly by the central and state governments, the PDS is a targeted scheme that is meant to provide subsidized staple food – wheat, rice and sugar – and kerosene through a network of fair price shops, commonly known as ration shops. In coverage and public expenditure, the PDS is the main subsidy offered to help the economically insecure.

Providing subsidized food is costly and provides low-quality food.[14] The Deputy Chairman of the Planning Commission, Montek Singh Ahluwalia, said in 2009 that only 16% of the food allocated to the PDS reached the poor.[15] The Commission estimated that only 27% of PDS

[12] http://www.basicincome.org/bien/aboutbasicincome.html

[13] Speech of Manmohan Singh, at the inauguration of the golden jubilee year of the Institute of Economic Growth, 15 December 2007, available at < http://pmindia.nic.in/lseech.asp?id=629>.

[14] There is also a 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 the PDS helps large-scale farmers to the detriment of smallholders. U. Misra and N.S. Ramnath, 'Are direct cash transfers better?', *Business.in.com,* 21 March 2011, http://business.in.com/article/briefing/are-direct-cash-subsidies-better/23422/0

[15] Reported in *The Economist*, 10 September 2010, p. 30.

expenditure reached low-income groups, and the Finance Minister described it as "an albatross around our neck and an opportunity for rent seekers to enrich themselves". Whatever the figure then, inefficiency has remained chronic.

That the subsidized items do not reach the poor partly reflects poor targeting. The mechanism used is the BPL list, which has vast inclusion and exclusion errors, as numerous studies have shown. There have also been differences between the caps on 'officially poor' set by the Planning Commission and the number with such cards, as identified by the states. In Bihar for instance, the Government of India capped the number of BPL families at 7.3 million, whereas the state BPL figure was 12.6 million families. So, over five million were automatically excluded. In short, targeting was seriously faulty over many years.

Another flaw is inadequate availability of food and non-food items in ration shops. This is largely due to the dual price system the government uses in making commodities available to shop keepers. There has been a huge difference in the price at which a staple such as wheat is sold in fair price shops (Rs. 2 per kg) and the average market price (Rs. 20 per kg). That gives shop-keepers an incentive to hoard the food in order to sell it in the black market, leaving the consumer who queues at these shops without the subsidized items.

An argument for transferring the PDS into a DBT scheme is that it would undermine this dual pricing. The consumer could approach the ration shop with Rs.2 and their Unique Identification Card, and the shop would sell a kilo of wheat at the market rate, having received the balance (Rs.18 per kg) through a government transfer. A concern is that fair price shops owners, who sell PDS items, would run out of business, unable to make any gains and pay their licences and the onerous bribes. They might self-select out of the system, leaving the government with the task of selling about 60 million tonnes of grain in the market, with considerable risk of corruption. The DBT would not solve the problems of poor targeting, faulty selection of beneficiaries and arbitrary capping of beneficiaries at state level.

Besides long queues, consumers often receive poor quality food from the PDS. Many opt out of the PDS because of stigma associated with buying such items and the cost involved in fetching them.[16] As the poor have the most onerous labour, they are left with inconvenient time schedules to trek to ration shops and wait in queues in the hope that items would have arrived. That they still do so speaks of their reliance on the PDS, despite its flaws, as a source of food security. But aiming for self-selection is scarcely a laudable objective.

While inefficiency and waste characterize the whole PDS, some parts of it are particularly inefficient. As the Finance Minister told the National Development Council in December 2007, the Planning Commission estimated that one Rupee of food cost 3.65 Rupees to administer.[17]

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[16] R. Shrinivasan, 'Against the grain: Ration saga', *The Times of India,* 19 March 2011. ,<www.timescrest.com/society/ration-saga-5015>

[17] Available at: <http://pib.nic.in/release/release.asp?relid=34136>

The inefficiency of the Food Corporation of India (FCI) that is tasked with procuring and distributing food grains is well documented. Supporters of the system whereby government procures food grains at minimum support prices (MSP) through the FCI say it provides income support to farmers, while creating buffer stocks. But many believe state procurement helps large-scale farmers to the detriment of smallholders.[18]

A fundamental drawback with any subsidized-food system is that the Food Corporation of India and the ration shop owners will defend the system, since it gives them a monopoly.[19] This removes any incentive or pressure to ensure the food's quality is high or that it is delivered on time and in adequate amounts. There has been uproar about how food rots in decrepit FCI warehouses and does not reach the fair price shops. Between 2008 and 2012, 36,000 tonnes of grain had rotted in the FCI facilities, enough to feed 80 million people 440 grams each. That was due mainly to stocks being kept in the open (Hindustan Times, 2012). Yet in a country where 60% of the population still depends on agriculture, moving away from state procurement may be politically difficult.

Linked to inefficiency is how subsidies distort markets. Subsidized food acts as a disincentive to producing local food.[20] At the time of drafting of the Food Security Act, critics noted that the extra procurement needed to meet the target of providing subsidized food to over half the Indian population would denude the open market, driving up urban food prices.[21] This was noted at the time 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. [22]

Defenders of the PDS claim that states that have universalised their PDS, such as Tamil Nadu and Chhattisgarh, have reduced leakages, and that the PDS can work optimally.[23] This view lay behind the Food Security Act of 2013, designed to broaden entitlement to subsidized food

[18] U. Misra and N.S. Ramnath, 'Are direct cash transfers better?', *Business.in.com,* 21 March 2011, http://business.in.com/article/briefing/are-direct-cash-subsidies-better/23422/0

[19] In 2011, there were over 505,000 ration shops across the country, all nominally managed by the Food Corporation of India. Much of the food never reaches those shops, because it has been left to rot in decrepit warehouses (go downs being an appropriate name for them).

[20] T. Beesley and R. Kanbur, 'Food subsidies and poverty alleviation', *Economic Journal*, vol. 98, 1988, pp.701–19.

[21] "The Food Insecurity Act", Business Line, The Hindu, August 30, 2013.

[22] J.Winterbottom and M.Bhardwaj, "India increases food subsidies as prices remain high", Reuters, May 13, 2013. http://in.reuters.com/article/2013/05/13/food-security-bill-cost-analysis-idINDEE94C09J20130513

[23] For one robust defence of the PDS, see R.Khera, "Revival of the Public Distribution System: Evidence and explanations", *Economic and Political Weekly*, Vol.XLVI, Nos.44 and 45, November 5, 2011, pp.36-50. This used a sample survey to test the popularity of the PDS. But 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 who have no cards for some reason are relatively likely to be critical of the PDS, for obvious resentment reasons.

to two-thirds of the rural population and 50% of the urban, leading to a vast increase in public expenditure, by 45% according to the UPA Government's estimates. The FSA was to make the consumer's cost of grain about 10% of the market price. Predictably, there were conflicting estimates of the likely cost.[24]

Proponents also say the PDS 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 activist group *Rozi-Roti Adhikar Abhiyan Delhi* in their note of protest against our Delhi pilot cash transfer scheme.[25] We will consider this in the course of analysing the impact of the basic income.

Yet another argument made in favour of the PDS is that it allows for more *local* procurement, storage and disbursement. But even if an improvement in those respects were to overcome distribution problems, and even if corruption were to end miraculously, the PDS would still suffer from structural failings, such as poor targeting.

Finally, PDS supporters argue that complaints about subsidies are more common among those outside their net. An NCAER study in 2010 showed 80% satisfaction among beneficiaries in most states, other than Bihar. They also argued that it helps reduce poverty and improve nutrition. In 2013, Himanshu and Sen, using consumption data, claimed that the PDS accounted for a substantial part of poverty reduction in India between 2004-05 and 2009-10. They claimed that 'those consuming from the PDS are the only group of households that have seen an increase in calorie consumption'. But they admitted that 'there is no counterfactual to test it with what would have happened with cash transfers'.[26]

Nevertheless, as of 2014, the PDS with all its flaws, still remains the main form of security for the poor. Most families, who are able to do so, do use the ration shops. The main reasons given for not using the PDS are (i) low quality of the food, (ii) the unreliable supply of food, (iii) stigma associated with being a claimant, and (iv) the amount of time it takes to apply and go for subsidized items. In Gujarat, we found that many of the reasons why people were not covered by the PDS, were to do with the design and quality of the PDS, poor infrastructure and the villagers' situation.[27] Others have reported similar outcomes elsewhere.

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[24] See, e.g., S.Bhalla, 'Manmonia's FSB: 3% of GDP, *Financial Express*, July 6, 2013; B.Ramaswami, M.Murugkar and A.Kotwal, 'Correct costs of the Food Security Bill', Financial Express, November 15, 2013.

[25] 'We want food, not cash! Universalise and strengthen the PDS', Delhi, March 2011.

[26] Himanshu and Sen mentioned self-selection in their defence of subsidised food. But it is notable that they stated that "78% of the bottom rural quintile accessed some in-kind food transfer". The key word is "some". Critics would say that many obtain something, but not very much or not much of any good. Himanshu and A.Sen, "In-food transfers – 1: Impact on poverty", *Economic and Political Weekly*, Vol.XLVIII, Nos.45 & 46, November 16, 2013, pp.46-54.

[27] G.Standing, J.Unni, R.Jhabvala and U.Rani, *Social Income and Insecurity: A Study in Gujarat (*New Delhi, Routledge,,2010).

In sum, in the light of all the complaints and well-established shortcomings of the PDS as it has actually functioned, it appears that the food line, while ensuring food security and protecting the poor from price fluctuations, may not be the most efficient way of providing cash subsidies, given errors around targeting, poor quality, long waiting times, and high cost of delivery.

### 1.5.The Labour Line

A second route to tackling poverty and economic insecurity is provision of labour for the designated poor. In India, this is done primarily through the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS, formerly NREGS) and public works.

Advocates of the labour line, and public works in general, claim they (i) are targeted on the poor, (ii) create jobs, (iii) lead to the construction of public infrastructure, (iv) supplement other incomes, (v) hold down wages, (vi) reduce seasonal income variability and (vii) are equitable because they are self-selecting.

While public works have been an important component of safety net programs since the 1970s, the MGNREGA was hailed as an important shift to a rights-based approach to poverty alleviation by providing a legislatively backed 100-day employment guarantee. Unlike previous public work programs which also had a food component, wage payments under the MGNREGS are entirely in cash, payable into a worker's post office or bank account.

Proponents claim the scheme has strengthened workers' bargaining position. The scheme has a fixed wage that often exceeds the local wage for manual labour. Indeed, there have been anecdotes of complaints by farmers that they cannot obtain labour or have to pay more for it. It has also led to equal wages being paid to men and women, at least under the scheme.

Another area where the MGNREGS may have had some success is in reducing seasonal income and consumption variability. Further, and while coverage of the scheme has been low and the 100 day employment guarantee rarely met, the scheme has included vulnerable groups such as Scheduled Castes (SCs), Scheduled Tribes (STs) and women. There is also some evidence that it has curbed distress migration and improved use of barren areas for cultivation.

However, MGNREGA has faced criticism around the quality and sustainability of assets created under it. There are many arguments *against* the labour line. It offends the Paternalism Test Principle, as it involves *controls* imposed on those in need.

There is evidence that public works result in poor output, as in 'washed-away-roads' and flimsy bridges. The cost of monitoring is also high, which is one reason why schemes are rarely evaluated. And while the choice of assets is supposed to be decided collectively by the village in the gram sabha, this rarely happens. So, the labour tends to be 'make-work' activities without economic justification, undertaken just to spend budgets and give people something to do.[28]

[28] A. McCord and J. Farrington, 'Digging holes and filling them in again? How far do public works enhance livelihoods?', London, Overseas Development Institute, Natural Resources Perspectives, no.120, 2008.

Although anyone can request labour, the scheme discriminates against labour-constrained households, i.e. those without members available to take such jobs. The poorest households often have people who are ill, aged or disabled. Drawing one person away may leave others more vulnerable. 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 the calories used in the labour exceed the calorific value of food that could be purchased as a result of it.

Rationing also occurs because of discretion of local officials in responding to labour demands. In an evaluation in Bihar, Dutta et al (2014) found that, controlling for other household and village characteristics, richer households obtained more days of labour if they participated. Connections to the Mukhiya or Sarpanch also mattered. This resulted in unmet demand in that not everyone who wanted labour obtained it, or they obtained fewer days than they wanted.

Yet another argument against the labour line is that it emphasizes unskilled labour. Workers are not allowed to use machines that would raise productivity. Instead, they must use heavy pickaxes and shovels. Although the MGNREG Act mandates that the program also provide for, as far as possible, training and upgrading of skills, this has not been implemented.

As it is restricted to unskilled labour – like digging – it weakens the incentives to learn skills. India's demographic transition means that millions are being added to the workforce with low skills, and as constituted MGNREGS would have to continue to provide labour to an 'army of unskilled workers'. And as it has not generated skills, it has not helped the non-farm part of the rural economy.

### 1.6. The Cash Transfer Line

If the subsidy and labour lines are flawed, what can be said about the cash line? All countries have some cash transfers in their social policy system. But 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 21st century debate has been fired by the realization, by more economists and others that 20th century social insurance, cannot work in open, flexible labour market economies. All contingency-based benefits, such as unemployment insurance, are ineffective and inequitable. They do not reach those working informally or those in the precariat.[29]

Today, by contrast, the growing image is one of cash provided to the poor by hand or via bank or postal accounts. This raises the targeting dilemma. Either the cash could be given only to 'the poor' or it could be paid *universally*, to everybody in the 'population at risk'.[30]

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[29] On the reasons, see G.Standing, *The Precariat: The New Dangerous Class* (London, *Bloomsbury*, 2011)..

[30] The term 'universal' can be ambiguous. For example, should short-term immigrants be included, or non-legalized residents, or those not classified as full citizens?

Many commentators think that giving it to everybody would be inequitable, wasteful or unaffordable. But government could tax back the equivalent from higher-earning individuals, through income tax, VAT or sales tax on items purchased mainly by richer groups. So, one could have targeting *ex ante* or *ex post*. It is not obvious which route would be more efficient or equitable. With this in mind, let us consider the design criteria that cause policymakers more difficulty -- targeting, selectivity, conditionality and choice of recipient.

### *(a) Targeting*

The general 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. Although there are several forms of targeting – household means-testing, proxy means-testing, geographical targeting, community-based targeting and so-called self-targeting – the primary objective has been to focus benefits on the poor by using a notion of a poverty line.

In India, there are three ways of identifying the poor: people below the state-specific poverty lines set by the Planning Commission of India, people on so-called BPL lists based on periodic surveys by the Ministry of Rural Development (for rural areas), and people who have a BPL ration card issued by the state Food and Civil Supplies Department, which determine the amount and price of grains households can buy from the PDS.

However, extensive exclusion and inclusion errors in BPL lists are well known. Further, the 'poverty line' is somewhat arbitrary and subjective, as many in or near poverty experience fluctuating incomes. They may be just above in one week, just below in another. Procedures are so cumbersome that determining whether a household is poor is often done years before entitlement to a benefit is put into effect. Targeting then ends up presuming policy should address *yesterday's* not *tomorrow's* poverty, and helps those who have fallen into poverty rather than those in danger of doing so.[31] To reduce poverty most effectively, one should prevent it, since it costs less to prevent it than to help people to recover.

Targeting also involves high administrative costs. That is inherent to means testing.[32] When evaluations measure a scheme's cost, they should take account of the fact that funds spent on administration could be made available to give the recipients more money.

Actual targeting has been riddled with errors. Since 1992, the Ministry of Rural Development has conducted censuses to identify the poor, and procedures have become steadily more complex.[33] The resultant chaos has been subject to withering criticism.[34] And it led to the

[31] A. Krishna, 'For reducing poverty faster: Target reasons before people', *World Development,* vol. 35, no.11, pp.1947–60.

[32] N. Caldes, D. Coady and J.A. Maluccio, 'The cost of poverty alleviation transfer programmes: A comparative analysis of three programmes in Latin America', Washington, DC, FCND Discussion Paper No.174, 2004.

[33] S. Mehrotra and H. Mander, 'How to identify the poor? A proposal', *Economic and Political Weekly,* vol. XLIV, May 2009, pp. 37–44.

Saxena Report in 2009. As its chairman later observed, the failure of targeting was shown up by the National Statistical Survey, which showed that vast numbers of the poor were excluded from having a BPL card, while many non-poor were allocated one.[35] In Gujarat, we found that a huge proportion of those in need did not have cards or had been denied one for some spurious reason.[36] The incidence of possession of poverty cards is often regressive, with the poorest being the least likely to have one.

Because of inclusion and exclusion errors, elaborate attempts have been made to develop *proxy means tests* (sets of indicators correlated with income poverty). But they are no better; they identify the poor inaccurately, at great expense and with long lags between the gathering of data and classification of households.[37] Proxy means tests were recommended by the Saxena Committee (2009) for identifying those deserving a BPL card.[38] But that route is as cumbersome and as prone to exclusion and inclusion errors as similar schemes have proven elsewhere. In sum, targeting in reality is neither efficient nor equitable.

Outside India, 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, targeting schemes on average reached less than half of the poorest 20%, which implies that they fail the Security Difference Principle. Similar failings emerged in Brazil's *Bolsa Familia* and Mexico's *Oportunidades*.[39] And in China, cities where targeting was used more were less likely to reduce poverty.[40]

### *(b) Selectivity*

[34] A. Saith, 'Downsizing and distortion of poverty in India: The perverse power of official definitions', *Indian Journal of Human Development*, vol.1, no.2, 2007, pp. 247–281.

[35] N.C. Saxena, 'Do targeted schemes and programmes reach the poor?', paper presented at the International Seminar on Poverty in Bihar, Patna, April 18–20, 2010.

[36] Standing, Unni, Jhabvala and Rani, 2010, op.cit.

[37] Development Pathways, **'**Targeting the Poorest: An Assessment of the Proxy Means Test Methodology', Canberra, Australian Government, September 2011.

[38] Government of India, Ministry of Rural Development, *Report of the Expert Group to Advise the Ministry of Rural Development on the Methodology for Conducting the Below Poverty Line (BPL) Census for 11th Five Year Plan*, Delhi, Ministry of Rural Development, August 2009. The Task Force was chaired by N.C.Saxena.

[39] K. Lindert, E. Skoufias and J. Shapiro, 'Redistributing income to the poor and the rich: Public transfers in Latin America and the Caribbean', Social Protection Discussion Paper No.0605, Washington, DC, World Bank Institute, 2006; F.V. Soares, R. Perez Ribas and R.G. Osório, 'Evaluating the impact of Brazil's Bolsa Familia: Cash transfer programmes in comparative perspective', IPC Evaluation Note No.1, New York, United Nations Development Programme, International Poverty Centre, 2007.

[40] M. Ravaillon, 'How relevant is targeting to the success of an antipoverty program?', World Bank Policy Research Working Paper 4385, Washington, DC, The World Bank, 2007.

A second distinction made in social policy is between *selective* and non-selective payments, where selectivity means providing the benefit for particular groups, either regardless of their income or through means-testing as well. Prominent advocates of cash transfers in India have presumed that cash transfers would be selective and targeted and linked to the BPL card system.[41] To highlight the differences between targeting and selectivity, Box 1.6.1 summarises the main forms of each.

**Box 1.6.1: Common Ways of Determining Benefit Entitlement**

| Targeting | Universal | Selective |
|---|---|---|
| • Means testing | • All citizens | • Mothers of young children |
| • Proxy means-test | • All legal residents | • Girl children |
| • Geographical/ locational | • All long-term residents | • Tribals |
| • Social categories | • All contributors | • Pregnant women |
| | | • Disabled |
| | | • Unemployed, seeking jobs |
| | | • School-children |
| | | • Elderly/widows/widowers |
| | | • Marginal farmers |
| | | • Urban 'informal' workers |

Underpinning selectivity is a decision that groups with certain characteristics deserve help, rather than others. The most common schemes provide payments only to women with young children, those from scheduled castes and tribes, those that provide men and women over a certain age with a pension, and those that provide people with disabilities with a payment.

With selectivity, however, there is a tendency to omit people who are poor but who do not fit 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. Many cash transfer schemes therefore are both selective and targeted, so that, for instance, only women with children *and* with low incomes receive the payments. But with each decision on selective entitlement there are procedures that are hard to apply in local communities. Many of the reasons for failure of targeting are similar in the case of selectivity.

### *(c) Conditionality*

Globally, the most controversial aspect of cash transfers is conditionality. The team designing the basic income pilots had extensive discussions on whether conditions should be applied,

[41] D. Kapur, P. Mukhopadhyay and A. Subramanian, 'The case for direct cash transfers to the poor', *Economic and Political Weekly*, 12 April 2008, pp. 37–43; idem, 'More on direct cash transfers', *Economic and Political Weekly*, 22 November 2008, pp. 85–87.

with a strong consensus against applying any. The main reason was moral. It was presumptuous to think people need to be steered to make decisions in their own interest. As adults they could make decisions for themselves.

This was backed by SEWA's experience showing that people, especially poor people, used cash in the interest of their families and communities, often better than those who had more. In the pilot too we found that people act rationally by spending on their own priorities, such as on 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 the payments are universal, neighbours put moral pressure on others to do the right thing. This is the normal human condition.

Across the world, governments, under international human rights law, have made binding commitments to do what they can to ensure all their population attains basic material needs. Yet in recent years, many governments have introduced so-called conditional cash transfer schemes (CCTs) based on the imposition of forms of *behavioural conditionality*. What this means is that they offer to overcome people's poverty or vulnerability only if they meet certain conditions, acting in ways that policymakers regard as desirable. Implicit in that judgment are several presumptions.

It presumes one can divide groups into a deserving one (defined by behaviour stipulated in the condition) and an undeserving one (defined as those not behaving in the desired way). It presumes that the condition is the relevant one in determining the person's poverty or vulnerability. It presumes that conditions are costless and easy to comply. And it presumes that if the recipient so desires he/she could easily access the resources required to fulfil the conditions.

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 programmes that transfer cash, generally to poor households, on the condition that those households make pre-specified investments in the human capital of their children."*[42]

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 condition – those that must be satisfied prior to receipt of a benefit, those that must be satisfied during 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% of the time, or on sending a child to a health clinic once a month. In India, CCTs range from schemes to encourage schooling, to schemes for reducing

[42] World Bank, *Conditional Cash Transfers: A World Bank Policy Research Report* (Washington, DC, The World Bank, 2009), p.1.

vulnerabilities of the girl child, to encouraging institutional delivery and raising the age of marriage.

As can be gleaned from the above mentioned examples, conditionality blends into selectivity and sometimes targeting. As such, the state becomes more paternalistic and really promotes forms of *dependency*.

The main claims made by proponents of CCTs are that (i) they break the inter-generational transfer of poverty, (ii) they help to legitimise redistributive social transfers among middle-class voters, and (iii) they make use of scarce public (or donor) funds most efficiently.

In spite of frequent re-statements of these claims, apparently all evaluations have focused on short-term impacts, and most have focused largely if not exclusively on the impact on indicators of the condition's applicability, such as school attendance.[43] No evaluation has shown they break the inter-generational transfer of poverty, because they are based on short-term experiments and impact data over several years, rather than inter-generational data.

Conditionality is spreading in social policy in industrialised countries as well. Behind it is an influential school of thinking that emanates from the USA, 'behavioural economics', which has fed into a perspective known as *libertarian paternalism*.[44]

Everywhere, the conditions have led to extensive 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 were mainly the poorest, as the burden of compliance was too great.[45] In Indonesia, a proxy-means test combined with conditions incorrectly excluded 52% from the beneficiaries.[46] In Malawi, girls denied cash benefits because they dropped out of school and ended up having a higher probability of becoming pregnant earlier than those who received cash unconditionally.

In India, conditionality is a major cause of exclusion and corruption, adding to the clogged pipes of delivery systems. Much money meant for poverty alleviation or for benefiting the more vulnerable is siphoned off by powerful people. When there is a condition, the recipient must prove she has fulfilled it. The proof is usually to be given by a person in authority who can certify that she has fulfilled the condition. Very often it is hard to obtain the certificate from the official. Often, the person authorised to certify the condition is fulfilled is not available, and the recipient must spend days away from work seeking the official, who often demands a cut from the benefit, or a pre-payment.

[43] Fizbein, Schady et al, 2009; Cecchini and Madariaga, 2011

[44] Thaler and Sunstein, 2009.

[45] C. Alvarez, F .Devoto and P. Winters, 'Why do the poor leave the safety net in Mexico? A study of the effects of conditionality on dropouts', American University, Washington DC, Department of Economics Working Paper, 2006.

[46] Alatas et al, 2012.

To illustrate what happens, reflect on the *Indira Gandhi Matritya Sahyog Yojna*, a government scheme launched in 2009 intended to compensate women for loss of earnings during pregnancy and delivery, entitling a woman to Rs.4,000. According to the Department of Women and Children (2011), the conditions she is supposed to fulfil are:

- She must have 1 or 2 children, must be registered at the health centre in the first trimester of pregnancy, must have made at least three anti-natal care visits, must have delivered the child in a medical institution, must have breastfed in the first hour of birth, and must have had the child fully immunized.

To satisfy these conditions, she must have the following certificates:

- A letter from a local official stating she only has 2 children;
- A certified copy of her registration at the anganwadi or health centre
- A certificate from an Anganwadi worker (AWW) or Auxiliary Nurse Midwife (ANM), or other proof that she made three ante natal visits.
- A certificate from the hospital that she delivered the child there
- A certificate from the hospital that she breast-fed in the first hour
- A certificate from the AWW, ANM, Doctor or health centre for each immunization.
- A certificate from the health or anganwadi centre that she attended counselling classes in each trimester.

It is scarcely surprising that many fail to gain any benefit.[47] The scheme omits those who had more than two children. Others could not access the scheme because they could not fulfil the conditions, or could fulfil most conditions but could not afford to pay the bribe for the certificates. Those women who finally received it did so six months or more after the delivery, and many had to pay a fee to the postman to celebrate their benefit.

This example demonstrates other problems with conditionality. They place a burden on women, intensifying the 'feminisation of obligations'. They require women to spend time, money and energy when they are most vulnerable, and contribute to feelings of powerlessness. Conditions erode gender empowerment, since they affirm traditional divisions of labour and responsibility.[48]

Another constraint is the dependence of conditions on the supply side. A woman can fulfil the conditions attached to maternity benefits only if health centres are available, if institutional delivery is accessible, if immunization facilities are available, and so on. In many areas there are no functioning health centres, often not even anganwadi centres. The ANMs rarely visit villages even where health centres exist, the facilities are so minimal, and so unclean that institutional delivery is not feasible or desirable.

Similarly, CCTs dependent on children's schooling are denied to families if there are no schools nearby. Many schools suffer from high teacher absenteeism. Obliging children to go

[47] Dhar, 2012.

[48] Molyneux, 2006.

to schools that have no teachers would scarcely be rational. There is no legitimate point in imposing conditions if the services are defective or absent.

Proponents of CCTs have reacted by saying that this has led to a language of 'co-responsibilities', suggesting that whereas recipients are obliged to comply with conditions the public authorities are pressurised by them to supply or improve public amenities. But this is asymmetrical. The costs of compliance and of non-compliance are huge for low-income families; the costs for the bureaucracies not performing are minimal.

Another objection to CCT schemes stems from the lack of information. If they are minimally fair, they should require policymakers to ensure those covered are fully informed of those conditions and the rationale for them.

The cost of informing potential recipients how the conditions are to be met is only one type of cost that arises. That is followed by the cost of monitoring behaviour, then the cost of regular re-certification of beneficiary records, then the cost of determining whether the condition has been met, then the cost of enforcing the behaviour, then the cost of taking remedial action, and then the cost of suspending entitlement if it is determined that a condition has not been met.

At every stage bureaucratic or rules-based decisions have to be made. At each point there is an arbitrary element. For instance, did the person make enough effort to meet the condition? Was the person's excuse adequate to justify not meeting the condition? Was the obstacle cited really an obstacle and sufficient to be a reasonable barrier? Is ignorance of the implications justifiable?

Another problem with conditions is that evaluations tend to focus on the impact on the issue that is the objective of the condition, and give little or no priority to other outcomes. For example, an oft-cited evaluation of an experimental scheme for teenage girls in Malawi found that the conditional part of the scheme resulted in a greater increase in school attendance whereas those who received the cash unconditionally had a lower probability of becoming pregnant and were more likely to marry later.[49]

Sometimes, the side-effects of CCTs can be pernicious. The *Ladli (Delhi)*, *Ladli Laxmi (Madhya Pradesh, Goa)* and *Dhanlaxmi (Central Government)* schemes are intended to discourage female foeticide, and encourage girl schooling, by providing a deposit in the girl's name which will mature when she is eighteen years old and if she has been in school until then. Studies show this is encouraging the practice of dowry, a social evil prohibited by law.[*50*]

Nevertheless, in India as elsewhere, there is political pressure in favour of CCTs.[51] Many policymakers reason that if one condition does not work, or does not work well enough, tougher conditions are needed. Conditions beget conditions, as they lurch towards social engineering,

[49] Baird et al, 2013.

[50] Nanda, 2012.

[51] Prabhu, 2009.

in which transfers are used as 'carrots-and-sticks', to be given or taken away depending on whether entitlement criteria accord with state-determined norms.[52] Ethical principles are easily forgotten.

### *(d) Choice of 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.

In India, most benefits intended to alleviate poverty are given to the family. This means they go to the 'household head', generally the oldest male. This exacerbates intra-family inequality, with women taking second place in allocation of resources and in family decision-making. SEWA has been arguing that to reduce inequity, if a benefit is provided to the household, the main beneficiary should be the oldest female. This view has support, as many believe women make decisions on spending more responsibly than men. [53] But not all women do that, and not all men should be presumed to be irresponsible.

The alternative is for *each individual* to be provided with an *equal amount*, perhaps with lower amounts for children under a selected age, such as those who are below age 14. This would be more equitable, would facilitate intra-household bargaining, and would convey a message that each person counts as an equal, even if patriarchal and other cultural factors have ruled otherwise. Among the likely advantages is that individualised payments raise the status of women in the family and that of the elderly and the frail, each of whom has proper claim to the resources linked to the transfer.

The team had considerable discussion on this, as administratively this is harder to manage. The matter was settled when it was discussed with village women who said they would prefer individualised benefits. They said that if the household benefit was to accrue solely to the woman, it would create tensions within the household. However, they preferred the money for the children should come to them.[54]

Individual benefits do not mean intra-household or family pressures will disappear. But they do provide scope for gender-based and age-based bargaining within households. We will come to this issue in chapter 2, in discussing the methodology and design of the pilots.

## 1.7. <u>Approach chosen by the Pilots</u>

[52] This should be an objection to any conditional benefits, and is why we should be wary of *libertarian paternalism*. For an explanation, see G. Standing, 'Behavioural conditionality: Why the nudges must be stopped', *The Journal of Poverty and Social Justice*, vol. 19, no.1, February 2011, pp. 27–38.

[53] See, e.g., D.Kapur and A.Subramanian, 'Rahul's role? Garibi hatao', 23 May 2009, mimeo.

[54] In pilots in India, Latin America and Africa, it has been found to be efficient and equitable if cash transfers are provided to individuals, with the children's money being given to the mother or a surrogate.

In principle, a universal policy is preferable to one that targets on the poor, in that it does not suffer from large exclusion errors, while it also creates solidarity within communities. But critics of universalism say it would be too costly or result in under-funding, which would erode its legitimacy.

Advocates of universalism believe that gross spending could be reduced by clawing back from the wealthier and that it would boost incomes, having a positive macro-economic effect, while reducing other social costs, notably by improving health and thus lowering healthcare costs. We acknowledge this is an open debate on which there is no consensus. In the end, the politics of priorities will be a decisive factor.

The problems with targeting raised a dilemma for the pilots. Either the cash could be given only to 'the poor' or it could be paid universally. In practice, the term 'universal' is slightly ambiguous. For example, should short-term immigrants in the pilot villages be included? However, a universal approach was taken. Within the villages every person received a cash transfer, which was individual and unconditional. This study therefore is about a specific type of cash transfer, a basic income that is both unconditional and universal, with lower amounts paid to children. There may be differing views on the desirability or feasibility of universalising. However, we are convinced that conditionalities are expensive, paternalistic, chronically inefficient and inequitable. We will not flag conclusions at this point, but merely state that the arguments for and against targeting, selectivity and universalism are likely to continue for some while.

### 1.8. Arguments against Cash Transfers

Before turning to the design of the pilots, it may be useful to review the claims and counter-claims made about cash transfers in general. There are six objections that have been made against cash transfers in India. They are as follows:

#### *(a) 'Cash transfers hide an ulterior ideological motivation'*

The vehemence of opposition to cash transfers in India has been largely ideological and a standard resort to any new idea (Hirschmann, 1991). Much of the opposition stems from a belief that they are a 'smokescreen' for a policy of dismantling the public welfare system. But there is no necessary connection; many advocates are committed to strengthening public social services and anti-poverty measures.

The strident denigration of cash is neither fair nor helpful (Shah, 2008). And to describe proponents of them as singing a 'siren song' is hyperbole. We all know that sirens lured sailors onto the rocks to destruction. The idea that giving people cash would destroy them is scaremongering (Ghosh, 2011a, 2011b). It is also unfair to say proponents suffer from an 'illusion' that cash can replace public services, which is 'remarkably dangerous' (Dreze, 2011; for a response, see Standing, 2011c). Not only are many proponents in favour of public social services, but arguments for public services and for cash transfers should stand on their own.

### *(b) 'Cash transfers are unjustifiable handouts'*

Another criticism is that they are 'hand-outs', something for nothing. This could be claimed about many forms of support except for those that apply conditions to entitlement. It was used to justify conditionality in Latin America, when it was thought middle-class opposition would block cash transfers.

There are philosophical responses to the criticism. 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. A basic income would be a minor correction for brute ill-luck. Economic liberalization has benefited the elite and salariat much more than those in villages and slums.

There is also what might be called the *Painian Principle*, after reasoning developed by Thomas Paine in 1795. Any person's wealth owes less to their endeavours and skills than to those of past generations. We do not know if those who contributed the most were our ancestors or those of others around us. So, as a matter of social justice a modest basic income would represent a *social dividend* on the investment made by those generations. One could extend this by saying that the natural resources belong to everybody in the country and so a dividend should go to everybody.

However, it is probably the instrumental response that is most telling for policymakers. Cash transfers are social investments, rather than hand-outs. If they improve, directly or indirectly, health, education and productive activity, they reduce other social costs and boost economic development. It may be hard to demonstrate this, but the economic logic is surely telling.

### *(c) 'Cash transfers induce dependency and laziness'*

A related claim is that cash transfers would 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. And if an impoverished person is suffering the effects of poverty – malnutrition, listlessness, lack of energy and confidence, a proneness to illness and so on – a modest basic income could make it possible for people to concentrate, learn, apply themselves and work 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 patronizing 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. The argument is disingenuous.

### *(d) 'Cash transfers have leakages'*

One claim is that the leakages found with other benefits will remain with cash transfers. However, direct cash transfers will reduce the number of steps required for the benefit to reach the recipient. Given the technology of money transfer today, it would be possible for a cash transfer to reach directly from a central fund into the account of a recipient, cutting out the many layers of bureaucracy and middlemen that are required for other schemes. This would considerably reduce the possibility of siphoning off funds into illegitimate hands.

Removing conditions would also reduce the possibility for leakage as it would reduce the discretionary activity and the chance for corruption. And the less the income is targeted or selective and the more universal the basic income, the less the scope for leakages. Cash is more transparent than subsidies, offering fewer avenues for siphoning by officials.

### *(e) 'Cash transfers would be useless, as the supply side does not exist'*

Another criticism is that even if they could be justified on the grounds that people could use the cash to buy services and goods, they would be 'useless' because there are insufficient schools and health services for them to use the money properly. This, it has been said (Ghosh, 2011a), is unlike the situation in Brazil where the CCT *Bolsa Familia* has been successful.

What this argument overlooks is that in Brazil, when the scheme was being rolled out, there was also a dearth of decent social services, including schools and medical clinics. The money helped create a public demand for them and public pressure to provide 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, demoralized nurses and dirty surroundings. 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; the nurses used the money to buy medicines and improve the clinic; 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 service.

In India, the markets do work, and as far as food, clothing and other basic necessities are concerned a demand will surely produce a supply. The cash may lead to enhanced local production and a virtuous circle of local demand and supply. Health and education services too are supplied by the private sector too. While in some States, public services work well, in others they need to be strengthened considerably.

### *(f) 'Cash transfers would be inflationary'*

Some critics contend that cash transfers would be inflationary. Narendar Pani (2011), for example, said this is the biggest danger of cash replacing subsidized commodities, because it would lead to an increase in demand. This is one-sided economics, for it neglects the supply side. If the supply of goods is price inelastic, it might be inflationary, but there is no reason to believe this would be true, given that the money would be spent mostly on basic goods and services. And to lessen the likelihood of initial inflation, it could be arranged that 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 induces a rapid increase in the supply of basic goods and services, partly by inducing 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.

## 1.9. Arguments in favour of Cash Transfers

Let us now turn to the claimed advantages, as identified internationally. We focus on the behavioural claims since most research has done so. But there are also macro-economic effects, in which the influx of money into local economies stimulates spending and investment, thus raising economic growth, through Keynesian multiplier effects (Davies and Davey, 2008). We start by reviewing the basic claims.

### *(a) 'Cash transfers would strengthen economic citizenship'*

Humanitarian relief organizations have come to appreciate that the advantages of cash include *speed*, *transparency* and the fact that it allows those in need to make *choices* about how they spend, which enables them to retain *dignity* in times of crisis (Creti and Jaspars, 2006).

Basic incomes also offer a transparent means of reducing the growing inequalities systemic to an open economy. The inequality is neither socially healthy nor economically necessary. Research shows that high and rising inequality reduce economic growth, threatens social stability and worsens the welfare of all.

At present, India is a *subsidy state*. All the subsidies are *selective*, intended to benefit certain groups and not others. Many 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% of GDP, could fund a cash transfer scheme.

So a claim is that a basic income would give recipients a modicum of *economic security* and *economic freedom*. People assured of income to cover their basic needs would be better placed to make rational choices about consumption, work and personal relationships.

As far as economic citizenship is concerned, there is international evidence that individualized payments strengthen financial self-reliance and the dignity of family and community members.

They would also strengthen the position of the elderly and women, giving them their own income.

***(b) 'Cash transfers would limit discretionary power'***

Defenders of the subsidy system cannot deny that it gives administrators licence to be lax, discretionary and arbitrary in how they conduct themselves. Though most attention is given to blatant *corruption*, the basic problem is that the policies give too many administrators the opportunity to make judgments on who to help and who not to help. It is important to identify this inherent feature of policies that rely on subjective judgments, from the top all the way to the bottom of the edifice.

Would universal basic incomes overcome the discretionary tendency? Perhaps not entirely, but the *transparency* and *simplicity* would minimize the opportunity for it.

***(a) 'Cash transfers would increase social policy efficiency'***

As transfers are in money form, they involve lower administration and transaction costs than other forms of benefit. They have been criticized for being difficult to operate in the absence of individualized bank accounts. But think how much more difficult it is to operate a national system of distributing subsidized goods, with all the complexity of purchasing, collecting, storing, pricing, measuring and distributing items across thousands of villages.

International evidence is encouraging for those who believe cash transfers would reduce administrative costs of social policy. In Mexico, once initial take-up costs were covered, annual administrative costs fell to five cents for each dollar's worth of transfer.

***(b) 'Cash transfers would reduce poverty'***

There is extensive evidence that cash transfers can reduce poverty substantially. In Mexico, *Oportunidades* cut the poverty headcount ratio by 10%, the poverty gap by 30%, and the poverty severity index by 45% (Skoufias and Parker, 2001). In the Namibian pilot scheme, a small basic income dramatically reduced the number with insufficient income for food, housing needs and access to schooling and health facilities. The villagers used the additional money to improve living standards.

A social protection system anchored on cash transfers could make the difference between achieving the Millennium Development Goal of halving poverty by 2015 (Ortiz and Yablonski, 2010). Critics might say other policies could do even better. But they have not shown it.

***(c) 'Cash transfers would strengthen social solidarity and reduce inequality'***

People guaranteed a modest monthly cash transfer gain basic security. Psychologists have shown this leads to more *altruism* and *social solidarity*, intangibles with considerable social value. People who feel secure themselves are more inclined to be tolerant towards others, particularly towards those with different characteristics (ILO, 2005).

In India, this is important, given the caste system and religious tensions that have marred its history. If people feel that everybody is receiving cash equally, they will surely feel less resentful towards others. There is also evidence that universalistic schemes strengthen solidarity, whereas those that are only for the poor invariably become poor programmes, a point made by Richard Titmuss long ago and reiterated by Amartya Sen (1995).

Cash transfers can also reduce inequality by lessening the debt and credit restraints on lower-income groups. In the Namibian pilot, in the year following the introduction of the basic income, the earnings of the poorest rose 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.

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

### *(d) 'Cash transfers would boost human development – education'*

There are three aspects analysed more than any other: education, health and nutrition and economic activity. First, there are links between cash transfers and 'human capital' formation, measured mainly by enrolment, attendance and performance in school. Here the arguments and evidence, although positive, are difficult to unravel, as the predominant form has been *conditional cash transfers* in which the main condition is regular attendance in school.

We may list the primary education-related hypotheses associated with cash transfers:

i. They raise school enrolment;
ii. They raise school attendance;
iii. They improve school performance;
iv. They reduce school drop-out rates;
v. They lead to a prolonged schooling, mainly through the effects of (i) to (iv);
vi. They reduce child labour that disrupts schooling, through an income effect and through the increased propensity to attend and continue schooling;
vii. They reduce inequalities in school attendance and attainment associated with family background, wealth and household income;
viii. They reduce gender inequalities in all the above respects.

The primary difficulty of interpreting evaluations of CCTs is separating the effect of the cash from the effect of the conditions. The Latin America evidence is strong that CCTs boost school attendance, although there is less strong evidence with respect to *performance*, although most has been positive (Fiszbein and Shady, 2009; Slavin, 2010). In Mexico, for instance, since *Oportunidades* was introduced (initially as *Progresa*), secondary school enrolment has risen by a third, school drop-out rates have fallen by 20%, and attendance rates have risen.

In India, in the Odisha Girls' Incentive Programme (OGIP) covering the school year 2012-13, all girls from scheduled caste and scheduled tribe families joining class 9 were provided with

an annual incentive of 2,000 Rupees, paid into a bank or post-office account, which they received on condition that they had a monthly attendance record of 75% or more (Shivakumar and Das, 2013). The project claimed the school drop-out rate fell by 50%. But it was not clear whether this reflected the concerted campaign by the project designers, IPE Global, or whether the conditionality was relevant or applied.

A question is whether unconditional transfers would have the same effect, or whether conditionality is necessary or even positive. There is evidence that conditions are unnecessary. For instance, in the pilot unconditional scheme in Namibia school attendance went up sharply, although 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 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. With the cash transfers, parents suddenly 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 scheme also suggested it was the cash rather than the conditions that had the positive effect. The finding was accidental, in that it was meant to be conditional, but in one area the designers forgot to inform recipients about the conditions and forgot to implement them. So the evidence that emerged was by chance.

The pilot was in Malawi, a low-income country with poor infrastructure and long distances for children to travel to school. 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, 2005; 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. In low-income areas they seem to have a strong impact on *early* school attendance, whereas in higher-income areas the effect is stronger for teenagers.

The international evidence 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 Shady, 2006). This is surely of great significance for India today, where lack of attention to girls' schooling 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, if cash transfers have positive effects on schooling, they also have a modest negative effect on the extent of child labour.

### *(e) 'Cash transfers would improve health and nutrition'*

Then there is the effect on *health*. Some claim cash transfers do not have much effect (e.g., Narayanan, 2011). But many studies suggest strong positive effects on child nutrition, child and adult health, the incidence and severity of illness, and use and effectiveness of medical services. We may list the main health-related effects of cash transfers as follows:

i. They improve maternal health, thereby reducing female morbidity, health problems related to child-birth, and maternal mortality;
ii. They improve child nutrition, resulting in less stunting and improved weight-for-age and height-for-age;
iii. They raise the incidence of timely vaccinations of children, against diseases such as polio, diphtheria and tetanus;
iv. They lead to more use of health services, including services involving user fees, and to preventative health services;

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

The Namibian pilot is worth highlighting. Using the 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 dramatically improved, with underweight children moving towards the norm and overweight children also doing so due to improved diets. There was no pressure put on families to spend the cash in any particular way. They acted in the way 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). As more conditional schemes have been launched, there is more evidence on their effects. Thus, Sri Lanka's *Samruddhi* cash scheme led to improved child nutrition. And in many places, including India, such schemes have been associated with a reduction in neo-natal and perinatal deaths (Himaz, 2008).

There is also evidence, mainly from Latin America, that CCTs boost use of *preventative health services,* being associated with more *health check-ups* (Bastagli, 2009). This has also been found in India (Lim et al, 2010). But this was also shown in the unconditional scheme in Namibia.

This is unsurprising; being rational, people soon work it out that it is beneficial to have health check-ups if they can afford it and have the time, 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. This does not mean that fee waivers should not be used for individuals or groups who are chronically poor or prone to illness and medical expenses (Bitran and Giedion, 2003).

Finally, there is evidence that having cash with which to pay for medical services leads to pressure on public and private services to improve what they provide.

### *(f) 'Cash transfers would enhance women's economic activity and labour supply'*

Beyond better education and health, there are also arguments that cash transfers to low-income people and communities boost local *economic activity* and labour supply. There is much evidence to support this, ignored by critics of cash transfers. The evidence comes from large-scale statistical evaluations, from small-scale pilots and from anecdotal research.

In Brazil, the *Bolsa Familia* has been associated with an increase in female labour force participation, because women were enabled to spend on transport and obtain child care (ILO, 2005). In Mexico, evaluations of *Progresa-Oportunidades* concluded that the transfers had no net effect on labour force participation (Skoufias and di Maro, 2005). But there and elsewhere, they have been linked to 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% compared with those in similar households who did not receive them, with the greatest increase coming for women (Economic Policy Research Institute, 2004).

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

## 1.10. Concluding Thoughts

We started this chapter by asserting ethical principles that should underlie the evaluation of a social policy. The basic income proposed in our pilots does seem to conform to them. The Security Difference Principle and the related principle of reaching the weakest is satisfied as everybody benefits, even the most disadvantaged. As the weakest have the least resources, the basic income would mean more to them than to those who are better off.

Swaraj or self-reliance is strengthened through basic income since a small amount of money reduces the insecurity and uncertainty faced, and allows for more self-confidence. Basic income may also strengthen the Swadeshi principle since the cash is likely to be spent locally. Studies have shown (Hirway et al, 2010) that cash infusion into villages, and especially to poor families, tends to strengthen the local economy by strengthening social reliance.

Finally, with regard to the principle of harmony and non-violence, an equal amount of cash to all should reduce inter-household jealousies and tensions. In that regard, earlier experiments have shown that basic income does strengthen collective action.

In the near future in India, as the politics of cash transfers evolve, it will be vital to impress on the politicians that it will be important to roll out whatever scheme is chosen slowly and systematically, learning practical lessons in the process, without vast spending that would be involved if a rush forward were made.

This was one reason for the success of Brazil's *Bolsa Familia*. It has been rolled out over more than a decade, in the process showing the dangers and limitations of even modest conditionality. Gradually the authorities have moved to the idea of 'mutual responsibility' and implicit phasing out of conditionality.

A final point is one that was learnt in the pilot schemes to be considered in the remainder of this report, which relates to the challenge of financial inclusion. Sceptics say that cash transfers or a basic income scheme will not work because only a minority, perhaps 35% of all Indians, have bank accounts. Evidence obtained from the pilot studies suggested that experience of operating with cash transfers will soon lead people to open bank accounts or their equivalent and handle them with ease.

## Chapter 2: The Pilot Processes: Methodology and Implementation in Madhya Pradesh

### 2.1. Introduction

In social science, no methodology for analysing the impact of policies is perfect. Some methods are better for analysing direct specific effects, others are preferable for considering the wider implications, and some are valuable for gaining insights that could not be anticipated adequately beforehand. Often the optimum is a combination of approaches. But whatever approach is adopted, the most important features to consider are *transparency* and *bias*.

In practice, most approaches contain some biases, and it is rare for even the designers to be aware of all of them or, therefore, be in a position to describe them. All that one can try to achieve is describe what has been done and leave it to a process of replication and refinements by others in the wake of each research project.

The pilots on which the following analysis is based began with preparatory work during 2009 and 2010. In the end, in Madhya Pradesh, one of India's most backward regions, two pilots were implemented. The bigger pilot involved payment of a monthly basic income to every man, woman and child in eight villages, whose subsequent experience was compared with what happened in 12 similar villages, called 'control' villages. The smaller pilot involved a basic income paid to everybody in one tribal village for 12 months, with evaluation done by

comparing what happened in another similar tribal village where nobody was paid the basic income.

This chapter will describe the two components of the project and the methodological approaches taken in each. Besides reviewing the use of what are called Baseline, Interim Evaluation and Final Evaluation Surveys, it will describe the design and uses made of community questionnaires, case studies and key informants.

## 2.2. The Concept of "Pilots"

In recent years, the idea of conducting "pilot" schemes to test possible public policies has become globally popular. In India, some commentators or planners use the term to describe the first phase of a roll-out of a policy that has been already decided, and the term "trial" to describe what we call a pilot. Ideally, pilot schemes have practical advantages. They enable local governments and donor agencies to test a potential policy without an alarming or dispiriting cost. They can help educate observers in the potential of new ideas. And they can help identify the administrative and design conditions that would have to be satisfied if a scheme were to be scaled up to state or national level (Standing 2013).

The relatively modest cost of a pilot such as those covered by this UNICEF-SEWA project makes it possible to hope those donor institutions, philanthropists and others with small-scale funds available for experimental schemes will consider devoting some of that money to pilot basic income schemes.

Although during the course of the pilots, the name was changed from cash transfer to basic income, as explained in chapter 1, the Madhya Pradesh Unconditional Cash Transfer Pilot (MPUCT) and the subsequent Tribal Village Unconditional Cash Transfer Pilot (TVUCT) were partially inspired by two previous, smaller pilots. They were:

### 2.2.1. The Namibia Basic Income Grant Pilot:

Unconditional Cash Transfers have been tried as a small-scale experiment in Namibia.[55] An unconditional monthly basic income was given to every villager in an area where over 20% of the people were infected with HIV/AIDS and 25% with TB. The experiment showed improved nutrition, school attendance and performance, better health and increased economic activity. That women were motivated to further capitalize on the positive impacts of the intervention was evident in their picketing liquor shops to prevent men from spending their basic income money on alcohol. The success of the Namibian experiment was an inspiration for the SEWA-UNICEF pilot project.

### 2.2.2. The Delhi "Choice" Pilot

This was a small pilot in an urban slum in West Delhi, conducted by SEWA with financial backing from UNDP. Its key design feature was that all respondents were given the choice of

[55] Professor Guy Standing, a principal researcher in the MPUCT and TVUCT projects was associated with this Pilot.

continuing to receive the subsidised ration shop produce or receive a cash payment of equivalent value. This experiment showed that, when given the choice, those who opt for cash over food transfers tended to have better nutrition and also increased their spending on health. Over the several rounds of evaluation, more expressed a desire to switch from the subsidised system to cash transfers of equivalent monetary value.

### 2.3. Sixteen Principles for Piloting Cash Transfers

Before we come to describe the actual features of the pilot schemes that constitute this project it is worthwhile asserting the 16 principles or "ground rules" that should be respected in the design of ideal pilots for testing or evaluating the effects – intended or otherwise – of what we are calling basic income.

The following briefly describes those principles, not in any order of implied significance.

#### 2.3.1. Design features of Unconditional Cash transfers to be preserved

The first principle of designing a pilot is to set the rules of the unconditional cash transfer upfront and then preserve them until the end of the pilot. In the case of MPUCT and TVUCT pilots, a decision was taken to provide universal, unconditional cash transfers (or what we called a 'basic income') regularly, to every individual. Accordingly, the following design features needed to be preserved.

i. The transfer should be provided in ***cash***, or in a form that could be converted speedily and costlessly into cash, such as a bank transfer. The money should not be paid in a lump sum, for use over a longer period. It should be a regular payment, presumably paid monthly and not from time to time on an ad hoc basis or in longer intervals, such as yearly.

ii. The transfer should be ***universal within a village***. In other words, all those usually resident in the "pilot community" should be provided with the basic income, and it should not be denied to anybody on moralistic grounds. For a pilot, a decision has to be made on whether a *de facto* or a *de jure* definition of residents should be used. The de facto rule would be to provide the basic income only to those residing in the community at the time of the launch of the pilot; a de jure rule would be to include those who normally lived in the community but who were temporarily absent at the time of the launch. It is recommended that only those absent and expected to return within a month should be included, and that – regrettably – no person coming to reside in the pilot community after the launch of the pilot should be included.

iii. From (ii), it follows that there should be ***no targeting.*** The cash transfer should not be given only to "the poor", however that group was defined. In most low-income communities, most people have fluctuating income, being one day above any poverty line, on another day below it. Targeting on the poor creates well-known poverty traps – if a person or family raises their income a small amount they may well lose more

in lost benefit than gained by the increased earnings. And it should not be forgotten that one rationale for a basic income is that it acts to strengthen social solidarity. If there is a desire to make sure the basic income is progressive – reducing inequality – then the income could be taxed back from richer groups, although this is not an aspect of a pilot.[56]

iv. It also follows that there should be ***no selectivity***. Giving to one 'deserving' group rather than another undermines social solidarity and ignores the likelihood of pressure on some of the groups selected for special treatment to share with others, if not give away their cash to somebody else.

There is a view that women on average use cash transfers more wisely than men, and there was a discussion about providing the money to the women, as was done in the Delhi Pilot. However, this was decided against as providing only to women may set up perverse dynamics, with a high probability of generating tensions within households and across households. If, by contrast, equal cash transfers are given to the men and women separately, with the child's payment going to the mother or surrogate mother, then a dynamic of equality is encouraged. It should also be appreciated that, in almost all countries, an equal amount paid to men and to women means that women gain more in relative terms, since their income from other sources are usually much lower.

v. The basic income should be ***unconditional***. In other words, it should not be granted only to individuals who have committed to doing some pre-specified behaviour. Conditionality is popular, but is intrusive, paternalistic and contrary to the idea of *rights*. There should be no behavioural priors.

vi. The basic income should be paid ***individually***. It should be paid to each man and each woman equally, and not be given to 'the family' or 'the household'. The notions of family and household are endogenous, in that their structure and size may be affected by the policy itself and by outside events. But most importantly, the idea is to provide basic income security as a right. As far as children are concerned, and those with chronic disabilities or frailty of some sort, the designers of the scheme can allow for a *surrogate* to receive on their behalf.

vii. The basic income should be a ***regular payment over a sustained period***. Some believe that there is no difference between paying someone a lump sum or paying the

[56] In Namibia a few relatively wealthy residents were reluctant to take the cash transfer, claiming that they did not need it. Eventually, they came round to accept the idea of universality, and several of them subsequently became enthusiasts for the essential idea, seeing that it was strengthening community solidarity and breaking down the stigma of receipt being associated with poverty status.

person an equivalent amount over a longer period. There are good reasons for disagreeing with this, notably what is called the "weakness-of-will" factor, i.e., that if a person receives a large sum, he or she may take a risk or spend it on one big item. Furthermore, most basic requirements such as food require regular payments. For a pilot, the income payment should be paid *monthly* over a reasonable period.

viii. The cash transfer should be sufficient to be meaningful for the recipient, but should not substitute for the earned income. As shall be seen later in this chapter, the amount of transfer was calculated at 25-30% of a poor family's income.

ix. No other policy change should be introduced at the time of the introduction of the basic income, to ensure that a fair assessment of its effects is feasible. This is particularly hard to achieve in a social policy experiment that necessarily lasts for a sustained period.

### 2.3.2. The Pilot Design must be Clear and Sustainable

This fundamental empirical imperative of a pilot may seem obvious, except that it can easily be overlooked. The pilot designers must be clear why a particular design is adopted and why alternative feasible designs are not adopted instead. This should apply to the level of the cash transfer (basic income), the duration of the pilot and so on. And all these should be recorded and made transparent at the outset, before rationalisation takes over.

By the same token, the pilot must be designed in such a way as to be sustainable, with a clear work-plan and proper budgeting. Again, this might seem to be obvious, but lack of planning can be a cause of major failings later.

### 2.3.3. The Design must be Kept Constant

The next imperative is even more simply stated, even though one is unlikely to see it respected very satisfactorily. Once a pilot has been started, its design should not be altered unless it is absolutely essential to do so. It should not be expanded if that puts at risk the efficiency of the scheme or introduces new factors not in the original design. If, for whatever reason, a new feature is introduced, it would be sensible to keep it separate from the original design.

For purposes of the current study, the pilot was designed for 20 villages in Indore district in Madhya Pradesh. The tribal population in these villages was small. As these pilots are being designed specifically to influence policy we kept the Government of Madhya Pradesh regularly informed about our activities. During one of the meetings the Government told us that they would like us to take up a smaller pilot with a tribal village. Rather than integrate the village into the MPUCT design, the research team undertook a smaller pilot which was called the Tribal Village Unconditional Cash Transfer Pilot, and which will be described in more detail later.

### 2.3.4. The Pilot must be Adequately Large

A pilot cannot be huge, if it is to remain under sensible control. However, it cannot be so small that it is impractical to see it as a real experiment. For instance, there have been several 'pilots' covering very few households. They are not without value. But they are too small to enable social scientists to conduct professional evaluations of the impact of the cash transfer.

Often behavioural and attitudinal changes are *tendencies*, in which some people make a change as a result of the policy, others do not. And often the hypothetical effects are relevant only for a few people in the selected population. With other influences also to be taken into account, it is essential to remember the likely problem of excessively small 'cell size', which then limits analysis.

### 2.3.5. Duration must be Long Enough

The decision on how long a pilot should be conducted is a sensitive one. Obviously, it should not be very short, for then it is merely a one-off 'capital grant'. A principle of a basic income is that its effects take place over time, as people learn and adapt.

It is also necessary to take into account that there could be an *impact effect*, that is, immediately after the grant is first received, and an *assimilation effect*, that is, as individuals adapt and become used to receiving the basic income. There may also be a *wearing off* effect, in some respects, and a *learning effect* on others. For these reasons, ideally the pilot should be set to last for more than one year. On balance, two years would seem to be a reasonable duration, although some social scientists would make quite a convincing case for longer.

One practical consideration to take into account in making this decision is the *project fatigue* factor. This is easily ignored in the first flush of enthusiasm for any pilot scheme that involves regular evaluation and the construction and maintenance of a team of researchers and fieldworkers. And there is also *respondent fatigue*, since a major purpose of a pilot is to evaluate how respondents adapt and thus it will require them being asked questions or being watched in some way. In this respect, as in several others, pursuing an ideal may jeopardise the good.

### 2.3.6. The Pilot must be Replicable and "Up-scalable"

A principle behind any pilot should be that it is *replicable*. The idea of replicability is complex. However, the essence is that it should be possible to conduct a similar pilot somewhere else and that it should be feasible to scale-up the pilot to a larger community and to national level. This principle does have implications for the technology for cash transfer to be used, as discussed later.

### 2.3.7. Random Control Groups should be Used

In the design and conduct of pilot schemes, a sensitive subject is the use of *control groups*. To determine the impact of any policy, one needs to be able to make comparison, both with the behaviour and attitudes of people *beforehand* (i.e., before the 'treatment' began) and with others who do not receive the "treatment" or come under the policy. The primary objective is to control for other, exogenous factors.

There are various ways of coming to terms with the longitudinal challenge, none of them without practical problems. One can and should ask for *retrospective* information from the policy recipients, and one could and ideally should track changes through *longitudinal* data through repeat surveys, using *panel data* techniques. That is not the main issue here. It is to match those receiving cash transfers with similar individuals and households that do not receive them, and track them all over the period of the experiment.

Control groups should be selected to be as close to the recipient groups as is feasible. Then their behaviour and attitudes are tracked alongside those of the recipient groups. Many problems arise. The vogue procedure at the moment is reliance on *randomised controlled trials* (RCTs). Use of RCTs is to be recommended. But they cannot solve all evaluation challenges. Their advocates overstate the case for RCTs. Thus, one of the leaders of the technique, Esther Duflo, claimed in 2004 (as reported in an editorial in the medical journal *The Lancet*), *"Creating a culture in which rigorous randomised evaluations are promoted, encouraged and financed has the potential to revolutionise social policy during the 21st century, just as randomised trials revolutionised medicine during the 20th."*

All the words in RCT convey a sense of being 'scientific', which makes them particularly attractive to commentators, donors, bureaucrats and policymakers. But this is why it is advisable to emphasise their limitations and not to be carried away by some of the claims being made by those advocating them.[57]

In this regard, an illustrative problem came up in the planning discussions of one of the pilots in India. The principle behind RCT, as its name implies, is that those receiving the "treatment" should be selected "randomly" from a wider population, and the control group should also be selected "randomly". In the case of a medical treatment, as with testing the effectiveness of a new drug, this would typically mean listing households in an area, and drawing a sample, so that one family might obtain the treatment while the next-door neighbouring family would not. Indeed, to overcome the potential risk of psychosomatic effects, in such experiments one can administer a placebo to one third of the total sample.

In designing a pilot cash transfer scheme for application to Indian villages, we produced a project design in which a number of villages were to be selected randomly from a full list of all the villages in what was quite a large area. In these households everybody was to be granted a cash transfer (basic income), while in another sample of villages drawn from the same list

[57] There has been a heated debate about the potential use of RCTs for assessing the impact of the Millennium Development Goal strategy.

nobody was to be given the cash transfer. Then, the proposal was to compare the outcomes between individuals, families and villages in the cash transfer villages with matched people and villages that were regarded as the control villages. A potential funder objected that this was not an RCT, because the individuals and families within villages were not treated randomly.

The research team pointed out that this would be flawed practically and would doom the pilot. SEWA was adamant that it would be *immoral* to give to one family and exclude the family living next door. More psychologically, it would also have created inter-family resentment. It would have led to some spoiling of the principles of the proposed pilot, since one likely outcome would have been some sharing between households, on a non-random basis. One might say, correctly, that to some extent this would be the case in selecting one local area for a pilot while excluding others in the proximity. However, the degree of the problem would be much greater if the randomisation was conducted within a particular village or urban locality.

In sum, it is desirable to conduct randomised control trials. But they are only one form of evaluation, which are more suited to medical trials than for social policy experiments, in which a range of effects at micro-level and community-level may take place, and where one is looking at attitudinal and behavioural changes. They too easily lead to an excessive focus on *low-hanging fruit*, i.e., those aspects that are easiest to measure.

### 2.3.8. Need for Baseline Surveys

In order to conduct an evaluation, there is a need to conduct a *baseline* census of the community, i.e., collect detailed information on the prospective respondents, covering all the aspects that the pilot is expecting to assess. This should be complemented by a *baseline community survey*. The idea of both these is to identify the conditions, behaviour and attitudes that exist before the impact of the basic income.

Preferably, the intended recipients of the cash transfers should not be informed of the plans at the time the baseline survey data are gathered – although of course cooperation in the survey is more likely if they do know!

Since the evaluators do not know in advance what effects will take place and cannot realistically anticipate all of them, it is desirable to obtain a rich array of data in the baseline surveys. They should be conducted about one month before the first payouts of the basic income, so as to capture the patterns prevailing at the time of the launch.

Although it should be a census of all those covered by the experiment, we may designate it a Baseline Survey, which should collect data from all households, or at worst a large random sample of households. These data should cover all the issues raised by the hypotheses identified at the planning phase. Many issues arise, and require decisions that must be recorded for future reference. Among the key decisions is the selection of respondent or respondents. In reality, if

one asks just one person – say, the nominated 'household head' – one is quite likely to receive different responses on some issues than if another household member were asked.

In dealing with this issue, one should never lose sight of the individual nature of a basic income. One expects responses to differ by gender, by age and by other personal factors. Ideally, one would like to collect background factual data from the household and individual data from each and every member separately. This may be impractical and certainly much more costly in terms of fieldwork and data processing. But it is strongly recommended that the number of women selected as respondents should be equal to the number of men. In our Indian pilot, we opted to have one male and one female respondent per household.

After the baseline survey, it is advisable to conduct a public information campaign, merely explaining what will happen in the course of the pilot, to overcome suspicions and to make sure the respondents know what will be involved, including the fact that they will receive the payment monthly and regularly, without conditions on how they react or spend the money.

### 2.3.9. Regular Evaluation Surveys must be Conducted

The idea of a pilot is to test effects over time, and for this one needs to build in a series of surveys, starting with the Baseline Survey. So, after that, the intended recipients of the basic income should be informed, as explained elsewhere. Then after a period in which the scheme takes off, a first evaluation survey should be conducted. This may be called an Interim Evaluation Survey (IES).

It is recommended that such a survey should be conducted about six months after the start of the pilot, allowing enough time for an impact on behaviour and attitudes to take place. In most respects, the questions and concepts used for the IES should be the same as for the Baseline Survey. However, obviously, there will be direct questions about the effects, and there will be some retrospective questions, asking about changes in the period.

Then at the end of the pilot, preferably within a month of the last cash transfer, there should be a Final Evaluation Survey (FES), in which all the same individuals and households covered in the baseline survey should be covered. Again, the questionnaire should be as close as possible to the one used in the baseline, with similar reference periods. Of course, if the pilot is set to last longer, then it is recommended that a similar evaluation survey should be conducted every six months

### 2.3.10. Key Informants must be Used

While the focus of attention should be on the individuals receiving the basic income, it is desirable to involve *key informants* in the evaluation process. This means that, besides asking for information from recipients of the basic income and from any control group, extra information should be collected from local authorities and such people as a person running a local medical clinic and a teacher in the local primary school.

The key informants should be asked for information that is not available from actual recipients and for information on the way a basic income might influence behaviour. A good pilot evaluation should build on a structured questionnaire addressed to key informants with questions that are expressed in a neutral way. Too often, in reports of empirical studies (not of basic income), one can tell that the questions were biased and thus the anecdotes reported are correspondingly biased.

If the size of the pilot covers several communities, then two design features must be developed. First, the areas chosen should be structurally similar, particularly for making comparisons between areas where the basic income is paid and areas where they are not paid. Second, the evaluation design should take into account that exogenous factors may make one community quite unlike another during the course of the pilot. For instance, a school might be built in or near one village, and not in or near others. Or an irrigation scheme may be introduced in one place and not others.

For this reason, it is essential to have a modest Community Survey, which should be conducted in parallel with the baseline survey, the interim evaluation survey and at the time of the Final Evaluation Survey (or to coincide with however many evaluation points are decided). The designers would be well advised to keep the Community Survey design as simple as makes sense, and avoid being lured into designing such a complex instrument that it becomes a cumbersome drag on the quality of all the survey work.

### 2.3.11. Analysis should address Multi-level Effects

Related to the above, a further imperative is to build into the pilot scheme adequate techniques to assess and evaluate (i) effects on individuals, (ii) effects on households and families, and (iii) effects on the community, such as economic multiplier effects.

Too often, one reads assessments of a social policy pilot scheme – not of basic income but of some other intervention designed to alter behaviour – in which conclusions are drawn from looking solely at the effects on the individuals directly affected. This may be misleading.[58] Some of the richest effects may be at the community level. If they are not studied at the same time, the evaluation may conclude that because the effect at individual level was good or bad, the scheme is good or bad.

Community effects may have *feedback effects* on how individuals behave and interact with one another. One of the claims made by advocates of basic income is precisely that it would foster altruism and social responsibility within communities.

### 2.3.12. Evaluation must cover both Attitudinal and Behavioural Effects

[58] The most egregious example relates to labour subsidy schemes that look only at the effects on the person benefiting, without considering *deadweight* effects – the person could have obtained the labour without the subsidy – and *displacement* effects – a tendency for a subsidised person merely displacing somebody else. One advantage of a universal unconditional cash transfer is that it does not involve such distortionary effects.

An unconditional cash transfer/basic income is a type of policy that has effects on behaviour, on physical and emotional 'wellbeing' and on attitudes. There is no objective reason for believing that only directly measurable behavioural effects are important.

The evaluation instruments should include attitudinal questions, and in that respect it is essential that they are posed in as neutral a way as possible and allow for a range of responses that are numeric in some way. Too often, in the enthusiasm of the policy advocates, the questions are biased in some way, and as a result the data are useless. The attitudinal questions should lead to *likertscale* response codes, i.e., allow for a range of five possible answers.

### 2.3.13. Hypotheses should be Explicit before the Pilot is Launched

This leads us to a major point of any pilot. There should be a clear list of hypotheses to be tested, and these should be established *before* the pilot is launched and *before* the baseline survey is carried out. Too often pilot schemes are launched with only vague ideas of what to expect, perhaps because they are implemented under pressure or as a result of a conflicting array of claims and counter-claims. There is also another problem, less often noted, which is that a pilot is launched with only one or two hypotheses to be tested.

In this regard, the supporters of RCTs have tended to design pilots that are directed at just one simple hypothesis, or perhaps two simple hypotheses. This stems from the medical metaphor that guides their thinking – "treatment" versus "non-treatment". The result is an overwhelming tendency to address narrowly defined issues or easily measured outcomes that can be couched in terms of a medical experiment.

Against this bias, one could argue that a pilot scheme is actually better suited to uncovering *how* and *why* an intervention works or does not work, rather than whether or not it does work.[59]

So, before designing a basic income pilot of this kind, it is essential to review the main claims made in favour of cash transfers and the main criticisms levelled at them, since these will determine the appropriate design of the pilot, the specific hypotheses to be tested and the type of methodology that would suit the evaluation research.

The main criticisms of a basic income, and of cash transfers in general, conditional or unconditional, are:

- They induce people to reduce their labour supply, because they make it possible to subsist with less labour;
- They induce people, particularly men, to 'waste' the money on private bads, notably alcohol and gambling;

[59] This point is made forcefully by Angus Deaton in a critique of randomised controlled trials, and by Nobel Prize winning economist Jim Heckman. A. Deaton, *"Instruments of development: Randomization in the tropics, and the search for the elusive keys to economic development"*, The Keynes Lecture, British Academy, October 9, 2008; J.J.Heckman and J.A.Smith, *"Assessing the case for social experiments"*, Journal of Economic Perspectives, Vol.9, No.2, 1995, pp.85-115.

- They do not improve welfare, because families do not allocate the money to beneficial uses, unlike schemes that direct them to spend on particular items;
- They have an inflationary effect, because they increase demand without inducing an increased supply of goods and services. [60]

The main claims in favour of it are as follows:

- They help people to escape from or avoid falling into poverty;
- They provide a direct means of attaining greater *food security*;
- They help improve the recipients' health and nutrition status, particularly of children;
- They induce families to spend on improving sanitary conditions in their households, thereby improving health and wellbeing;
- They help to create better conditions so that children attend school to a greater extent and learn more effectively in and outside school, while being more likely to avoid being involved in child labour;
- They increase people's freedom to make decisions about their lives, and provide greater control over the way they can plan their activities;
- They help avoid the clogged pipes of bureaucratic welfare schemes, by which much of the benefit intended for recipients is lost in leakages;[61]
- They help to raise women's socio-economic status, relatively as well as absolutely, and actually increase female labour force participation;
- They enable people to cut indebtedness and to make savings, thereby enabling them to deal with financial *hazards*;
- They result in a reduction in income inequality;
- They increase financial inclusion, of villages and communities;
- They boost the local economy, most notably by creating multiplier effects and inducing an increased elasticity of supply of basic goods and services[62];
- They help to alter people's attitudes and values in favour of more altruism and social solidarity, reducing fear and intolerance.[63]

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[60] Based largely on evidence from *ad hoc* schemes, most advocates of basic income cash transfers believe that in most circumstances the elasticity of supply of basic goods and services is high and rapid, preventing any inflationary effect. Also, the argument that cash transfers lead to inflation assumes that there is no unemployment, lack of services in the community.

[61] On this, see R.Jhabvala and G.Standing, 'Targeting to the 'poor': Clogged pipes and bureaucratic blinkers', *Economic and Political Weekly*, Vol.XLV, Nos.26-27, June 2010, pp.239-46.

[62] Multiplier effects, associated with Keynesian economics, refer to the income generated that exceeds the initial input. Estimating these effects is complex, but will be tested through this project. For an attempt to do that in an African context, see S.Davies and J.Davey, *"A regional multiplier approach to estimating the impact of cash transfers on the market: The case of cash transfers in rural Malawi"*, Development Policy Review, Vol.26, No.1, 2008, pp.91-111 and I. Hirway, M. R. Saluja and B. Yadav, "*Employment Guarantee Programme and Pro-Poor Growth in Developing Countries*", Academic Publishers, forthcoming 2009.

[63] This has been well documented in laboratory experiments by psychologists. See, for instance, N.Frohlich and J.Oppenheimer, Choosing Justice: An Experimental Approach to Ethical Theory (Berkeley, California, University of California Press, 1992); R.Stock, *"Socio-economic security, justice and the psychology of social relationships"*, Socio-Economic Security Paper No.8, Geneva, ILO, 2002.

These make up a long list of claims and counter-claims. And of course cash transfers involve several *types* of hypotheses to test – the effects on the individual, the effects on the individual's household, and the effects on the surrounding community. One also needs, obviously, to collect information on other factors that may determine changes in behaviour (control variables) beside the basic income itself. To complicate matters even further, there are effects on *behaviour* and on *attitudes*, implying a need for both economic and socio-psychological data.

Here one cannot be exhaustive of all the hypotheses that could be considered in the course of a pilot basic income scheme. Some are implicit in the above list of claims and counter-claims. But it is useful to consider a few of the major hypotheses in order to indicate what type of statistical information is required to evaluate the impact of a pilot.

Consider a few standard hypotheses:

1. A basic income enables the household or family to procure more food and this induces better nutrition and better health.
2. A basic income reduces the pressure on the household to oblige children to labour and increases the probability of them attending school.
3. A basic income enables the household to pay off debt.
4. A basic income raises women's socio-economic status and increases female labour force participation;

For these hypotheses, there is need for *benchmark data*, some of which can be collected from a baseline household survey conducted just before the launch of the basic income pilot, some of which must be collected from outside the household. In some respects, collecting the relevant information requires involvement of an outside body, notably a local medical clinic and a local school.

Then consider another set of hypotheses:

5. A basic income granted to person X leads person Y to reduce the amount of time devoted to income-earning activity, and/or leads person Y to alter his/her consumption.
6. A basic income scheme empowers women and builds their agency.
7. A basic income raises social solidarity.

These are indirect and external effects that may require information from the recipient, from the immediate household and from outside the household. While this has implications for the design of a baseline household survey, it also implies a need for a *community-level benchmark and monitoring survey.* And it implies a need for matching household and community *evaluation surveys* that will be conducted concurrently over the period of the pilot.

Then there are hypotheses that relate to the effects on the local economy and local society, such as the following:

8. A basic income scheme leads to an improvement in income distribution, lessening income inequality, and it does so more than by a simple addition of the cash transfer.
9. A basic income scheme leads to the establishment of local financial agencies, leading to a growth of financial intermediation.
10. A basic income scheme leads to the development of new local businesses and more employment in the community.

Here we come back to the design of the pilot itself. Hypothesis 8, for instance, is critical to a proper evaluation of a basic income pilot scheme. Suppose they would improve income distribution, and suppose the pilot design was such that we could not show that. The pilot would then be improperly evaluated. But if only a minority of the community were provided with the basic income, it would be impossible to test this crucial hypothesis. So, it is essential that all residents be encompassed by the cash transfer[64].

### 2.3.14. Costing and Budgeting must be Realistic

It might seem obvious, but it is important to devise realistic cost estimates at the outset of the pilot scheme. One could elaborate, but the key point is that pilots necessarily stretch over a prolonged period, in which unanticipated events almost always occur. It is inadvisable to think proper evaluation can be done at a cost that is only a small fraction of the cost of the actual cash transfers. Proper professional evaluation requires decent funding and the technical expertise that should come with that.

Besides costing for the basic income payments themselves and for administration and for the evaluation, some amount of money should be set aside for contingencies, since it is in the very nature of a pilot that not everything is known in advance.

### 2.3.15. The Sample must be as Constant as Possible

This is an essential but hard-to-maintain principle of a basic income pilot. However regrettable from a social point of view to deny a basic income to a newcomer, nobody not covered at the outset of the pilot should be subsequently included, with the exception of new babies and, perhaps, new spouses, marrying somebody already receiving the basic income.

In other words, migrants who enter the community after the start cannot be included, and nor can those who return to the community after it has started. However, it is desirable to include prior migrants and return-migrants in the survey, since their presence may have effects on attitudes and behaviour that should be taken into account.

[64] For a complete list of hypotheses refer to Annex 1

One problem that will surely arise if the pilot is sustained for the proposed period of two years is that of out-migration, for short or long periods. It is recommended that should they move usual main residence and/or leave the community to do income-earning activity for more than a short period of about two weeks they should be dropped from the recipients of the basic income.

Obviously, in a prolonged pilot there will be an unfortunate risk of deaths occurring. In such cases, there should not be substitutes. So, in reality the imperative will rarely be entirely maintained. The point is to try to come as close as possible to it.

### 2.3.16. Monitor the effectiveness of the cash transfer mechanisms

One of the biggest challenges for any cash transfer scheme in developing countries is that formal banking systems do not have a universal reach and in particular exclude the most vulnerable. Cash transfers inevitably involve a learning function, and if one is not careful institutional failure can distort the actual effects on behaviour and attitudes.

There are a range of methods for distributing cash transfers, none of which are entirely adequate, although the range of technological options are increasing. However, in this experiment, we were concerned that by introducing this dimension we would complicate the analysis, obliging the project team to increase the sample of villages and the sample size of respondents and of control groups. In the end, the team adopted a relatively simple method, although it has two variants, as described later.

The mechanism for transferring cash is an important element and pilot basic income scheme could be a sensible and cost-saving means of testing alternative electronic mechanisms for distributing cash to communities that do not have access to formal banking services. One purpose of using a technology platform is to eliminate the "third party" human element bearing in mind that this is often cited as a reason for the "clogged pipe" failings in Indian government programmes.

There is an additional benefit of using modern technology, which is that it enables recipients to access cash when they need to do so without having to depend on the working hours of institutions that distribute cash, notably banks. But the question is: What technological option would be the most desirable and most replicable at national level, in terms of cost, transparency and user-friendliness?[65]

There is a great deal of experimentation being undertaken in India on various forms of financial inclusion, including the use of banking correspondents, mobile phone transfers, and Aadhar-linked biometric cards.

[65] For an interesting discussion of the technical issues, see D.Johnson, *"Case study of the use of smartcards to deliver government benefits in Andhra Pradesh, India"*, Institute for Financial Management and Research, Centre for Micro Finance, October 2008.

A pilot could test the effectiveness of various transfer methods and technological companies that produce both hardware and software could partner to implement them. Each technology solution would be treated as a candidate for future implementation and, hence, will be studied for its cost-effectiveness as well as its acceptability among the villagers. A detailed analysis of the pros and cons of each solution could be documented during the experiment. A report on the success or limitations of each could also be produced before the end of the project.

In sum, pilot schemes are popular at the moment, for all sorts of policy interventions. There is no reason for doubting that they can and should be the means for advancing practical consideration of basic income. Advocates should encourage local authorities and donor agencies to support such initiatives.

No pilot design or evaluation method will be totally adequate for all the questions that must arise in pilots, and it is unlikely that any single method will be totally convincing. Indeed, not only is there no perfect method, but there is only one rule on which one can count. However clever and experienced one is, the only thing on which one can be certain is that you will make mistakes. This does not mean that those involved in designing and conducting the pilot will be incompetent, merely that unexpected events always occur.

Nevertheless, if well-designed and conducted professionally and transparently, pilot schemes are almost indispensable and should tilt the balance of thinking and lead more people to make balanced and more objective decisions on a policy such as a basic income. That is why we should be involved in designing and conducting them, and why we should make sure to pre-empt criticisms by being as objective as possible, and for having control groups in all such experiments.

The implementation of pilots has moved a long way relatively quickly. Around the world today it is increasingly recognised that there is chronic economic insecurity and that simple cash transfers are a feasible way of addressing that insecurity. An unconditional cash transfer such as basic income is a way of reducing both insecurity and the inequalities that globalisation has produced.[66] A rolling series of pilot unconditional cash transfer schemes conducted on a manageable scale in various parts of the world would be a great way to bring them into the mainstream of social policy and development thinking.

## 2.4. Building in "Agency" or "Voice" Effects

Unconditional cash transfers are usually piloted in an area where other social policies and schemes are already running and where various forms of "voice" or agency are already operational. A pilot social policy project should take account of agency effects. These vary. Always the group provided with a "treatment" has some degree of agency, which may not be the same in different communities. The agency or Voice may exist prior to the onset of the

[66]G.Standing, Work *after* Globalisation: Building Occupational Citizenship (Cheltenham and New York, Elgar, 2010).

experiment or it may emerge during or as a result of the policy intervention. Or both may occur. In other words, agency may be exogenous or endogenous or both.

In the Namibian, agency was endogenous, in that within months of starting, the villagers themselves formed an Advisory Committee to steer villagers to use their money rationally and to defend themselves against anybody inclined to take advantage of them. To what extent did that affect the outcomes? The research team believed the effects were positive. But it was unable to tell how important they were.

Other pilot cash transfer schemes have picked up a positive effect of agency, as in a study done in Nicaragua that found that in areas with a relative high proportion of 'community leaders', the effects of conditional cash transfers were stronger.[67] That is only one type of agency that could be measured in a pilot. Others should be taken into account in the selection of sampled areas and in the design of the evaluation instruments.

Moreover, when pilots are scaled up it must be recognised that most vulnerable people may be excluded or exploited. Combating vulnerability requires them having a sense of *agency*, or capacity to exercise effective 'voice' in their defence. This perspective leads to the view that a basic income would only work optimally if those receiving it had individual agency and some form of collective Voice to represent and defend their interests.

In the Indian pilots, the research team adopted a rare methodology. It first identified a Voice mechanism, namely SEWA (the Self-Employed Women's Association), and reasoned that the basic income would have a greater impact on behaviour and attitudes in areas where it was operative than in areas where it was not, ceteris paribus.

This allowed the team to test the hypothesis that basic income with Voice works 'better' than basic income alone. To pre-empt a concern that might arise, note that the design of the questionnaires used in both the baseline and subsequent evaluation surveys also allowed identification of any other form of agency that might have existed prior to the pilot or that emerged during it. Although SEWA was the Voice organisation, and the project's coordinating body (see below); the design of the main pilot was shaped by independent experts.

We now turn to the specifics of the pilot schemes that were adopted since beginning this vein of applied research and action.

## 2.5. The Madhya Pradesh Unconditional Cash Transfer Pilot

A project in which a policy experiment is involved is unlike a typical research project in that it requires institutions to be involved that play complementary roles. In this regard, the project had two primary institutional partnerships.

[67] K.Macours and R.Vakis, *"Changing households' investments and aspirations through social interactions: Evidence from a randomised transfer program in a low income country"* (Johns Hopkins University Press, 2008).

### *a) UNICEF*

The project was largely funded by UNICEF New Delhi. Several senior staff participated in planning seminars and in subsequent workshops and analytical processes, and became integrated into the research team.

UNICEF was interested in this study because of its concern for the well-being of children. Madhya Pradesh has some of the worst nutrition levels in the country. An estimated 55% of the children are malnourished, a higher figure than most sub-Saharan African countries. And according to UNICEF, what is "linked with high rates of child malnutrition is the large number of new mothers and infants who die shortly after birth". Madhya Pradesh has a very high mortality rate of 335 per 100,000 live births, much higher than the national average. New mothers are vulnerable, particularly if they are married before the legal age of 18 years and if they are malnourished and anaemic during their pregnancy.

Given these dismal figures in Madhya Pradesh, UNICEF sought to examine an alternative intervention to improve well-being indicators of children. The hypothesis that cash transfers would see an improvement in the conditions of children drew UNICEF to support the project.

### *b) SEWA*

SEWA has been the Voice organisation inside the project, and has also been the coordinating body conducting the project.

Why was SEWA interested? SEWA is fundamentally a trade union organisation, with over 1.7 million members in ten States. A central objective of its activities is to enable all its members to attain income and work security, social security and self-reliance. It works with Government to advocate for suitable policies, to mobilize its members to take advantage of Government schemes and to help Governmental efforts to implement these schemes.

Over the years SEWA has found that although Government funding for social security schemes has increased, the multiplicity of the schemes and the "clogged pipes" which make up the Government delivery system, have been major barriers to a smooth flow of benefits to entitled recipients. SEWA has been looking for ways to improve the flow of Governmental schemes of social security and basic security to informal economy workers and to the poor in general. In recent years there has been a great deal of public discussion on the desirability and feasibility of cash transfers. SEWA members are active in SEWA micro-finance co-operatives and have proved that they manage cash well and know best how to use cash for the betterment of their families. It was therefore felt that maybe cash transfers could be a good method of basic security. SEWA, however, believes that in order to be effective, these transfers should be unconditional.

A major reason for selecting Madhya Pradesh for the project was the deep-rooted presence of SEWA in the State. A project of this scale and nature requires not just an understanding of

local realities, but also the ability and the network for efficient implementation while having the ability to engage with the local community, the banks and the government.

SEWA Madhya Pradesh was formally established in Indore as a trade union in 1985. At first, it worked to organize *bidi* workers in the city to make them aware of their rights. After 1992, this activity spread to other districts and grew to include women undertaking other activities as well. Today SEWA Madhya Pradesh has over 600,000 members, who are engaged in diverse activities, including bidi making, *aggarbatti* (incense sticks) making, stitching, *tendu patta* (leaves used to make bidis) collection, farming and working as wage labourers.

The project was conducted by SEWA Bharat, the All-India Federation of SEWA organizations in different states, whose task is to promote new SEWA organizations, strengthen existing ones and to advocate for policies at the National level.

Additionally, UNICEF and SEWA worked closely with the Government in the State and at the National level. The Government partners were:

### *c) Madhya Pradesh Government*

It was recognised at the outset that the prospects of the pilot would be seriously jeopardised if there was political opposition to the policy itself from government structures. Accordingly, before the project was launched, briefing with State officials took place, once SEWA Bharat and UNICEF had determined that Madhya Pradesh would be a suitable locus for the pilots.

State authorities appreciated that in spite of a plethora of selective and targeted schemes, there was no evaluation of their success or failure. Madhya Pradesh government's website list 23 operating schemes that it describes as "important" and a further 360 schemes that operate at village level.[68]

### *d) The National Planning Commission*

It should be acknowledged that before the project was converted from initial ideas into a formal project, a process of *legitimation* took place in which a series of meetings with key government and non-governmental bodies took place.

The first series of meetings to approve the idea and subsequently the project was undertaken with the National Planning Commission. After the Planning Commission gave its formal approval, it was also approved by the Department for Women and Child Development and subsequently by UNICEF. The Planning Commission also presided over an advisory group consisting of a number of experts where the methodology to be used was presented and approved.

In addition to these partners, consultations were held with members of the **National Advisory Council**, the **UK's Department For International Development, the World Bank, the**

[68] The range and complexity of government schemes are discussed in chapter 12 of the report**.**

**Ministry of Finance,** representatives of several other ministries and prominent academics with experience of social policy.

## 2.6. Determining Entitlement to the Basic Income

One of the hardest tasks in the initial stages of the pilot was determining who should and who should not receive the basic income payments. Some pragmatic rules had to be applied.

The essential guideline was that all men, women and children who were listed in the households as usually resident at the time of the baseline survey were entitled to the basic income. But that was insufficient by itself, since decisions had to be made on entitlement by anybody entering the household, or even establishing a household, after the start of the pilot.

Any member of a recipient household who subsequently moved household within the village or who set up an independent household in the village continued to be entitled to the basic income. And any new baby born after the onset of the pilot was entitled to receive it, as were newly married women who came into households that were entitled.

That meant that any migrant entering the villages independently could not receive the basic income. In sum, in a very few cases households and individuals were not entitled to the basic income, although they were recorded as residents.

## 2.7. Calculation of the Amount to be Paid

On the amount to be paid as basic income, there is no golden rule. Some proponents would argue that ideally it should be set as equal to basic subsistence, equivalent to some official "poverty line" income. However, in this project it was decided to set the level as enough to make a difference to living standards but not enough on which to survive with dignity. In short, it was set at about 30% of the income of lower-income families.

The calculation of the amount was made in 2009 when the project proposal was submitted. According to figures available at that time, the poverty line (PL) figure was Rs 327 per capita, which amounted to Rs 1,635 for a family of five. Vulnerable families, as defined in the National Commission for Enterprises in the Unorganized Sector (NCEUS) report, are those whose per capita expenditure is below 2PL (twice the PL), that is, expenditure below Rs 3,270. The share of families below the poverty line in Madhya Pradesh at that time was 31%, while the share that consisted of vulnerable families was over 50%. The PL figures, however, were based on the 2004–2005 NSS Round. We estimated a 30% increase due to inflation from 2009 up to the start of the project. So, the estimated expenditure for vulnerable families was below Rs 4,350 per month.

The amount of cash to be disbursed was calculated to be Rs700–800 per family (depending on number of children and adults). For those at Rs 4,350 – that is, those having the maximum income in the vulnerable group – the amount was less than 20% of expenditure. For those at the poverty line, it worked out to be about 30% of expenditure.

Thus, an amount of Rs. 200 per adult and Rs. 100 per child paid each month from June 2011 to May 2012. In July 2012 the monthly amount of cash tranche was increased by 50% in view of inflation. This revised amount of Rs. 300 per adult and Rs. 150 per child was disbursed for the next 5 months so as to assess its utilization at individual and household level as by then most individuals had an active bank account and were receiving cash on a regular basis. Crucially, the increase in amount did not affect the results of the main evaluation as data collection for the Final Evaluation Survey had already been completed by then.

## 2.8. The Modified Randomised Control Trial Design

The design of the pilot was intended to allow comparisons between what happened in villages and households where all residents received the basic income transfers and similar villages and households where nobody received them. Both types of village were to be selected randomly from a set of villages with similar characteristics, as described below.

The key point is that the decision was made not to select randomly *within* villages, which would be the approach if a medical treatment were being tested. The rationale for that was clear and obvious. If one is testing a medical 'treatment', one can randomly select individuals, who might be living next door to one another or might be in neighbouring beds. In the end, when it comes to statistical analysis, it is a matter of comparing outcomes through matching pairs of otherwise similar individuals. However, for an experimental pilot of a social policy, when moral and behavioural adaptation considerations come into play, one cannot proceed in a purely medical way. For instance, if the pilot was to provide cash transfers to one household and not to their neighbour, resentment would be highly probable, and either sharing would take place or some form of retributive justice would be exacted. This is why the pilot restricted randomisation to the village level.[69]

## 2.9. Evaluating the Voice Effect: SEWA

A crucially important aspect of this pilot is the examination of the independent effect of a collective Voice organisation, in the form of SEWA. The guiding hypothesis has been that any positive effects of cash transfers would be more likely if vulnerable social groups have a Voice to represent and defend their interests.

[69]It must be remembered that the primary reason for using randomisation is to address what is called 'selection bias'. And use of the technique should enable the researcher to control for the independent effect of environmental factors common to the 'treatment' and 'non-treatment' samples. But it is equally important to reiterate that RCT is only one of a range of perfectly acceptable research methodologies, some of which are much better for evaluating *processes* and dynamics. For an excellent statement and warning about the limitations in the claims made by advocates of randomisation, see Angus Deaton, *"Instruments of development: Randomisation in the tropics, and the search for the elusive keys to economic development"*, The Keynes Lecture, British Academy, October 9, 2008.

Accordingly, in the MPUCT pilot, four SEWA villages were selected for receipt of the basic income payments and four non-SEWA villages were selected for those payments. The control group of villages consisted of six SEWA and six non-SEWA villages.

What is a SEWA village? A SEWA village is one where SEWA as a Voice organisation has its presence in some form or the other. Given the wide range of activities that SEWA engages in, its presence could mean the pursuit of any activity from mobilising members for accessing employment through the Mahatma Gandhi National Employment Guarantee Scheme (MGNREGS), to providing banking services, to facilitating an income-generation programme. In any particular village, SEWA could be doing any one of these activities, or many such. Further, SEWA organizes only women, and men are not its members, though in most of the activities since the household as a whole benefits from SEWA's interventions, men can be considered indirect beneficiaries. SEWA works mostly with the poorer sections of the village and not with women from all communities in the village. SEWA enrols members for one year at a time. In sum, the intensity of SEWA's activities, their mix and the size of membership may vary from one village to another, and from one year to another. A non-SEWA village is one where SEWA *has never* had any presence at all.

The table below shows SEWA's membership figures for 2010 before the project started and 2011 soon after it started, at a time when bank accounts and co-operative accounts to facilitate the transfer were still being opened. When we started this project, as can be seen from the table, the numbers of members in the 10 villages (4 where the basic income was given and 6 where it wasn't) were limited. Further, the SEWA Co-operative was not active in these villages. However, as resources and people were focussed into these 10 villages, the number of members increased. Where accounts were being opened, every woman became a member. As the membership rose, activities too increased. So, the project itself was also responsible for a more active SEWA participation in the sampled villages. By 2012, every woman in these villages became members. The basic income stimulated SEWA activity.

**Table 2.9.1. SEWA membership in villages before and after the pilot started (2010-2011)**

| No. | Name of village | Number of Female population above 14 years in Village | SEWA Members 2010 | SEWA Members 2011 |
|---|---|---|---|---|
| 1 | Akawi | 160 | 78 | 155 |
| 2 | Banjari | 253 | 8 | 9 |
| 3 | Bhokhakhedi | 121 | 0 | 23 |
| 4 | Chenpura | 194 | 70 | 88 |
| 5 | Dhaturia | 174 | 0 | 27 |
| 6 | Gogakhedi | 187 | 28 | 194 |
| 7 | Jagmal Pipalya | 339 | 25 | 305 |
| 8 | Jalodkeu | 260 | 0 | 124 |
| 9 | Mali Badodia | 259 | 60 | 201 |
| 10 | Tincha | 113 | 32 | 63 |

In the remaining non-SEWA villages in contrast, no SEWA activity was initiated during the entire course of the project.

The research team also wanted to ensure that both men and women's views and actions were considered separately. So it corrected for the initial focus on household heads. It also wished to consider the views and experience of other types of individual, including the disabled and frail elderly. These were covered in both SEWA and non-SEWA villages, and will be considered in the course of the analysis.

## 2.10. Independence of Research

It is important that the integrity of the research on the results of an experiment like this is assured. In that regard, the project took several steps:

1. **Research Instruments:** The research instruments were designed by a team of independent researchers comprising economists, sociologists and statisticians. The Baseline survey was designed by an independent research body called the India Development Foundation (IDF) in collaboration with one international economist and two Indian researchers. Subsequent instruments were designed by the aforesaid international expert with help from Indian researchers.

2. **Testing of Instruments and actual Survey**: For testing and conducting actual surveys, students were hired from local colleges in Indore, who had no prior knowledge of or contact with the project. An independent Indian research consultant was hired for training the students and coordinating all the surveys. A team of statisticians based in Delhi were hired to provide support to the survey team in the field. This team was lead by another independent consultant.
3. **Selection of Sample Villages:** The sample villages were selected randomly from a list of villages that were similar on basic infrastructure and amenities, and the sample was drawn by a research organisation (IDF) that was independent of SEWA.
4. **SEWA Organisers and Research Team**: The research team and the SEWA organisers who did SEWA work in the villagers had no interaction whatsoever, and worked isolated from each other. Similar was the case with the team of accountants who came from SEWA Bharat Delhi office and distributed physical cash during the first three months. *In other words, the research team was entirely different from the teams that handled cash transactions on the one hand, and SEWA's work in the villages on the other. The cash provider and the surveyors were both different entities ensuring independence of research.*
5. **Consultations with External Experts:** The overall methodology was presented at a series of workshops between 2009 and 2011, at which independent specialists, members of government bodies such as the Planning Commission and the Government of Madhya Pradesh and experts from various international research institutions participated.
6. An **Advisory Body** comprising of academics, members of the Planning Commission, National Advisory Council, and various research NGOs was constituted. The Council gave valuable guidance to the project at various stages of the research.
7. **SEWA Activity:** To ensure objective analysis of the effect of SEWA, it was stipulated at the outset that no SEWA activity would be initiated in non-SEWA villages for the duration of the project. Moreover, it was required that in SEWA villages no information was to be given to anybody about the expected or desired outcomes from the basic income payments. It was regarded as an important part of the test of SEWA, or Voice, to allow the normal activities of SEWA to continue. After all, that was the idea guiding the development of the project.

## 2.11. Ethical Issues

The study undertaken by UNICEF and SEWA was unusual in that the organizations involved were not academic institutions but a UN agency (UNICEF) and a women's organization (SEWA) working on the ground. Although the research was done independently, many of the ethical values of the sponsoring agencies became part of the research.

Ethics in research has increasingly become an important topic. Researchers working in academia enjoy a number of freedoms and privileges required to maintain the autonomy of the research. But the conduct of researchers is under scrutiny largely due to the potential for mistreatment of research participants. Researchers are required to take particular care to ensure

that people are not exploited or harmed in any way by the conduct of the research. Further, respect for human dignity is the cardinal ethical principle underlying ethical research and is intended to protect the physical, psychological and cultural integrity of the research subjects[70].

Ethical research requires not only honest dealings with the research participants but also ethics within the research process itself. The research design, the sampling, the process of data collection all need to be carried out in a way that does not cause any harm to the research participants. Further, ethics requires that informed consent be obtained from the research participants and disclosure of all relevant information be made available to them. At the same time their privacy and confidentiality needs to be assured.[71]

The Basic Income Study was designed and carried out in several stages, all of which ensured the participation and consent of the research subjects. The first stage was conceptualising the study and designing its essential features. As SEWA is active in the area, meetings were held with groups of villagers to determine their support for such a study. Further, critical design elements were discussed with these groups before coming to a conclusion.

For example, the research team needed to decide whether the basic income would come to one person in the family or to every person. The women in the community were of the strong opinion that every adult should receive their own cash so that no negative dynamics occurred within the family. Similarly, the means of transfer had to be decided and the village people said that bank accounts would be preferable to other means.

The research methodology was a Randomised Control Trial. But as we developed the methodology we realised that a standard RCT would violate ethical considerations. Since the study required a monthly cash transfer we realised that to randomly select individuals within a village may lead to conflict within the village and may destroy cohesion within the village. The research design was therefore modified so that all individuals in the village received the transfer and the randomisation, rather than be among equal individuals was among villages that were similar according to selected criteria.

Finally, an ethical consideration that was discussed with the community before starting the experiment was that the transfer would be only for a year and after that all transfers would stop. We also explained that only certain villages would get the transfers and others would be part of the control group.

People in the community said that they did not think that this would cause any difficulty for them as even a year's worth of transfers would be more than they were currently getting. They understood that the experiment would be random and they said that it would be like a "lottery" so that the lucky ones would get the transfer and others would not. However, they suggested that these issues be clearly spelled out so that before the experiment actually started.

[70] An introduction to ethics issues and principles in research involving human participants, Canterbury Christ Church University, May 2006. https://www.canterbury.ac.uk/Research/Documents/IntroductionToEthics.pdf
[71] Op cit

A dilemma we faced while designing the research was that if people knew that the transfers were for a limited period they would behave differently than if they thought that the transfers would continue indefinitely. In other words they may treat the transfers as a "windfall" rather than as a regular basic income. However, ethical considerations prevailed and an "awareness day" was conducted in each village chosen for cash transfer where all the terms and conditions of the transfer were spelled out. The proceedings of the awareness day in each village was videotaped and shown to the organizers as well to the Advisory Committee to ensure that the research participants were fully informed.

Free and informed consent of all research participants is a requirement for each study. The questionnaire was designed so that the participant was informed about the experiment and only after he or she agreed to participate did the enumerator proceed to the first question. In the MPUCT a number of potential research participants did not agree to be part of the research and so were dropped from the experiment.

It is the research participants who need to decide how they feel about the research-- whether they have felt exploited or harmed or badly treated in any way. To get the feedback of the research participants, we returned to the villages after the experiment was over and conducted focus group discussions. We found that people were very positive about the experiment and although the money had stopped they felt that they had bettered their lives and that some of the change was permanent. Even those participants who had not received any cash transfer were positive and said they hoped such an experiment would be repeated and they could benefit next time. Most hearteningly many participants had talked to their village heads or to Government officials requesting them to make basic income a Government policy.

Finally, since the experiment was conducted by SEWA, we felt that we should contribute something to the villages so that some benefits continued after the experiment was over. So SEWA increased its work in those villages it was already working in and entered the control villages at the end of the experiment.

### 2.12. Selecting the Villages

The general village pilot and the tribal village pilot were carried out in Indore District in the state of Madhya Pradesh (see map of Indore district below). According to the 2011 Census of India, the population of the district is 3,272,335 with a sex ratio of 924 females per 1000 males.

**Figure 2.12.1: Map of Indore District**


The map above shows the four blocks that were chosen from Indore district for the pilots. These are Depalpur, Indore, Mhow and Hatod. They are also categorised on the basis of basic income and control villages, as well as SEWA and Non-SEWA villages[72].

Eight villages were selected for receipt of the basic income transfers and 12 others were to serve as control villages. All 20 had to be of roughly similar size, and the intention was to choose randomly from a universe of similar villages, with similar socio-economic structures, roughly equi-distant from an urban centre, Indore. In addition, it was agreed that they should have close proximity to a public primary school.

It was decided to draw a sample of villages of about 100 households each, and to try to ensure that basic income villages and the control villages should be approximately the same size on average. There were two pragmatic reasons for selecting villages of about that size. First, budgetary restrictions dictated something like that. Second, that is roughly the average for Indian villages[73].

Another consideration was that the villages were designated as non-tribal villages, since tribal villages are more homogeneous in terms of demographics, economic activities, social hierarchy, whereas non-tribal villages have, definitionally, more variation in all those respects. So, all the villages from which the 20 were to be selected were required to have a non-tribal share of their population of over 50%.

The filtering process followed produced a sample of 50 villages (20 SEWA and 30 non-SEWA villages), and were identified by an independent group outside the project team. From this set of 50, a clustering procedure was followed, using a binary similarity coefficient measure for

[72] For detailed description of village characteristics refer Annex 2.
[73] For the complete list of pilot villages refer to Annex 3.

locating matches. Taking village-level variables collected from secondary sources for the purpose, the clustering was undertaken by using five variables – proximity of a secondary (middle-level) school, registered doctor, distance and access to pucca road, bus connectivity and presence of a PDS "control" shop.

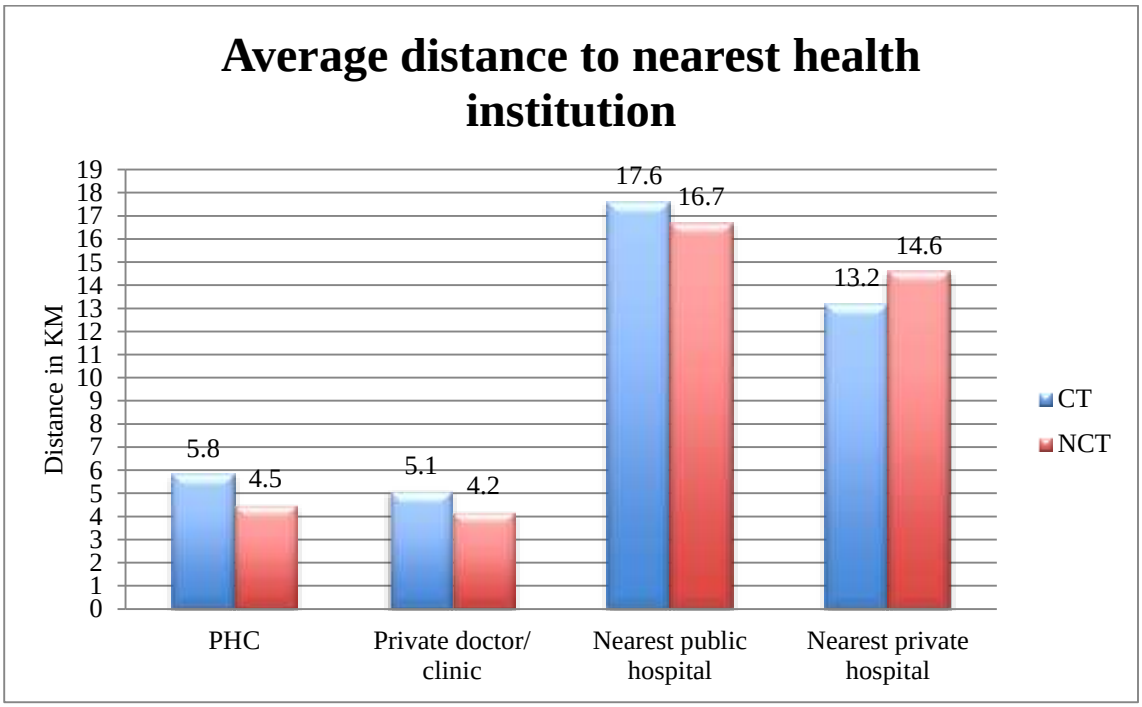
A similarity coefficient gives the proportion of matches between two observations. Therefore, for each village, similarity coefficients for every other village could be obtained from the dataset. For operational purposes, the team kept a cut-off of 70% on the similarity coefficient, so that two villages are similar (and hence included in the same cluster) if the value of the coefficient for them is greater than or equal to the cut-off.

The team also had to ensure at least 10 villages each for each stratum (SEWA and non-SEWA). This procedure resulted in a cluster of 12 similar villages from SEWA-type villages and another cluster of 15 similar villages of non-SEWA type. The research team randomly selected 10 villages from each cluster for the experiment.

The final step was to select randomly four villages from each set of 10 villages for entitlement to the cash transfer. This procedure provided a list of eight villages in the basic income group and 12 villages in the control group.

However hard one tries, some differences in villages are bound to show up. However, the 20 villages did turn out to have fairly similar structures in terms of access to social amenities and services, such as schools, medical facilities (Figure 2.11.2) and shops. The mean average distance to the nearest ration shop was 3.1 kilometres for the basic income villages and 3.0 for the control group. And the mean average distance to a pucca road was 1.5 and 1.0 kilometres respectively.

**Figure 2.12.2: Average distance of villages to nearest health institution**



*Source: MPUCT FES*

**Table 2.12.1: Average Distance to nearest School, in kilometres**

| Village | School up to class | | | |
|---|---|---|---|---|
| | 8th | 10th | 12th | College |
| Basic Income | 1.6 | 8.6 | 9.8 | 28.4 |
| Control | 1.8 | 5.4 | 8.5 | 19.0 |

*Source: Community Survey, MPUCT*

## 2.13. Household Identification

The concept of a "household" is not as obvious as many social scientists and commentators presume. It can be defined by usual residence or by actual residence at the time of enumeration.

In short, households can be defined in several ways, none of which is perfect. In this project, it was decided to adopt a fairly conventional approach, which is that a household is defined as consisting of those who share a common, independent kitchen. Membership of the household is defined as those *usually* residing in the household, i.e., sleeping there for at least four nights a week.

In any project lasting for some considerable time, it is essential to allow for changes in household formation and dissolution. Again, pragmatic rules have to be applied. In this project, new households were allowed after the pilot began only if members had been members of enumerated households at the outset. In other words, if they were in the basic income villages, those were entitled to continue to receive the basic income.

In addition, all new-born babies and all newly married women coming into the village were not just added to the household roster but, if in the basic income villages, were entitled to the basic income payments.

There is an argument that cash transfers create a perverse incentive to have new members join the household to increase the size of the kitty. However, our experiment showed no such evidence.

## 2.14. Sample Size

The sample size was one of the trickiest methodological issues, since over time the number of people living in any village typically varies quite a lot, so the number receiving basic income payments would vary as well. Strategic decisions had to be made on the criteria that could be used to identify who should be included in any household.

In the general villages covered by the MPUCT, at the outset, at the time of the baseline survey, there were 4,874 individuals eligible to receive basic income transfers, according to the baseline survey. But other individuals came to the team at the time of the launch and said they had been excluded for some reason. Some came later and were added, with their basic income transfers being backdated. There were 673 of those. That increased the number to 5,547 eligible to receive the basic income.

In June 2011, 3,670 individuals actually received basic income transfers. Of those, 2,740 received cash by hand, and 930 had the money paid into their bank accounts. That made 1,877 of those eligible but had not received basic income in the first month, for a variety of reasons. About 220 had refused to accept basic income. A total of 220 refused to take them, initially. The remaining received the payments for that month retrospectively. Some of the 220 who initially refused came back and asked to be included in the list. Counting recipients and control villagers, 11,231 individuals in 2,034 households were covered by the evaluation surveys, 938 households receiving the basic income.

### 2.15. The Process

At the start of the process a baseline survey was conducted in all 20 villages. Villagers were not informed about the purpose of the study. The baseline survey is described in more detail later.

After the baseline data collection was completed, eight villages were randomly selected to receive the basic income transfers, while the other 12 villages were the control villages. The process of informing the villagers was through what was called an "Awareness day" in each village.

#### 2.15.1. The Awareness Day

During the awareness meetings, people were informed of the purpose of the project with UNICEF and in the SEWA villages, both organizations were named. The project was described as being an experiment to understand the efficiency of cash transfers in comparison with government schemes and to also understand the impact of small-income support given by cash transfers. The awareness team clarified that the cash transfers were unconditional, and that they could be spent on anything that was desired by the individual. Cash transfers would be transferred directly to the accounts of the beneficiaries without any middlemen, and in the SEWA villages, the SEWA Thrift and Credit Cooperative Society team would come to the villages to open accounts for women.

The reaction of many people was defined by disbelief. There were many questions on the motive for providing such cash transfers, and there was also some incomprehension on the part of some villagers about why there were no conditions attached to receiving the money. The awareness team explained that the results from the research would be presented to the government, and that if accepted it might be made into a policy. The team was careful not to make any promises.

### 2.15.2. Getting Off the Ground

Pilots that involve social change often get grounded soon after they begin. Experiments carried out in the villages amidst political change, social relationships and economic forces are very different from those carried out in the controlled atmosphere of a laboratory, and a new idea often faces resistance which may be ideological or just born from suspicion and fear. The Delhi 'choice' pilot, carried out by SEWA Delhi, for example, faced a great deal of ideological opposition and many attempts to derail it both at the beginning and half-way through. Other pilots such as the Government's pilot in Kotkasim in Alwar district has received a great deal of negative publicity and the results discredited. Similar experiments attempted in Bihar by private research agencies were stalled due to local opposition.

In Madhya Pradesh, the pilot faced suspicion from local villagers. Some of them could not believe that anyone would hand out cash for free, and saw the pilot as an attempt to dupe them and take away their land. Others, especially, the well-off farmers, were worried that cash coming into the village would change the village dynamics and reduce labour supply at harvest time. SEWA's track record and credibility with the villagers and with the Government was crucial for this new idea to be tested out.

Jalodkeu and Jagmal Pipliya are cash-transfer villages where SEWA has members, mainly among the scheduled caste and poorer communities. Both villages are segregated along caste lines and there is great disparity between the rich and the poor.

*After the "Awareness Day" rumours began in both villages that the cash transfers as administered by SEWA-UNICEF were actually a bribe on behalf of the government who would then take away people's lands. Approximately 15 -20 people, mostly big farmers, believed these rumours and began instigating others in the villages. They complained to some of the government officials and the District Program officer of the Department of Women and Child Development (WCD) summoned SEWA. I met him along with the villagers and showed him a letter from the Divisional Commissioner, Indore that said that the Government was aware of the project and that SEWA was a credible organization. This conversation placated the people, somewhat. Later our local agewans (SEWA organizers) in Jalodkeu called a meeting in the village and those who had been members for some years assured others that SEWA only thinks of the good of the village and bringing this cash into the village will help all.*

Pratik Sethe, SEWA Program Coordinator

The situation was more acute in the Non-SEWA villages, where SEWA could not intervene for the sake of the experiment. Nevertheless, SEWA had to take action to keep the project going. One such village, Shahwada, is 64 km away from Indore and three km away from the main road. It is surrounded by river and during three months of monsoon is completely cut off from the road. Not many people from outside visit this village.

*The Research Agency (India Development Foundation) called me and told me that the situation in Shahwada was out of control that their enumerators were being threatened and they would*

*have to stop working there. They asked me to go to the village. The UID process was initiated before the survey and people's fingerprints were taken, and then the enumerators began coming in. The influx of so many people made the people extremely nervous, especially after the' awareness day' where it was announced that cash will be distributed. Some years ago outsiders who promised them high returns had cheated a large number of families from the village of some money. At the same time were rumours that a dam is to be constructed around the village and land is required for that so people believed that the surveys are being used to take land away.*

*I organized a meeting in the village with about 60 people to introduce the organization and its work. People asked questions about why their village had been selected, what was the reason for so many people visiting the village so frequently. Despite my explanations, the people were not convinced. They surrounded me, threatened me, and wanted to take me to the police station. Finally, they took me to the office of the Sub-District Magistrate. By the time we reached there, word had spread and local media had appeared. Fortunately, the SDM knew SEWA and assured the villagers that this was a good project. The media also left seeing there was no scandal here. A crisis was averted. If something negative had appeared in the newspapers, it could have undermined the whole project.*

Santosh Malviya, Researcher, SEWA-MP

### 2.15.3. The Refusal Rate

In any pilot, some individuals will refuse to participate, either because they are suspicious or because they have no time, because they think it is not worth it or because they do not believe in what is being done. Of course, if refusals were numerous the validity of the project would be jeopardised.

Refusal to accept the basic income was an issue in the pilot, although the number who persisted in refusing was small in absolute terms (Table 2.14.1). The refusals tended to be from the richest households. Most of the refusals were in just one village, which happened to be a SEWA village. Bear in mind that refusals tended to come from particular households, so that the number of households involved in refusals was less than implied by the number of individuals.

An effort was made to persuade all those refusing to accept the cash transfers. But if that failed to convince them, their judgment was accepted, even though we had to accept that this affected the design of the sample. It was a human reaction, which would apply with any social policy scheme.

**Table 2.15.1: General Villages: Details of Refusals, by Type of Village**

| | SEWA Villages | Non-SEWA Villages | Total |
|---|---|---|---|
| Men | 124 | 10 | 134 |
| Women | 45 | 5 | 50 |
| Children | 26 | 8 | 34 |

After the start of the pilot, probably as word spread around the villages and as trust in the process increased, some of the initial refusals changed their minds. In particular, some of the women from households where an initial refusal took place subsequently changed their minds. There were also a few men who changed their minds. We will consider the responses when analysing the implementation process in chapter 3.

## 2.16. The Surveys

### 2.16.1. The Baseline Survey

The Baseline Survey was actually a full census of all households, in which detailed information was gathered on household characteristics deemed relevant and on the behaviour and status of individual members within the households[74]. Much of the design and implementation was contracted out to a research institution (IDF).

Considerations while designing the baseline survey included:

***(i) Status and characteristics of primary respondent***

It was regarded as important to ensure that as many women as men were incorporated into the data gathering process. However, it turned out that because the research institution conducting the baseline survey focused on interviewing heads of household, no less than 86 per cent of the primary respondents in the baseline census turned out to be men. This we regard as a failing of the project, which we subsequently tried to correct through the evaluation surveys.

Besides the primary respondent to the baseline survey, mothers of children aged from birth to 14 years of age were also asked a special set of questions on their health, nutrition and schooling.

[74] Refer to annex 4 for the complete list of surveys conducted

### *(ii) Subjects to be covered in the questionnaire*

A challenge that almost defined the evaluation process was to decide what subjects should be covered and in what detail in the questionnaires. Essentially, the structure of the questionnaires rested on three pillars – a Household Roster, a set of Modules on key subjects and a separate questionnaire addressed to mothers of young children. The Household Roster contained standard demographic and social characteristics of all household members. At the end of it, a question was included to ensure that all household members, including anybody who was temporarily away, had been included.

The Modules covered living conditions, health and healthcare, nutrition, schooling, consumption, production, assets, and access to and use of government schemes. The separate section of questions addressed to mothers related to their children's nutritional status.

### *(iii) Reference periods*

In any project of this type, questions on behaviour and attitudes necessarily rely on asking respondents for actions in the past. So, obviously, a decision has to be made in each case on what period to cover and what length of reference period should be chosen.

For certain questions, a long reference period would raise serious reliability issues. For other matters, the event would be sufficiently rare or memorable that one could expect the memory recall problem to be slight. Thus, one cannot be confident that somebody would remember what he or she was doing one year ago, except in a very general sense. By contrast, one could be confident that they would know when a relative died or was hospitalised.

For work activity, a one-month reference period is much better than a full-year period, since main and secondary activities vary over 12 months. In all cases, some reference period must be applied, and must be presented in the resultant tables and figures. The survey instruments were designed accordingly and it is to be hoped that the tables and figures presented in this report have sufficiently respected that point.

### *(iv) Flaws in the Baseline Survey and Correcting for them*

After receipt of the baseline data, SEWA discovered several problems with it. For one, it appeared that no household listing was done in advance of fielding the baseline survey, a crucial pre-requisite. This meant that many households were omitted from the survey and had to be visited many weeks after the baseline data collection. It also meant that some households that were entitled to receiving the basic income, were missed, an error that was corrected subsequently. Second, no training manual was prepared which meant that enumerators had no clear guidelines on how to conduct interviews or ask specific questions. Third, there appeared to have been no proper field supervision as a result of which the data, when received, had a huge number of missing values. Fourth, recording of crucial variables was messy e.g. the age of children was recorded in years, not in months rendering the calculation of metrics used to assess nutritional status (such as weight-for-age) inaccurate. Instead of measuring the weight and height of children, such data was obtained by the research institution from anganwadi records, which are known to be notoriously inaccurate. Similarly, selection of the household

head in most cases meant that the work status of women was inaccurately reflected, as men tended to ignore work done by women on the farms or in non-farm activities as real work. Finally, data entry too proved to be flawed. Upon random checks, it was discovered that incorrect codes had been entered in several cases (codes which were not reflected in a given question), columns had shifted and skips were faulty. Further, and crucially so, in the first cut of the data, no household ids and member ids were assigned. Upon insisting that the research institution do so, data from the roster was organized alphabetically and member ids were assigned, a move that created several issues later in the research.

In December 2011, the gaps identified in the data were pointed out to IDF, after which they withdrew. SEWA took over the research component of the project in Dec.2011 (IDF was still responsible for opening bank accounts in non SEWA villages). In order to maintain the independence of the Research team, the Program and Research team was totally separated as discussed in section 2.10 above.

However, data from the baseline survey had to be recovered. SEWA accordingly initiated a re-entry of the baseline questionnaires through an independent data entry agency in Delhi. Guided by statistical consultants, double data entry was undertaken of all the baseline questionnaires available in hard copy. More than 1500 household questionnaires were accordingly re-entered, data from the rest being lost because of misplaced hard copies. So that the errors in the baseline were not repeated, several steps were undertaken.

First, household rosters were all pre-populated with household ids, member ids, and member names and given to enumerators for subsequent surveys, with the instruction that they would (a) cross verify the information from the baseline; and (b) add /drop names of members who had either been added to the household (through new births, new entries) or had left (because of death or another reason). Split households or households that had broken away from the original household were identified with the household id and a suffix ‘a’. Similarly, households that had joined into one over the course of the project were identified separately. A note documenting the id’s of such splits and unions was prepared as part of the data documentation process.

Second, to rectify for the loss of crucial information on account of missing values, all subsequent surveys (particularly the Final Evaluation Survey which like the baseline was a census), asked for retrospective data. This was admittedly less than ideal, but the research team was left with no alternative.

Third, training manuals were prepared for all subsequent surveys and independent consultants (including the international expert) were called upon for the training. Field supervision was also intense with the SEWA coordinator for MP leading the supervisory team.

Finally, amends for not collecting the weight data and not interviewing women were made later by measuring children’s weight in subsequent rounds under the guidance of and through weighing machines provided by UNICEF, and by interviewing both men and women for other surveys.

The tables and figures in this paper report on changes using mostly retrospective data. Where we have confidence on the baseline data, certain variables have been used.

### 2.16.2. The Interim Evaluation Survey

The first evaluation exercise was conducted via what was called the Interim Evaluation Survey (IES), which was initially called the Midline Evaluation Survey, except that it had to be delayed, largely due to weather and health interventions in the area. It was eventually conducted eight months after the start of the basic income payments.

Due to logistical problems to do with weather and local illnesses, we decided to make the IES into a sample survey. In the process, it was also decided to add more focus on the issues of implementation and financial inclusion, including challenges of take-up. However, the questionnaire also covered the main substantive issues, with modules on health and use of healthcare services, schooling, consumption and economic activity.

The IES was conducted in four of the basic income villages – two in the SEWA category, two not – and in four of those not receiving the basic incomes – again with two in the SEWA category, two not. In each of eight villages, a random sample of 50 per cent of households was surveyed. Crucially, two respondents were selected randomly from each household, one man and one woman. This is a rare procedure, and one we strongly recommend whenever impressions and attitudes are included in the variables.

### 2.16.3. The Final Evaluation Survey

Because of our concerns over the quality and comprehensiveness of the Baseline Census, a decision was made to make the Final Evaluation Survey (FES) more detailed than would have otherwise been desirable. In particular, built into the questionnaire was a series of *retrospective* questions.

Recall dependability inevitably arise in such data. That in itself necessitates making questions more *impressionistic* than purists would wish. But actually this objection can be over-emphasised, since precise questions do not necessarily elicit much better data than questions that are slightly vaguer.

Be that as it may, the FES became the primary evaluation instrument of the project. It contained all the subjects and questions that were included in the Baseline, although changes were made in the formatting and, in a few cases, in the sequencing. A change was made in that the section on mothers and children was integrated into the general questionnaire.

A four-day training of supervisors and enumerators was organized in Indore. Thereafter, two-day refresher training was also organized before the team went into the field. Household Roster cover sheets as used in the IES were also used in the FES for consistency. The questionnaire was long and subject to thorough verification after data collection in the villages.

Most modules were addressed to the main respondent, but the one on consumption was addressed to the main female respondent. After the questionnaires were filled, they were cross-checked by the field supervisors, and if there were any inconsistencies, they were returned to the enumerator.

Thereafter, the verification team checked the questionnaires closely to make sure that the codes were within the feasible range, that answers seemed consistent and that the correct respondent had answered all questions properly. The questionnaires were then scanned and sent to Delhi for data entry. The whole survey took a little more than one and a half months.

### 2.16.4. The Post Final Evaluation Survey

After the end of the pilot, it was decided to re-visit villages where the basic income payments had been made, in order to find out the recipients' reflective views on the policy. The questionnaire designed for this special exercise took account of some of the findings from the analysis of the IES and FES, in particular.

The Post Final Evaluation Survey (PFES) was conducted in two of the eight basic income villages, in which all adult members of households were interviewed, some 732 in total. The survey was conducted in December 2012 and took two weeks of fieldwork.

Besides a standard Household Roster, the PFES questionnaire had modules of questions on perceptions of basic income transfers, debt and spending, income, work and economic activity, and access to and use of government schemes, with a special section addressed to those with disabilities or chronic illnesses.

### 2.16.5. Data Cleaning and Processing

All of the aforementioned surveys generated a huge body of statistical data. Some survey data was entered and cleaned in Indore (IES) and some was entered and cleaned in Delhi (baseline, FES and PFES). In the end, the full set of questionnaires in hard copy was transferred to SEWA Bharat, where they have been stored.

### 2.16.6. Pre-testing the Questionnaires

An important preliminary in a project such as this is "pre-piloting" the instrument to be used for collecting the information. This stage is sometimes overlooked. In this project, core members of the research team undertook a series of field interviews with drafts of the different questionnaires, making sure to do so in villages that were not in those selected for either the basic income payments or as the control villages.

This pre-testing was done in several stages, with the questionnaire designers and then by others to determine whether the questions were practical, easily understood by potential enumerators and supervisors, and so on.

### 2.16.7. Training and Training Manuals

Throughout the project, considerable importance was attached to the selection and training of fieldwork enumerators and supervisors. For this, we needed Training Manuals, which were duly prepared in English and translated into Hindi.[75]

For all of the surveys, the idea was to train enumerators, have them conduct one round of interviews and then review difficulties encountered. Initially, pairs of enumerators conducted single interviews, to ensure that they understood their task and could gain confidence in undertaking it. Table 2.15.1 enlists the list of trainings conducted during the pilot.

For all the surveys, teams of enumerators were hired on contract, recruited from colleges in and around Indore. Enrolment in an undergraduate course, preferably in the humanities, was stipulated as the minimum requirement for selection. Five members of the research team were involved in the training of the enumerators, which included training in fieldwork etiquette, conceptual clarification on the meaning of key terms, definitions of government schemes and related matters.

Crucially, the enumerators were not informed of the primary objectives of the survey, to prevent them from telling respondents and to limit the tendency to be side-tracked in conducting what were lengthy interviews.

**Table 2.16.1: Details of various training processes related to the evaluation surveys**

| Survey | Nature of survey | No. Training Days | Field Testing (days) | No. of enumerators | No. of Supervisors |
|---|---|---|---|---|---|
| MPUCT Baseline | Census | 5 | 2 | 60 | 8 |
| MPUCT IES | Sample | 5 | 1 | 25 | 6 |
| MPUCT FES | Census | 5 | 2 | 50 | 12 |
| MPUCT PFES | Sample | 3 | 1 | 20 | 4 |
| Tribal Baseline | Census | 5 | 1 | 45 | 8 |
| Tribal IES | Census | 5 | 1 | 45 | 8 |
| Tribal FES | Census | 5 | 1 | 45 | 8 |
| | | | | | |

[75] The generic Training Manual is available as part of the project documentation.

## 2.17. The Tribal Village Pilot

After the MPUCT had been launched, it was decided to conduct a smaller pilot of one tribal village, bearing in mind that tribal villages are, almost definitionally, more homogeneous in terms of social profile. This was due to a proposal by a senior official of the Madhya Pradesh government, at the end of a meeting at which he expressed frustration at their inability to reach tribal areas effectively.

Accordingly, one village, Ghodakurd, was selected for receipt of the basic income and a similar village was selected as the control. We would have wished to have a larger sample, but funds and timing made that impractical. The village selected was drawn from a list of villages where SEWA had been operative, but it was drawn randomly. Once it was selected another with similar structural features was selected.

Although the resultant number of households was modest – 127 with 756 individuals in the basic income village, 97 with 817 individuals in the control village – it was felt that this additional component of the project could provide valuable additional analysis.

Ghodakhurd and Bhilami were the tribal villages selected for the pilot study. The former was where the basic income was provided, the latter was the control village. In both, all residents belonged to the Bhil community, which is a 'scheduled tribe'. The villages are located in Mhow taluk of Indore district.

In the basic income village, almost every household owned between two and four bigha of land. The village is perched on hilly terrain near Choral dam, about 23 kilometres from Mhow and 70 kilometres from Indore city. The control village was 6 km away.

In order to restrict the experiment to the impact of basic income alone, the research team decided to give cash directly to individuals every month, thereby avoiding the problems of financial inclusion and those associated with accounts. Whereas the SEWA cooperative opened accounts for the women, the men were given cash in hand. This ensured that money reached every household every month without fail.

The basic income was Rs 300 for each adult, and Rs 150 for each child. The children's money was transferred to their mothers' accounts. The basic incomes started in February 2012 and were ended in January 2013. The total number of recipients was 756, and the total transferred to the village was Rs.19.45 lakhs (nearly 2 million rupees). The average amount received by each family was Rs. 15,315 annually or Rs. 1276 monthly.

In the course of the pilot, there were three evaluation surveys done in the two villages. The Baseline was conducted in January 2012, the Interim Survey in July 2012, and the Final

Evaluation Survey in January 2013. In addition, 15 case-studies were prepared in Ghodakhurd and five in Bhilami, which were updated from time to time.

A general point was that the quality of data and surveys was generally better in the tribal village part of the project, largely because of the learning function involved in the conduct of the large-scale pilot.

## 2.18. Community Surveys

To complement the household surveys and the information on individuals, we also conducted a detailed Community Survey in all 20 villages, at the time of the baseline and a more schematic Community Survey at the time of the FES. A short community survey was also conducted in the two tribal villages.

The main intended uses of the community-level data were to determine whether there were structural differences between villages, which should not arise if the sampling methodology was "perfect", and to create macro-level variables that could be used as control variables in multivariate analysis.

The Community Survey questionnaires were designed to show the socio-economic structures of the villages and, in the case of the survey done at the end, changes in the villages as perceived by key informants, designated as people of authority, such as sarpanchs, panchayat secretaries, anganwadis, doctors and school teachers. Besides covering infrastructural matters, such as access to roads and social amenities, the questionnaires covered demographic issues, including infant and maternal mortality, women's social and economic position, and interactions between castes.

In brief, while there was some variation in the population size of the villages, the average was fairly similar, as had been the intention. Most had primary schools in close proximity, with longer distances to a secondary school.

## 2.19. Key Informants

The research team also felt it advisable to collect data from several important community figures in the villages, notably the anganwadis, shop-keepers, sarpanchs, doctors, SEWA village leaders and school teachers. These data turned out to be more useful than had been anticipated, particularly statistical data gathered from their records, including records of children's performance in schools.

Perhaps most importantly, data were collected from anganwadis on the weight and age of children in each of the villages. Such data are supposed to be kept by all anganwadis. We had to bear in mind that they may wish to exaggerate nutritional status of children in their charge. However, we were careful not to stipulate why we wished to collect the data and made it clear that we had collected our own data on the same subjects.

## 2.20. Case Studies

Although in a project such as this, primary emphasis is placed on quantitative data from the household and individual surveys, an important supplementary part of the project was the conduct of detailed case studies of individual families. In total, over a period of a year, precisely 100 were conducted. Many families were visited several times in order to collect all the desired information.

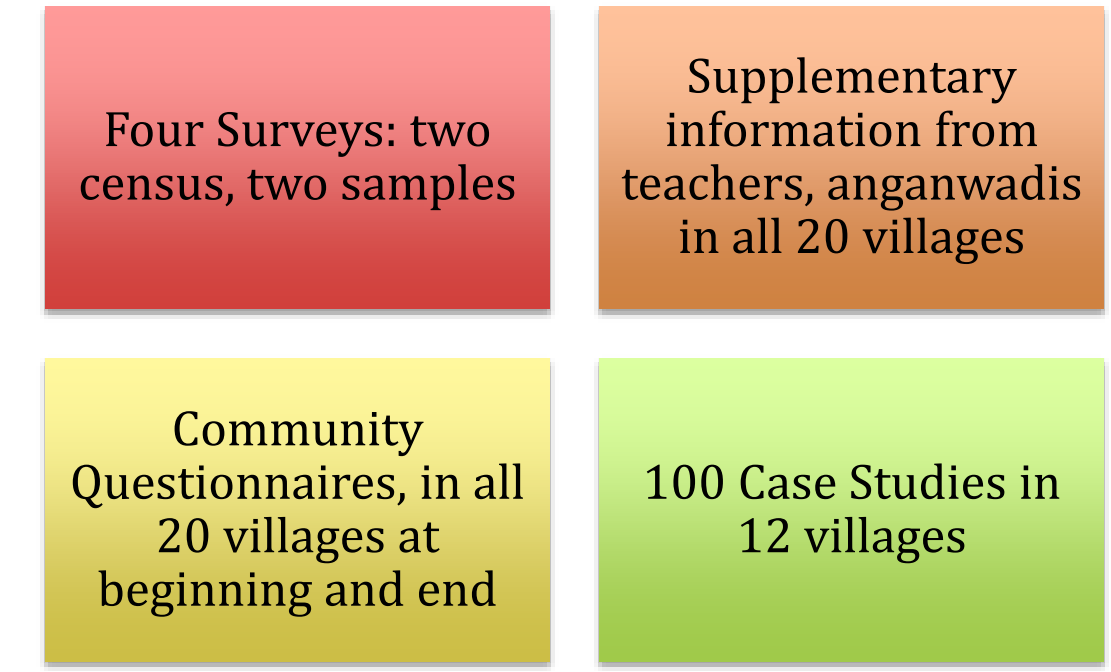
Case studies are useful supplements to statistical evaluation, but are also valid tools for probing issues of **causality** and the difficulty of **fungibility** of money. The project undertook 100 structured interviews of BI recipients – a majority being women – with seven modules of discussion followed by section on cash transfers per se.

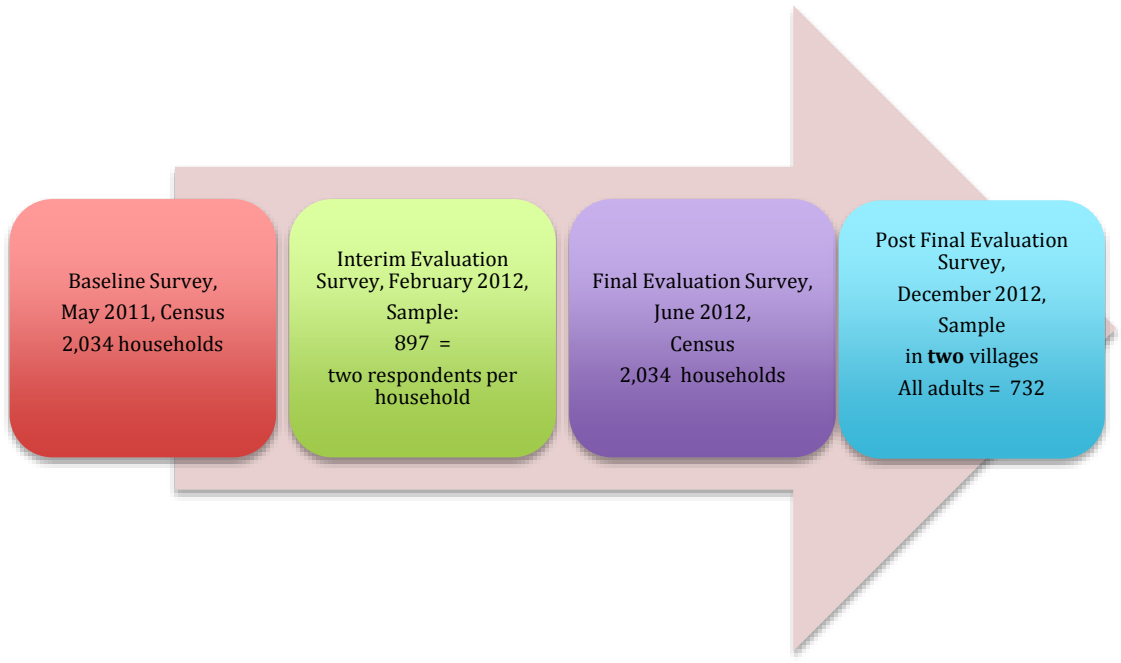
The seven were sources of income and patterns of expenditure, food and nutrition, illness and health, education, savings and indebtedness, and work, employment and farming. The case studies were done in a total of 12 villages – including six Basic Income, four control villages and the two tribal villages.

The interviews were conducted by a team of eight enumerators hired for the purpose but not employed by SEWA or the project. The fieldwork was conducted mainly in March-April 2012, nine months after the start of the larger pilot scheme in Madhya Pradesh.

Some follow-up interviews were conducted three months after the end of the payments, in July 2012. These showed a positive "interruption effect", in the sense that many villagers expressed great appreciation for what they had gained and from what they had lost through the ending of the payments. Some of the main results of the case studies will be reported in the relevant chapters of this report. However, the case studies are available for future research and are potentially a mine of information. Figure 2.19.1 provides a summary of all the research instruments and surveys.

**Figure 2.20.1: Summary of Research Instruments and Surveys**




## 2.21. Transferring the Cash

The project had decided two main methods of cash transfer, both of which had a potential for being replicated and scaled up. The first method was through bank accounts, especially No-Frill Bank accounts (described in Chapter 3), mainly in Nationalised banks. Since Nationalised banks cover the whole country, this method could be easily scaled up if found efficient. The second was through the SEWA co-operative in the SEWA villages. There already exist many co-operatives and co-operative banks both in Madhya Pradesh and throughout the country, so this method is replicable anywhere in the country.

During the course of the baseline survey, it was discovered that most of the population did not have bank accounts, and even the SEWA co-operative had a meagre presence in the villages that had been selected. Therefore, bank accounts for all the individuals involved in the project would have to be opened. The SEWA Co-operative too had to increase its presence in the selected villages. However, as per the design of the project, the cash transfer was to start immediately after the baseline survey and the awareness day. So it was decided that the first three months of the cash transfer would be "by hand" that is physical transfers. As the difficulties of opening bank accounts became clear, this was extended to four months, till September 2011. Thereafter all transfers were made into bank or co-operative accounts for women in SEWA villages.

The first cash disbursement was scheduled for June 2011. SEWA Bharat took up this assignment of physical cash transfer, as it was responsible for the financial accountability to UNICEF. To counter the possibility of errors in the physical cash transfer, four teams of four people each were deputed to implement the cash transfer in all eight villages over a period of four days. These teams comprised accountants from SEWA Bharat and SEWA Madhya Pradesh, along with supervisors from the financial consultant firm.

Cash registers were prepared to record details of beneficiaries, against which entries on cash disbursements were made. The details were (I) Name of beneficiary; (2) photograph of beneficiary;(3) amount of money to be disbursed, (4) the signature of the beneficiary or if she was illiterate, the thumb print.

Proof of identification (driver's licence, voter ID card or ration card) and a photograph of the beneficiary were mandatory for receiving the cash transfers. In the case of individuals who did not have any proof, the anganwadi worker, sarpanch secretary or other person of authority in the village was required to certify the person's identity with an authorized official stamp attesting his or her signature or thumb print This system was devised to reduce errors in disbursing the cash transfers.

### 2.21.1. The Physical Cash Transfer

The Physical cash transfer team faced a number of challenges, which would naturally be encountered by any such effort. The first challenge was the problem of establishing the identity of residents and to gather documentary proof that the cash transfer was indeed going to the right person. Indeed, establishing identity proof was the main reason why it was so difficult to open bank accounts, as most villagers, and certainly the poorest ones, rarely have any documentary proof of who they are. During the physical cash transfer, the team overcame this issue by distributing the cash in the presence of a government official or, as in some villages, the sarpanch, who signed affidavits to certify that the cash went to the right beneficiary.

As mentioned earlier, people were suspicious of the experiment and at first many refused to participate. Even those who took the cash were not without suspicions and were careful about where they put their signatures. Some insisted on putting a slash and dash (/-) after the amounts

were recorded by the team, so that they were reassured that extra zeroes would not be added after the figure. They were afraid that someone would show the money as borrowed and extract it from them at a later stage.

The physical transfer of the cash began in June and by July the monsoons had arrived. The cars would not reach four of the eight basic income villages, and the team went on foot to reach them. By August, three villages were completely cut off and the rest were hard to access. The Chambal river, for example, surrounds Shahwada village. It is very difficult to reach there in the monsoons because there is no bridge over the river and villagers cross the river on a small ferry that is pulled with a rope. Sometimes when the water was not very deep, the team carried their cash boxes on their heads and walked through the river, sometimes they had to sit in the ferry. After crossing the river, the ordeal was not over because the road to the village is a kutcha one with slush and water. They had to reach the village through this most hazardous path. The biggest danger was on days when the water was rough; they could lose their cash boxes in the flowing river.

## 2.22. Process of Account Opening and Related Issues

After four months, the physical disbursement of the basic incomes was to be replaced by transfers through individual bank accounts. But because people were becoming complacent and had not opened accounts, a campaign was undertaken to encourage the opening of bank accounts.

Producing identification documents was a barrier, because the Know Your Customer (KYC) norms required by the banks were not fulfilled by many people. Many women in particular, did not have the required papers, especially young married women whose in-laws would change their names but have no identification proofs of the changed names. Many of the elderly also had insufficient proof of identity, though those who had pension accounts in post offices found it easier to open bank accounts.

Other than the documentation problems, there were a host of other issues with the banks. First, the no-frill bank accounts requiring minimum documents are a low priority for the bank; the RBI requires banks to open a certain number of these accounts per year, but the banks on meeting this requirement are not inclined to open more of these accounts for a number of reasons. Second, the branches are understaffed, and the existing staff does not have the requisite skills. In addition, the staff is not sensitized to community needs. Further, there is a lack of infrastructure, such as electricity back up and outdated systems. Lastly, frequent transfers of branch managers posed a big challenge to both residents and the project team in opening accounts. Bank branches near the villages for cash transfers were considered ‘punishment postings’ and the bank managers would be transferred out frequently. Thus, the procedural groundwork laid in the tenure of one manager had to be initiated all over again in the tenure of a new officer.

The issues on the demand-side match those on the supply-side. The village community was uncomfortable engaging with banks and intimidated by the lack of information, unhelpful bank staff and complicated processes. The other problem, especially with the older generation, was that they did not understand the idea of keeping money in a bank, and outside their homes.

Even though the SEWA team tried to liaise with the banks to facilitate bank account opening, the task turned out to be an arduous one. SEWA met officers of the regional banks, requesting cooperation from local branches. Even though the RBI had pledged full support in the initial stages, especially in instructing banks to provide all necessary assistance in the opening of bank accounts, the SEWA team faced great difficulty in this task, and it took almost eight months to operationalize all bank accounts in the cash transfer villages.

Consideration on these responses and financial inclusion challenges are analysed in detail in Chapter 3 on Financial Inclusion and the Cash Transfer process..

2.23 ***Like other experiments before it, the project and research associated with it has certain limitations.*** For one, it deviates from the strict randomized control trial approach. While some may view it as a limitation, the RCT approach also its share of problems.[76] The principle behind RCT, as its name implies, is that those receiving the "treatment" should be selected "randomly" from a wider population, and the control group should also be selected "randomly". At the stage of planning and designing the pilots, it was decided that villages be selected randomly and cash transfers be given to everybody in these villages. Similarly, it was decided that the project draw up another sample of villages where nobody receives the cash transfer. This is not a strict RCT design because individuals and families *within* villages are not treated randomly. However, it was felt that the act of doing so (giving cash to some people within the village and not others) would doom the experiment and lead to similar problems that arise in other targeted schemes. It could also potentially lead to inter-household resentment. The second limitation is that cash transfers under the project were not given in lieu of a subsidized public service (e.g. subsidized food made available through the public distribution system (PDS)), and therefore findings from this experiment cannot firmly conclude which is better: cash or the subsidy? There were two reasons for adopting this approach. Cash in lieu of the subsidy had already been tested in another experiment on the PDS undertaken by SEWA in Delhi.[77] Two, the MPUCT project wanted to test the feasibility of a modest unconditional cash transfer, a basic income that could be given to a poor population in a sample area, and compare outcomes of individuals and families living in this area with others. In some cases, it was hypothesized; the cash could lead to better access to and use of the public service e.g. purchase of food when supplies arrive at the PDS shop. Even so, the surveys conducted for the project did ask perceptions of recipients on which form of delivery they preferred.

## 2.24. Concluding Remarks

[76] There has been a debate, for instance, about the potential use of RCTs for assessing the impact of the Millennium Development Goal strategy.

[77] For more details on this experiment, see Standing, Guy (2012), ibid.

In sum, over the three years covered by these pilots, more than 6,000 men, women and children received monthly basic income payments for a year or more. The methodologies used to evaluate the effects in the following chapters have been exploratory in themselves. Social scientist purists will cavil at that.

What they must judge for themselves are (i) whether or not the combination of methods chosen provides a convincing analysis and a convincing narrative, and (ii) that as little bias as possible is involved. One additional objective of the project has been to make the analysis as transparent as possible, backed up findings from more than one methodology if possible, recognising that no project such as this can ever satisfy all those who wish to be critical.

## Annex 1

## List of Hypotheses

For the record, the list of the original hypotheses for the project is as follows, where the letters A, B and C indicate the significance given by the project team:

**Hypothesis 1: BI➔ child nutrition and health**

Dependent variables: Weight-for-age, Height-for-age

Control variables: Household (HH) income, age, past nutrition status, past health status, sanitation of housing, access to water, SEWA village, etc.

Hypothesis Type: A

**Hypothesis 2: BI➔ household health and nutrition**

Dependent variables: Health status of HH, receipt of treatment (HR10), incidence of ill health

Control variables: HH income, age, past health status, sanitation, access to water, distance to nearest clinic, SEWA village

Hypothesis Type: A

**Hypothesis 3: BI➔ child school attendance and child school performance (positive)**

Dependent variables: Child school attendance record

Control variables: HH income, age of child, work status of father and mother, nutrition, health, distance from nearest school, education of mother, SEWA village

Hypothesis Type: A

**Hypothesis 4: BI➔ child labour (reduce incidence and extent)**

Dependent variables: Child labour force participation, including work and labour within household

Control variables: HH income, age, work status of father and mother, education of parents, health, SEWA village

Hypothesis Type: A

**Hypothesis 5: BI➔ woman's economic activity (positive vs negative)**

Dependent variables: Measures of women's work activity, other work

Control variables: HH income, work status of husband/father, household size, presence of children, health of women, schooling of women, membership of SEWA, SEWA village (alternative variables)

Hypothesis Type: A

**Hypothesis 6: BI➔ household income, net of the Basic Income**

Dependent variables: HH income change

Control variables: HH income, debt, age of household head, education, work status, SEWA village

Hypothesis Type: A

**Hypothesis 7: BI➔ remittances, support of non-household members**

Dependent variables: Means of sending and receiving remittances

Control variables: HH income, age of household head, child-to-adult ratio of household, education

Hypothesis Type: C

**Hypothesis 8: BI➔ 'informal' business or new forms of work**

Dependent variables: Work status in main and secondary activities

Control variables: HH income, age, education, household size and composition, SEWA village

Hypothesis Type: B

**Hypothesis 9: BI➔ expenditure switching**

Dependent variables: Share of expenditure on food, clothing, in relative terms

Control variables: HH income, education, work status of HH, SEWA village

Hypothesis Type: B

**Hypothesis 10: BI➔ attitudes to neighbours and others**

Dependent variables: Attitudes to inequality, altruism, government schemes

Control variables: HH income, education, work status of HH, SEWA village

Hypothesis Type: B

**Hypothesis 11: BI➔ infant mortality in village**

Dependent variables: Infant mortality rate

Control variables: Average income level of village, BI village, SEWA village, distance from clinic (Community questionnaire)

Hypothesis Type: C

**Hypothesis 12: BI➔ technological change in village**

Dependent variables: Use of fertilizers, pesticides, irrigation

Control variables: Average income level of village, BI, SEWA village

Hypothesis Type: B

**Hypothesis 13: BI➔ out-migration from village**

Dependent variables: This will depend on design of evaluation surveys

Control variables: Average income level of village, receipt of BI, SEWA village

Hypothesis Type: C

**Hypothesis 14: BI➔ reduced probability of financial crisis, recovery from crisis**

Dependent variables: Incidence of crisis, reliance on viable support

Control variables: Average income, HH income, receipt of BI, SEWA village, and education

Hypothesis Type: A

**Hypothesis 15: BI➔ improves financial inclusion**

Dependent variables: Use of financial instruments and services; efficiency of financial management; relationship to moneylenders.

Independent variables: HH income, work status, outstanding indebtedness, existence of financial institutions (supply-side variables), SEWA

Hypothesis Type: A

**Hypothesis 16: BI➔ better delivery and use of government services**

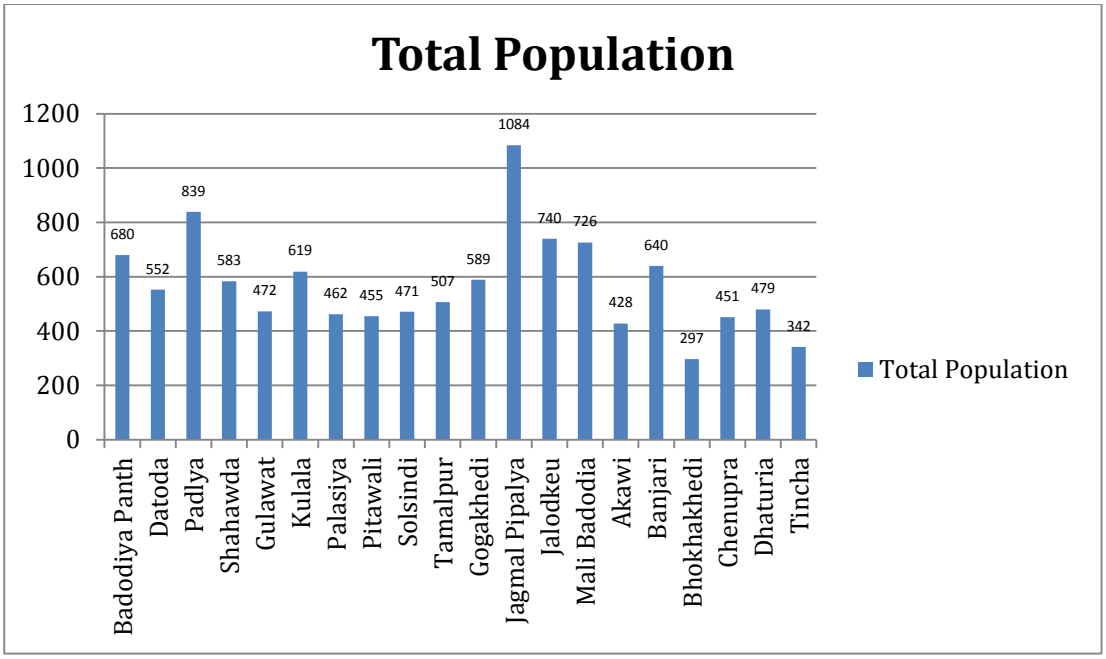
Dependent variables: Participation in PDS, awareness of government schemes, MGNREGA, ICDS, public health system

Independent variables: Education, gender, HH income, SEWA

Hypothesis Type: A

## Annex 2.

**Figure 1: Population distribution across villages**

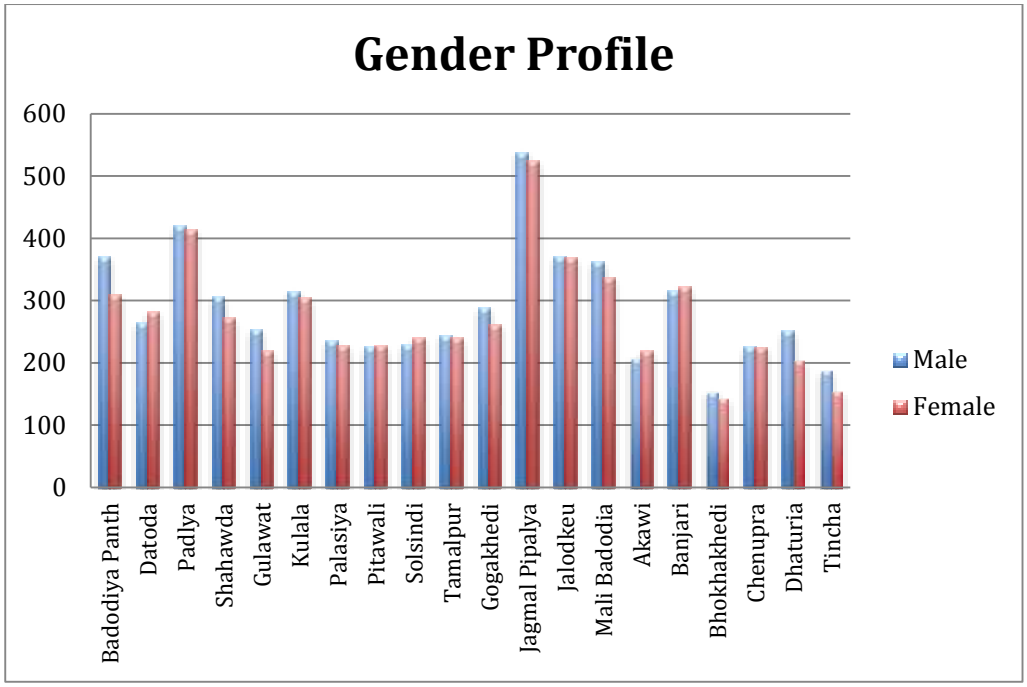



**Gender Profile:** Looking at the gender profile we find 49% of the population are women. The average female-to-male ratio for all twenty villages taken together is 0.95. The ratio is highest for village Datoda, which is 1.07, followed by village Solsindi, the value being 1.05. The lowest ratio is 0.81 for village Dhaturia. Figure- 2 gives the gender profile.

We have defined '*adults'* as those who are 18 or more years in age, whereas a '*child'* is defined as anybody below 14 years in age. The ratio of female to male is highest for village Banjari (1.08) and lowest for village Tincha (0.86) for adult population. This ratio is highest for village Akawi (1.43) and lowest for village Dhaturia (0.56) for the child population.

Figure-2 gives the gender profile of adult and child population. Graph-3 gives the average proportion of adult male and female in the household. Proportion of adult males is highest for the village Palasiya (0.36) and lowest for the village Chenupra (0.26), whereas for females it ranges from 0.30 to 0.34 across all villages.

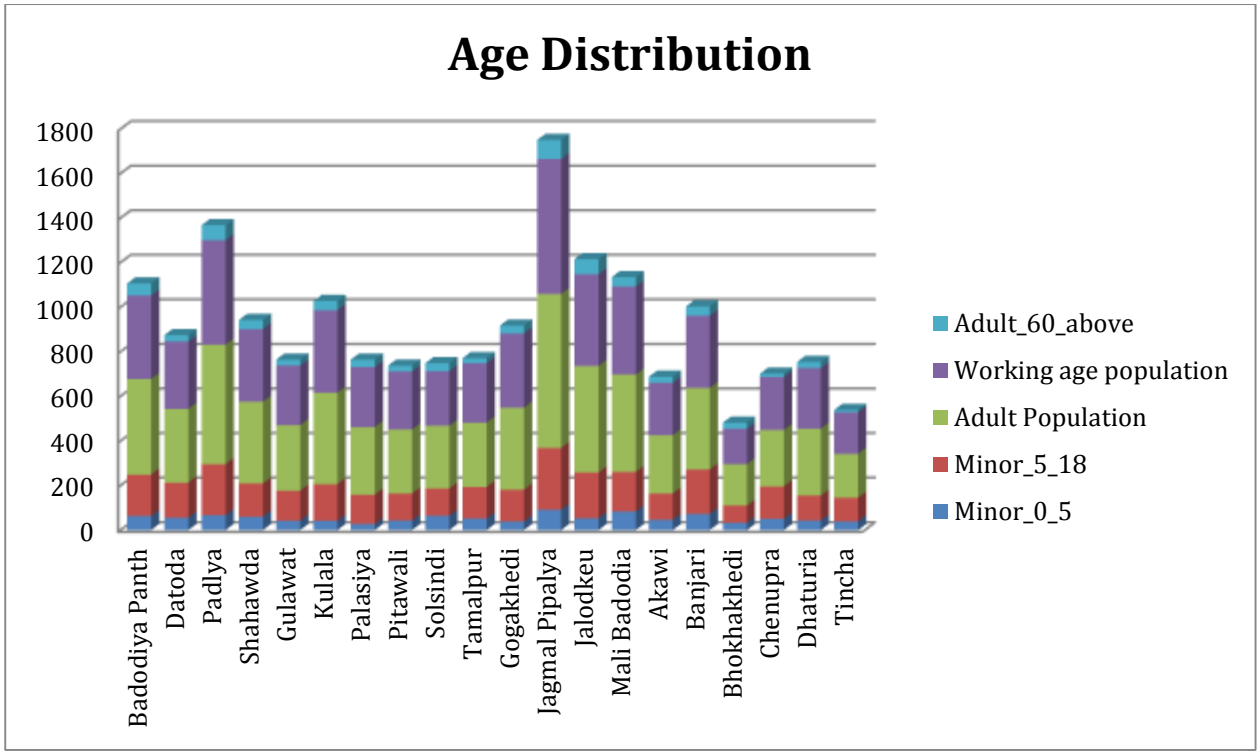
**Figure 2: Gender Profile- Village wise**




**Age:** In the entire population, 63% were eighteen or above years in age. Children in the age of five to eighteen years formed the next largest group, being 28% of the population. The remaining 9% were between the ages of zero to five. 56% of the entire population is in the working-age group, i.e., between the age of eighteen and sixty, while only 6.7% of the entire population was over sixty years of age. In Figure-3 below, we can see the distribution of the population based on age across all villages. The young and old were not concentrated in certain villages, but were evenly spread across all villages.

Figure-3 gives the average age of adult male and female in each village. For males it ranges from 35.78 to 40.23 where as for females it ranges from 34.47 to 40.54. Village Jalodkeu has the highest average age for adult males and females. Figure-3 gives the average age of children in each village where as Figure-3 gives the average number of children in each household per village.

**Figure 3: Age Distribution-Village wise, MPUCT**




**Marital Status:** Among the adults 80% of the population are married to one spouse whereas 13% of them are single. 5% of the population are those whose spouse has died. Percentage of population, who are married to more than one spouse, separated or divorced is very low. When we look at the marital status of adult male and female we find 79% of the male and 82% of the female population are married to one spouse. There is 1% percentage of population below the age of 18 years who are married. Figure-4 to gives the marital status across all villages based on gender and age group.

**Figure 4: Marital status- Adults**

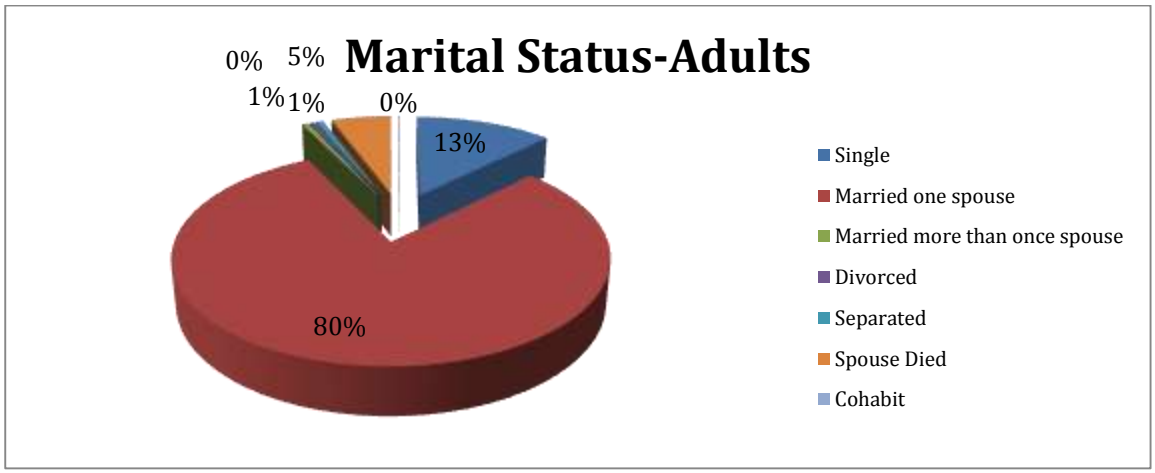
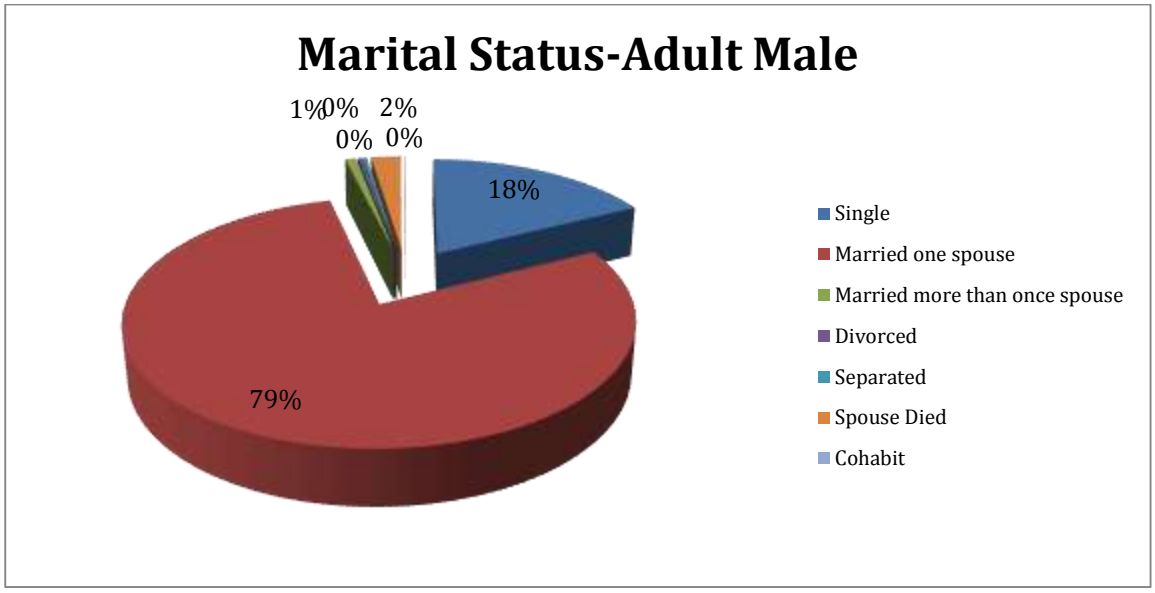


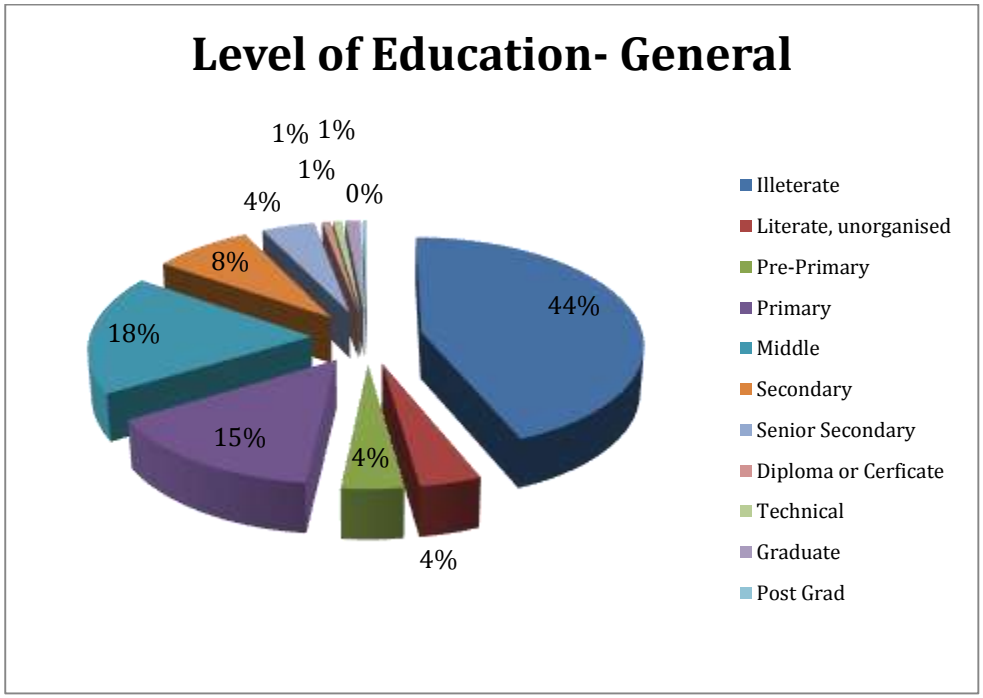
**Figure 5: Marital status- Adults Male**




**Education:**

When we look at the overall level of education of the adult population (18+?), we find 44% were illiterate followed by 18% educated up to middle school. Some 57% of the adults in village Tamalpur was illiterate, whereas in Pitawali 29% was illiterate, the lowest of all villages. Figure 5 shows the various levels of education attained by adults in each village. Village Padlya had the maximum number of adult members having diploma or certificate holders, technically trained individuals, graduates and post graduates. Figure 5 gives the level of education for adults, educational attainment for adults, and educational attainment for children from age of 3 to 18 years and the level technical education attained respectively.

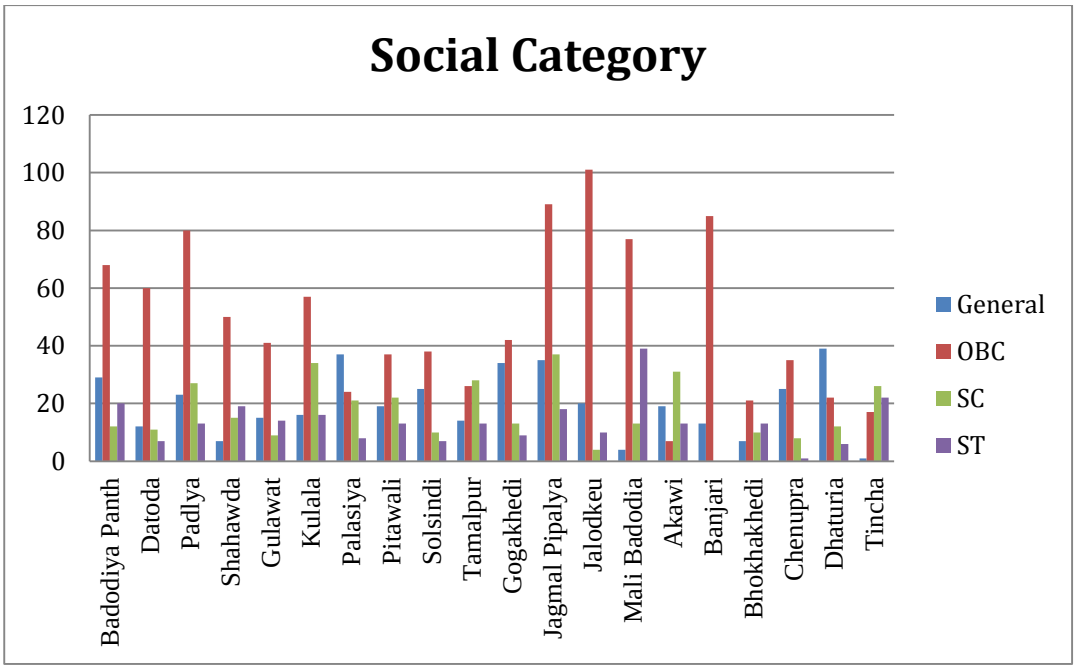
**Figure. 5: Education – General – Overall**




**Social Category:**

Looking at the caste distribution, we see that OBC comprised 50% of all households. Percentage of general category household is the next largest group at 20% followed by SC category at 17% and St category at 13%. In terms of village-wise distribution of social categories, Banjari had 83.3% of households belonging to OBC, followed by Jalodkeu (74.8%). Dhaturia had 49% of its households in the general category. Figure 6 gives the village-wise distribution of the population by social category.

**Figure 6: Social Category- Village wise**




**Usual Activity**

**Activities:** This section presents the summary statistics of the activities in which the population was involved. It includes the principal activities in which an individual is involved for more than 183 days in the last 365 days. Here one member can be involved in more than one activity. We have created thirteen sub groups to capture all the activities under which the members are involved. Looking at the total population we find that 1,686 individuals are wage employees, which constitute 15% of the entire population. 23% of the population is attending educational institution whereas 13% is attending domestic duties only. Figure 6 gives the distribution of the overall population based on the reported activates they are involved in. Figure 7 gives the same distribution village wise. When we look at the involvement of the adult population we find 17% of the population are attending domestic duties only followed by 14% of the population are own account workers and 12% are casual labourers.

**Figure 7: Usual Activities-Overall**

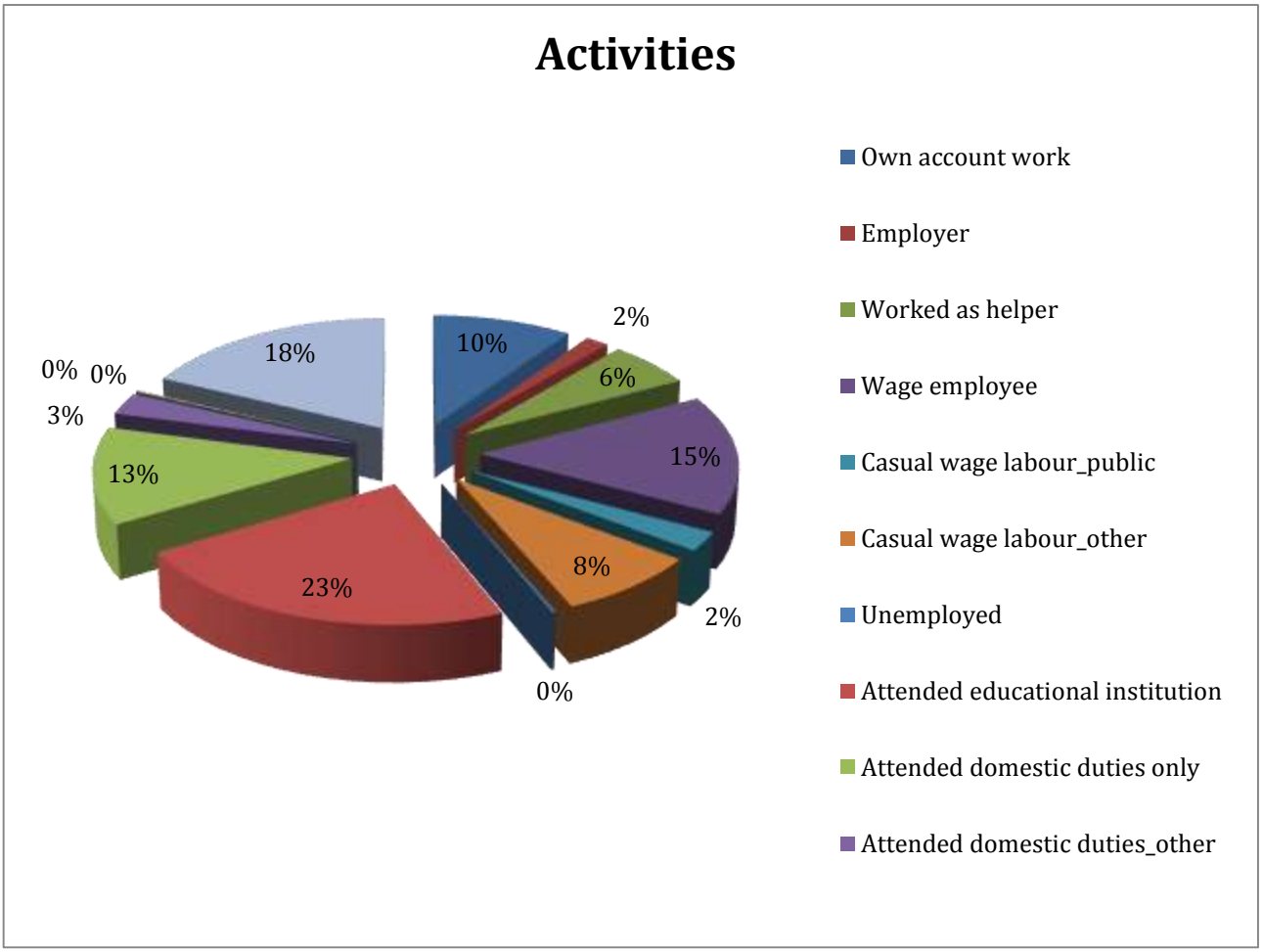
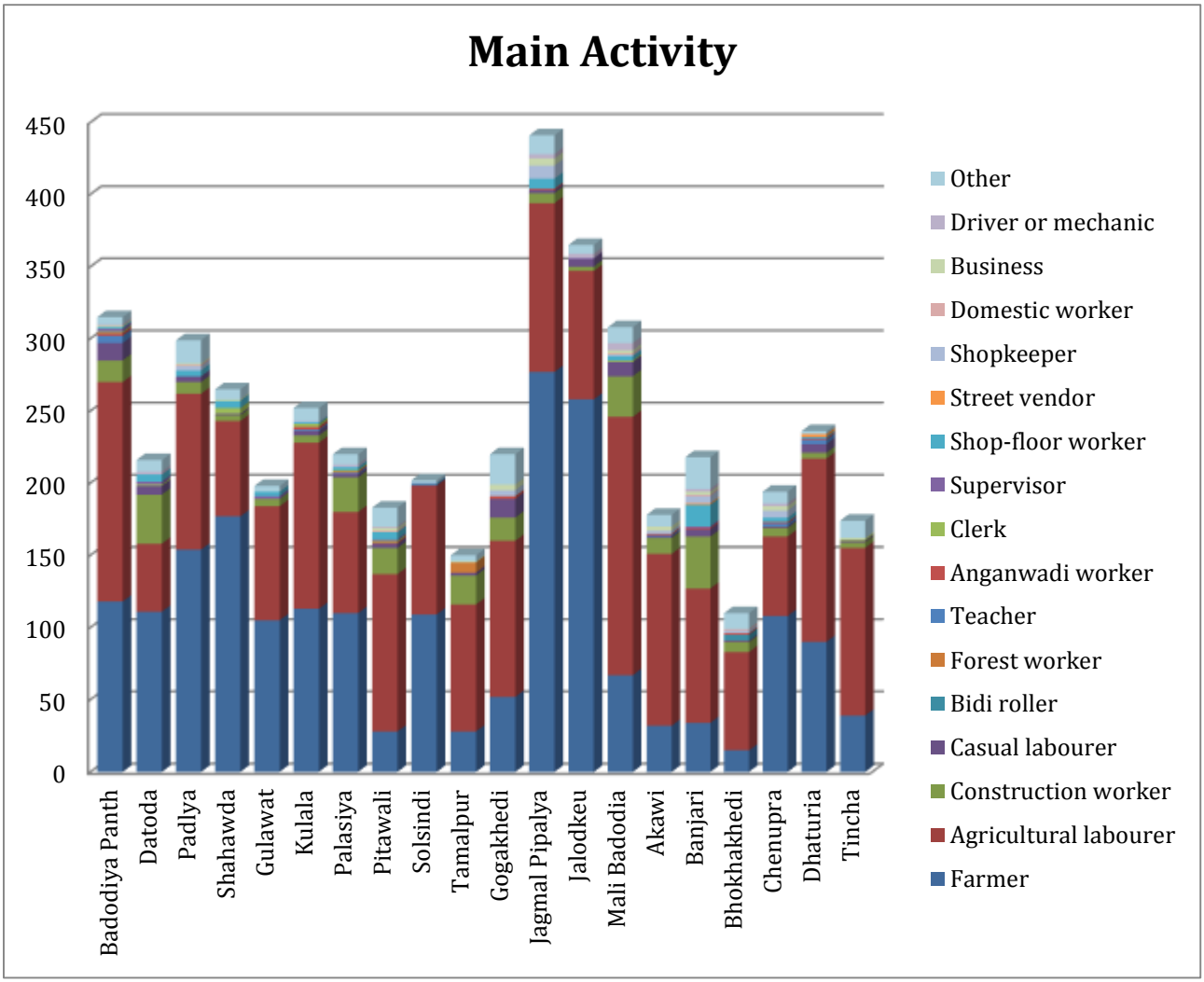

Activities
10%
2%
6%
15%
2%
0%
8%
23%
13%
3%
0%
0%
18%
Own account work
Employer
Worked as helper
Wage employee
Casual wage labour_public
Casual wage labour_other
Unemployed
Attended educational institution
Attended domestic duties only
Attended domestic duties_other

**Figure 8: Usual Activities-Village wise**



## Annex 3.

## List of Villages covered in the Pilot

| Name of the Village | sewa/ non-sewa | BI/ control |
|---|---|---|
| **General Villages** | | |
| Gogakhedi | SEWA | BI |
| Jagmal Pipalya | SEWA | BI |
| Jalodkeu | SEWA | BI |
| Mali Badodia | SEWA | BI |
| Badodiya Panth | Non-SEWA | BI |
| Datoda | Non-SEWA | BI |
| Padlya | Non-SEWA | BI |
| Shahawda | Non-SEWA | BI |
| Akawi | SEWA | Control |
| Banjari | SEWA | Control |
| Chenpura | SEWA | Control |
| Palasiya | SEWA | Control |
| Pitawali | SEWA | Control |
| Tamalpur | SEWA | Control |
| Bhokhakhedi | Non-SEWA | Control |
| Dhaturia | Non-SEWA | Control |
| Tincha | Non-SEWA | Control |
| Gulawat | Non-SEWA | Control |
| Kulala | Non-SEWA | Control |
| Solsindi | Non-SEWA | Control |
| **Tribal Villages** | | |
| Ghodakhurd | SEWA | BI |
| Bhilami | SEWA | Control |

**Annex 4.**

# List of MPUCT and Tribal Surveys

| S.N. | Survey Name | Month | Sample | No. of HHs | No. of Respondents | Comments |
|---|---|---|---|---|---|---|
| 1 | MPUCT Baseline | April-May 2011 | Census (20 villages)<br><br>8 BI villages – 12 Control villages | 2034 | 2034 | |
| 2 | MPUCT IES | April-May 2012 | • 8 villages: 4 SEWA and 4 Non-Sewa<br>• Within Sewa: 2 control and 2 BI villages<br>• Within non-Sewa: 2 control and 2 BI villages<br>• Population chosen caste-wise<br>• All castes in the village covered<br>• 50% households in each caste covered<br>• 2 Respondents from each HH- one male and one female | 510 | 897 | |
| 3 | MPUCT FES | June-July<br><br>2012 | Census (20 villages) | 2034 | 2034 | |
| 4 | MPUCT Supplementary -<br><br>1 Community Survey | Sep-Oct<br><br>2012 | Census (20 villages)<br><br>Resondents: Sarpanch, Panchayat Secretary, ANM, Patwari, | -- | 20 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 5 | MPUCT Supplementary –<br><br>Weight of Children- 0-6 years | Sep-Oct 2012 | Census of all 20 villages | All children covered | | |
| 6 | MPUCT Supplementary<br><br>1 School Teacher Perception<br>2 School Data (attendance and performance) | Sep-Oct<br><br>2012 | • 8 villages<br>• 4 BI Villages: 2 Sewa and 2 non-Sewa,<br>• 4 Control Villages: 2 SEWA and 2 Non-Sewa | - | - | |
| 7 | MPUCT Post FES | Dec 2012- Jan 2013 | • 1 SEWA BI Village<br>• 1 Non-SEWA BI Village<br>Respondents – every adult member from each household | 250 | 732 | |
| 8 | Tribal Baseline | Jan - Feb 2012 | Census (2 villages) – 1 respondent per HH | 212 | 212 | |
| 9 | TV IES | Aug-Sept<br><br>2012 | Census (2 villages)<br><br>• 2 Respondents from each HH – 1-Female 1- Male | 224 | 401 | |
| 10 | TV FES | Feb 2013 | Census (2 villages)<br><br>Two Questionnaires<br><br>One Primary Respondent for Household issues<br><br>One Individual respondent – all available adults | 217 | Primary – 217<br><br>Individual - 579 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 11 | TV Supplementary -<br><br>2 Community Survey | Feb-March<br><br>2013 | 2 villages<br><br>Respondents: Sarpanch, Panchayat Secretary, ANM, Patwari, | 2 | 2 | |
| 12 | TV Supplementary<br><br>1. School Teacher perception<br>2. School Data (attendance and performance) | Feb-March<br><br>2013 | All 2 Tribal villages | | | |
| | | Qualitative | | | | |
| Qualitative | Since March 2012 | From March 2012 till September 2013 | **10 categories of households**: ST, SC and OBC with land and without land, woman-headed household, old age couple, rich landlord, disabled household. | 100 case-studies and several random conversations with villagers | | Updated till September 2013 |

## Chapter 3: Implementing Basic Income and Financial Inclusion

### 3.1. Introduction

India has long relied on subsidised state benefits and labour schemes as the main policies to address poverty and insecurity, in recent years mainly through the Public Distribution System and the labour program, MGNREGS. In doing so, government at national and state levels, has chosen to rely on a targeting approach, supplying subsidised benefits to those deemed to be poor according to the use of poverty cards (BPL and Antodaya), and providing unskilled manual labour for all the rural poor but disbursed in ways that have left questions about the number of households actually benefiting.

The pilot broke new ground in that not only were transfers provided, rather than subsidies, but they were provided as *universal* transfers – everybody in the selected villages receiving them, if they wished – and they were provided on an *individual* basis, i.e. not provided on a family or household basis but paid separately to each man, each woman and each child (through the mother). This provided design challenges, considered elsewhere, but also avoided the many problems that arise from any targeting approach, i.e., providing only to those designated as "poor".[78]

The immediate challenge for any attempt to provide basic income in rural India is finding a way to implement the grants in such a way that the take-up is high, the costs for recipients and policy implementers are low and the procedures are "user friendly".

This is linked to the much-used term "financial inclusion", which the Reserve Bank of India describes as the process of ensuring access to appropriate financial products and services needed by lower-income and vulnerable social groups, at an affordable cost and in a transparent manner.[79]

This chapter deals with the implementation experience in the pilot basic income grant scheme in Madhya Pradesh, drawing mainly on the major component, that is, covering the eight villages where every usual resident was provided with a monthly basic income for what amounted to 17 months.

### 3.2. Questions linked to Implementation

One of the claims made by those advocating basic income or grants is that, by comparison with other forms of state benefits or social policy aimed at reducing poverty and economic insecurity, basic incomes – particularly if unconditional and universal – are relatively easy to

[78] See chapter 1, and G. Standing, Cash Transfers – A Review of the Issues in India (New Delhi, UNICEF and SEWA, 2012).

[79] See the Appendix at the end of this report for further details and for a brief description of the banking structure in Madhya Pradesh.

administer, relatively likely to reach the intended beneficiaries and relatively costless for the beneficiaries.

Actually, this involves three further claims:

- cash is more easily provided than benefits in kind or in subsidy form,
- recipients are more likely to obtain the benefits when they come in this form,
- the barriers to obtaining the cash are lower and less costly than they are for other state schemes.

But, of course, even if all those claims were correct in the longer term, there will surely be initial 'teething' difficulties or barriers to overcome.

We cannot hope to answer all the issues raised by those considerations in this pilot. However, we can shed light on the process by which basic income reach or do not reach the intended beneficiaries, indicate whether they do so efficiently or not, and suggest what mechanisms should be avoided and what should be used in order to increase the effectiveness of basic income in the Indian context.

Recall that in the MPUCT the initial disbursement of basic income involved three stages. First, what we called an "Awareness Day" event was organised in each of the villages selected to receive basic income, where the team informed the villagers of the scheme, told them how they would obtain the basic income, informed them that every resident would receive them and emphasised to them that they would be free to use the cash in any way they chose.

Second, when the first month of basic income arrived, the team visited all the villages and literally handed over the cash to each individual adult on registering eligibility, at a designated location, such as the local school. At that time, the mothers or surrogate mothers were also given the cash transfer for each resident child.

That stage continued for the first three months. On the Awareness Day, the intended recipients were told that they could continue to receive the Basic Income only if they opened a bank account or an account in the SEWA co-operative for women in the SEWA villages. In the second month of actual receipt in the villages, the recipients were told they had to open an account by the end of the third month. Thereafter, everybody who received basic income did so through either a bank account or a SEWA cooperative society account.

In this chapter, we consider how the basic incomes were operationalised and the initial challenges that were faced, drawing on the Interim Evaluation Survey (IES), and on the Final Evaluation Survey (FES).[80] We consider how villagers responded and their attitudes to basic income, focusing solely on the practical issues thrown up, particularly in connection with the

[80] More attention was given to the financial inclusion issues in the IES simply because of practical considerations. The length of questionnaires made it sensible to cover some issues less thoroughly in either the IES or FES. It is too easily forgotten that length of interviews affects the quality of response and the quality of the resultant data on many issues.

links with banking and the responses from local banks. We also want to see if SEWA had an impact, and if so how and why.

### 3.3 Reaching Intended Recipients

Compared with targeted and selective schemes, one of the potential advantages of unconditional, universal basic income is that the so-called *take-up* rate – the Percentage share of intended recipients actually receiving the benefit– is likely to be very high. A related obvious advantage is that all those in poverty are more likely to receive benefits when provided in this way.

A primary objective of the Madhya Pradesh pilot was that all usual residents of the selected villages should receive the cash payments, from the outset and throughout the course of the pilot. We think it important for future policy-making to recognise the constraints in reaching that goal. The challenge arose mainly from five factors:

- Some people were not usual residents (as defined in the project),
- Some did not qualify because they only came to the village as usual residents after the start of the pilot,
- Some people did not comply with the procedures set up, either by mistake or by suspicion,
- Some simply did not wish to receive the basic income, and
- Some were not identified in the original listing of households and were only added after the baseline survey was completed, in July or August.

Given these factors, the outcome was encouraging, in the eight basic income villages, 98.3% of households had received the basic income. Though identification of members of the household was based on their status as usual residents, many households felt that this definition excluded some members of their households. Therefore, while 65.7% of all households reported that everybody in their households had received basic income for 12months, a further 32.6% said that some, but not all household members, had received basic income during that time.

**Table 3.3.1: General Villages: Whether anybody received basic income in the past year, June 2011– May 2012**

| | | Respondents | Percentage |
|---|---|---|---|
| A | All household members | 616 | 65.7 |
| B | Some household members | 306 | 32.6 |
| | None of the household members | 16 | 1.7 |
| | N = All respondents | 938 | |

Source- MPUCT FES and n=938

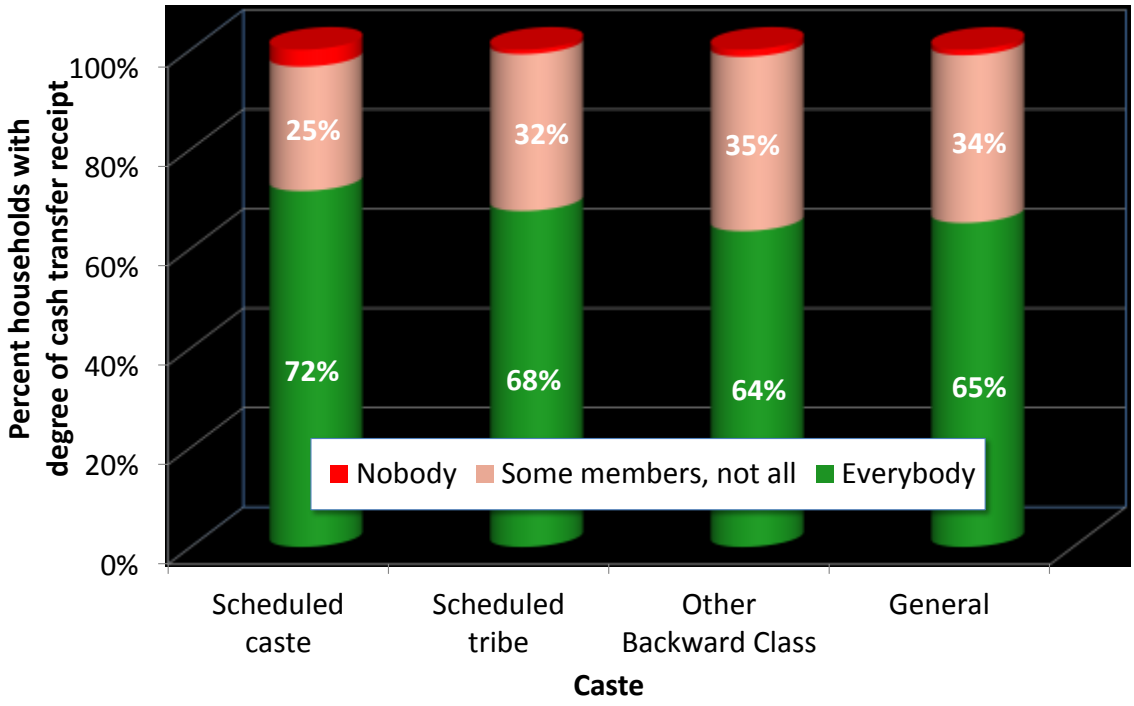
These figures imply that almost every household in the pilot villages had received some transfers. But it must be remembered that a few households had foregone their right, declining to receive the cash and as a result excluding themselves from the subsequent surveys.

In passing, we should note that here we see significantly more households in SEWA villages, compared with non-SEWA villages, reported that all members of their households had received basic income (79.5% vs.72.2%).

In the IES, we also considered the possibility that some types of household member might be more or less likely to receive the basic income than others. It was encouraging that a substantial majority of all types of member had received them – 88.7% of household heads, 98.7% of spouses, 91.9% of children of heads, 89.1% of sons and daughters of heads, 89.1% of parents of heads, 87.2% of sons-in-law and daughters-in-law, and 80.6% of grandchildren. The only groups with fewer than 75% were brothers and sisters of household heads and their spouses and children; but there were very few of them.

In terms of gender, women and girls were slightly more likely to have received the basic income. But, for both men and women, the take-up rates are very high, and as Figure 3.3.1 shows, all castes were equally likely to receive the basic income. The most important point was that only a tiny proportion of households eligible for the benefits had nobody receiving them. And all social groups were equally well covered.

**Figure 3.3.1: General Villages: Percent of households by extent of basic income receipt, by caste**




Source: MPUCT FES, 2012 and n = 938

### 3.4. Reasons for exclusion from Basic Income

According to the respondents, the most common reason for someone not receiving the cash was that the person's name was not on the list--- 42% of households who did not get cash transfers, gave this reason. It is possible that some of those whose name was reported to be missing were in fact simply not eligible to receive the cash, due to the definition of the household and usual residence.[81]

The second main reason was not having a bank account, and an important fact that should be noted is that over 22% of individuals did not receive basic income due to not having a bank account and over 17% had banking difficulties like wrong bank account number being given, or the bank refusing to transfer the amount or NEFT reversals.[82]

In other words about 7% of total individuals—men, women or children—did not receive a cash transfer due to not being able to open a bank account and over 5% of individuals did not

[81] A policy issue that needs to be noted is the importance of having fair and transparent criteria for receipt of cash transfers. In this case, in spite of identifying and enumerating usual residents based on clearly defined criteria of residence in the village and in spite of repeated checks, the households remained convinced that some members of their families who were left out should have been included.

[82] National Electronic Funds Transfer (NEFT) is a nation-wide payment system that allows funds to be transferred from one bank account to any other account in any bank in the country.

receive their cash due to banking difficulties even after one year. In all, the banking system was an obstacle to basic income for about 12% of people after one year. These issues will be examined in more detail later in this chapter.

**Table 3.4.1: Main Reason for not receiving Basic Income, in General Villages**

| Main reason for not receiving basic income | Frequency | Percentages |
|---|---|---|
| No bank account | 72 | 22.4 |
| Name missing from survey list | 136 | 42.2 |
| Not in the village | 25 | 7.8 |
| No ID | 14 | 4.3 |
| Did not want transfers | 4 | 1.2 |
| Banking problems | 56 | 17.4 |
| Don't Know | 11 | 3.4 |
| Death | 4 | 1.2 |
| | 322 | 100 |

Source- MPUCT FES, 2012 and n=322

Recall that a few households, mainly among the richer groups, declined to receive basic income, and as such were not included in the recipients. Presumably, they felt they did not need the money or thought the sums involved were not sufficient to merit the work involved in collecting the money. This implies that a universal scheme can be benignly targeted through *self-removal*.[83]

An interesting point to be noted is that, women and children were less likely to decline than men. Of those who declined, 136 were men, while 50 were women and 34 were children. In other words, whereas 7.4% of the eligible men declined, only 2.8% of eligible women and 1.6% of eligible children refused the basic income.[84] Since the cash transfer for the children was made in the women's accounts, generally when the woman decided to take the cash transfer, she automatically included the children.

[83] This has been found to be the case in Iran, where conversion from the hugely expensive energy subsidies to a universal cash benefit was found not only to save public money but to lead to some non-take up by the wealthy, who were required merely to fill in their tax returns if they wished to receive the cash transfer. Subsequently many of those changed their minds and applied for the cash transfers. See H. Tabatabai, 'From price subsidies to basic income: The Iran model and its lessons', in K. Widerquist and M.W. Howard (eds.), Exporting the Alaska Model: Adapting the Permanent Fund Dividend for Reform around the World (New York, Palgrave Macmillan, 2012), pp.17-32.

[84] SEWA Bharat Records

### 3.5. The Naysayers: Rich women need empowerment too

During the awareness day meetings, quite a few people initially refused to take the basic income and needed to be persuaded individually. The households, which had large landholding and were from the rich farming families, refused to accept the cash transfer and also to be part of the ongoing research work. They cited reasons of not needing the money, not wanting to open bank accounts, receipt of basic income or "free money" are against their religion (one man told us that he could not accept because Brahmins cannot accept cash), however after detailed explanations some of them were convinced about the usefulness of the experiment.

Some of the women from rich households in village 'Jagmal Pipaliya' who initially refused to take the basic income changed their minds after a few weeks. The main reason they gave was that although they were from rich households and had access to material goods they did not own or have any money of their own. So they wished to open accounts either in a bank or with the SEWA Cooperative. They felt it brought them a small independence.

In spite of the difficulties of reaching physical basic income to every person in a village, nearly 94% of all recipient households reported that they began to receive the basic income in the first month of the pilot, June 2011, the remainder doing so in July and August. The start-up was slightly quicker in SEWA villages (96.2% receiving it in June, compared with 91.2% in the non-SEWA villages). The take-up in bank (or cooperative) accounts was, as expected, slower and more staggered – 3.4% in June, 19.1% in July, 47.8% in August, 22.3% in September, and the rest after that.

Not surprisingly, those in SEWA villages were much more likely to have received the basic income in bank accounts sooner than in non-SEWA villages, simply because it was far easier for them to do so, through the SEWA cooperative, which visited the villages once a month and was thus accessible within a few minutes of the recipients' home.

By July, the second month of the pilot, 24.2% of households in SEWA villages were receiving their basic income in bank or cooperative accounts, compared with only 20.4% in non-SEWA villages. By August, the last month of physical basic income, nearly 75% of individuals in SEWA villages were receiving the basic income in their accounts as compared to 65% in non-SEWA villages. By October, almost all individuals were receiving in bank accounts.

In sum, within a short period the vast majority of intended recipients were receiving the basic income. That shows that with conscientious efforts by those implementing basic income, they can reach people fairly efficiently.

**Table 3.5.1: Percent of households with specified Basic Income-related attributes, by village type, in General Villages**

| | Village Type | |
|---|---|---|
| | SEWA | non-SEWA |
| Starting month of receiving cash transfer | | |
| June, 2011 | 96.2% | 91.2% |
| July, 2011 | 2.3% | 7.5% |
| August, 2011 or later | 1.5% | 1.3% |

Source: MPUCT IES, 2012, n = 489

**Table 3.5.2: General Villages: Percentage of People Receiving the basic income through accounts, June 2011–March 2012**

| Month in which started receiving the basic income in a bank or cooperative account | SEWA (Percentage) | Non-SEWA (Percentage) | Total (Percentage) |
|---|---|---|---|
| June | 4.7 | 1.8 | 3.4 |
| July | 19.5 | 18.6 | 19.1 |
| August | 50.5 | 44.5 | 47.8 |
| September | 17.2 | 28.6 | 22.3 |
| October | 4.3 | 1.5 | 3.0 |
| November | 0.8 | 2.0 | 1.3 |
| December | 0.2 | 0.8 | 0.4 |
| January | 1.2 | 0.3 | 0.8 |
| February | 0.0 | 0.3 | 0.1 |
| March | 0.0 | 0.3 | 0.1 |
| Not at all | 1.6 | 1.5 | 1.6 |

Source: MPUCT IES, 2012, n = 489

## 3.6. Bank Accounts or Not?

One of the objectives of those wishing to roll-out basic income across India is to extend financial inclusion through inducing rural and low-income people to open and use bank accounts. As of 2012, the majority of Indians did not have bank accounts, and the view in

policy circles is that there is resistance to opening bank accounts both from the Banks themselves as well as from the poorer sections of society who find banks difficult to access.[85]

If these views were correct, one would anticipate a major blockage to successful and inexpensive roll out of cash transfers. The questions are: Is that view correct? And could such fears and distrust be overcome by sensible actions by banks or others? Certainly, contrary to sceptics about financial literacy, the intended pace of banking 'inclusion' across India envisaged by reformers is impressive.[86]

And this brings to the fore another general point worth making – the difficulties of opening bank accounts is a 'chicken-and-egg' dilemma – which comes first? If one does not have any money to save and one cannot obtain financial credit, then one will scarcely want a bank account. The perceived difficulty of opening bank accounts could be only overcome if and when people have a sense of needing to open them. The need for an account could prompt people to act to overcome the fear of or barriers to having bank accounts.

The point is more important than it might seem. The receipt of basic income may be a trigger for action to open accounts that could be of more general benefit for residents of villages. Whether or not this is a valid assumption may be perhaps ascertained from the survey and case study data.

In the MPUCT, a decision was made to tell the recipients that after receiving the cash transfers for three months "by hand", every recipient had to have opened a bank account or a SEWA account into which all the future cash would be paid. The results were impressive, by May 2012, less than a year since the basic income transfers started; almost all the adults in these villages had accounts either in banks or in the SEWA Co-operative. In SEWA villages, the number of women having savings accounts before the project started is considerably larger than any other category. This can be explained by the fact that long before the launch of the MPUCT project, SEWA had mobilized women in villages where they work to join and open savings accounts with the SEWA Thrift Credit Cooperative Society.[87]

[85] In November 2012, it was reported that at least four State governments said they could not operationalize direct cash transfers because of difficulties in opening bank accounts.

[86] According to officials, about 3.19 lakh no-frill accounts were opened in Delhi by various banks in 2011, while the number had reached 19.81 lakh by August 2012. The Delhi Government wanted the remaining 10 lakh accounts opened before the end of the year. That was ambitious -- 10 lakhs accounts in 4 months! This footnote is out of date. We should replace it with Government's new targets which will be declared soon.

87 The number of people who had accounts in non-SEWA villages and the number of men who had accounts in SEWA villages may actually be an underestimation. In the baseline survey, the researchers found that people were reluctant to inform them about whether or not they had an account, and many of the people who said they did not have an account, actually did have either a no-frills account opened for another purpose such as payment for MGNREGA or a normal account they had opened earlier, but about which they were reluctant to reveal.

**Table 3.6.1: Number of Savings Accounts in Basic Income Villages before and after Pilot[88]**

| Particulars | SEWA Villages | Non-SEWA Villages | Total |
|---|---|---|---|
| No. of villages where basic income project run | 4 | 4 | 8 |
| No. of people who received basic income | 3033 | 2514 | 5547 |
| No. who had savings account before the project | 340 | 142 | 482 |
| No. of men who had savings account before the project | 38 | 79 | 117 |
| No. of women who had savings account before the project | 302 | 63 | 365 |
| No. of men having savings account at end of May 2012 | 748 | 739 | 1487 |
| No. of women having savings account at end of May 2012 | 918 | 742 | 1660 |

By the end of the project, almost all recipients of basic income had opened a bank or cooperative account. Indeed, what we might call the 'bank account rate' (BAR) in the cash transfer villages increased almost 650% from 482 accounts in May 2011 to 3147 accounts in May 2012.

Perhaps most encouragingly, the difference in the BAR for women was enormous. Whereas 93.8% of women respondents in SEWA cash-transfer villages had opened a cooperative account very quickly, with the remainder having a bank account, no less than 82.7% of women in SEWA non-cash transfer villages did not have any bank or cooperative society account, and 86.6% of women in non-SEWA non-cash transfer villages did not have one.[89]

It is evident that the initiation of the basic income transfers had led to a rapid and extensive rise in the BAR, and that the transfers were the primary factor

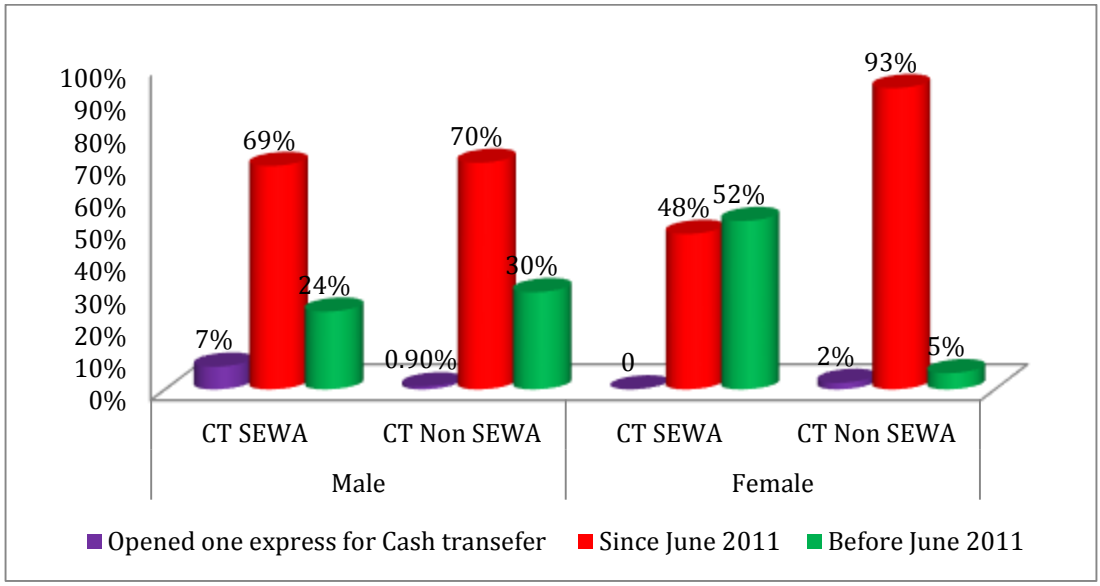
[88] Information from the SEWA Bharat records.

[89] In cases of mentally disabled persons, the money was paid to a guardian, in the presence of the person, and subsequent money was paid into their bank or cooperative account. This procedure was applied to two to three people in each village, on average.

behind the rise. Further support for this supposition is that 93% of the women in non-SEWA cash transfer villages had opened their accounts since starting to receive them and 48% of women in the corresponding SEWA villages had done so, indicating that SEWA had achieved an impressive 52% BAR beforehand (Figure 3.6.1).

A small percentage of people, particularly among the men, said that they already had bank accounts, but they opened new accounts specifically for the purpose of the cash transfer as they wanted their basic income money to be received separately and not in their own savings account.[90]

**Figure 3.6.1: General Villages: Percent of households opening an account before or after June 2011, by village type and gender of respondent**




Source: MPUCT IES, 2012, n = 271

Account opening in villages where SEWA was active was usually quicker, with nearly 75% of accounts for women being opened by August, as compared with 65% of non-SEWA villages.[91] This was mainly due to account opening in the cooperative being easier and done earlier than accounts in banks.

[90] Often individuals are reluctant to receive benefits in their savings accounts as a matter of maintaining their privacy. They feel that if they open their bank accounts to a Government scheme, they may lose their right to privacy.

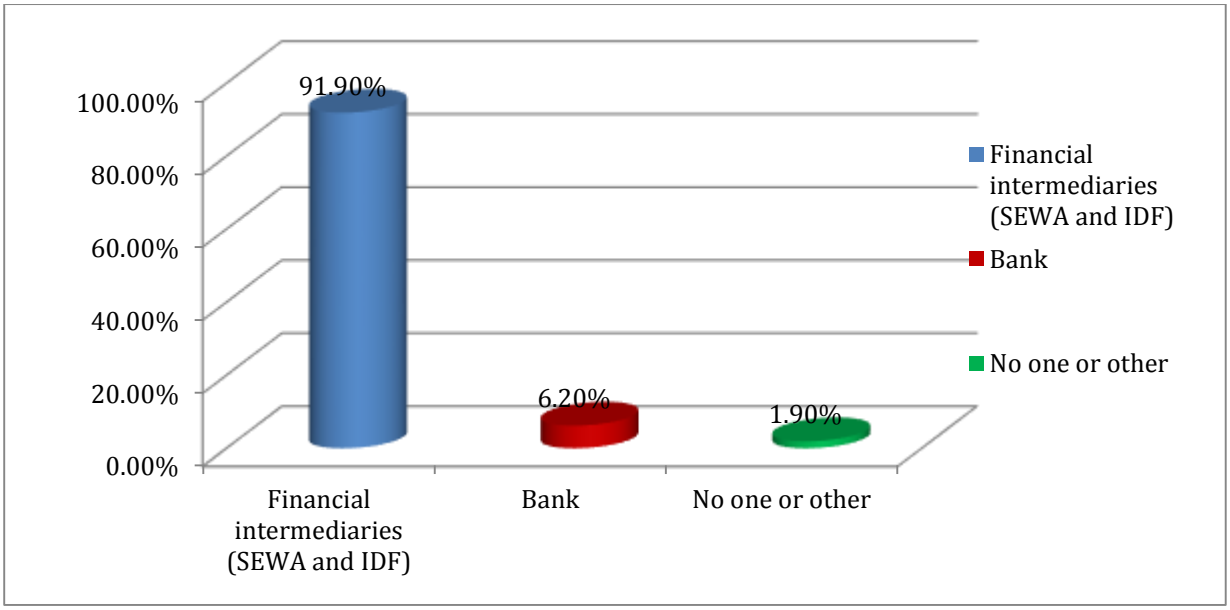
91 These figures were obtained from the survey, and it seems that the respondents had a more optimistic view than that reflected in reality. The figures obtained from the SEWA accounts on when the transfers actually went out show that only 54% of males had cash transfers going into their accounts in September, whereas 68% of women in the non-SEWA villages and 86% in SEWA villages had cash transfers going into their accounts.

### 3.7. The Role of Financial Intermediation

The main reason for the rapid opening of accounts was the intensive financial intermediation provided by SEWA.[92] Some villagers were reluctant to open bank accounts because they preferred the direct delivery of cash at their doorstep, they said that they did not need bank accounts as they were poor and had no money to save. They believed bank account opening was a long and tedious process.

Bank managers too were reluctant to open so many accounts of people who would require servicing, without adding to the bank's profitability. As a result, nearly 92% of the individuals at the time of the IES said they had been were helped by SEWA or tbhe research agency to open their accounts. The accounts were opened mostly by SEWA in the SEWA villages and by the research institute in the non-SEWA villages. However, after the research institute left the project the remaining account opening in both groups of villages was assisted by SEWA.

**Figure 3.7.1: Who Helped in Opening the Account, in General Villages?**




Source- MPUCT FES, 2012 and n=839

[92] SEWA opened accounts in SEWA villages. For women accounts were opened in the SEWA co-operative and for men in Nationalized Banks. In the non-SEWA villages the accounts were opened in Banks for both men and women by the agency that had undertaken the baseline survey. After the research institute left the project in December 2011, the few remaining accounts were intermediated by SEWA perusal.

**Table 3.7.1: General Villages: Account Opening Assistance by Different Institutions**

| Organizations assisting in account opening | Accounts in SEWA villages | Accounts in Non-SEWA | All Accounts |
|---|---|---|---|
| SEWA in numbers | 411 (90.7%) | 64 (16.6%) | 475 (56.6%) |
| Research institute in numbers | 10 (2.2%) | 286 (74.1%) | 296 (35.3%) |
| Bank in numbers | 28 (6.2%) | 24 (6.2%) | 52 (6.2%) |
| Not opened in numbers | 4 (0.9%) | 6 (1.6%) | 10 (1.2%) |
| Other | 0 (0%) | 6 (1.6%) | 6 (0.7%) |

Source- MPUCT FES, 2012; n=839.

The SEWA and research team had to do most of the work, bridging the gaps between bank officials and villagers. When the villagers went to the bank by themselves they usually had to wait for three or four hours before they received attention. They also said the bank staff was rude and sometimes would not even let them come into the bank premises.

**Difficulty faced in opening of bank account**

*Malibadodia village is 28 km from Indore. There are two banks close by –Union Bank of India and Bank of India, both are 13 KM away. I met with the Zonal Manager of Union Bank in Indore and explained to him the project. He called the bank branch manager and asked them to open zero-balance accounts for the project. The branch manager said that the accounts would be opened for those who have an identity proof; the proof of address could be certificate of the Panchayat. A camp was suggested to verify the documents but the bank manager said that he could not commit a date and SEWA should first fill the forms and get the guarantor signatures beforehand.*

*We went to the village with bank account opening forms but the people did not have any sense of urgency. They were particularly slow about getting their photographs taken as they had to go to a nearby village for the same. So I brought a photographer from Bodasi, the nearby village to Malibadodiya. I also carried a photocopy/printing machine and photos were clicked and printed and documents photocopied on the spot. The villagers were charged Rs. 1 per page of photocopy.*

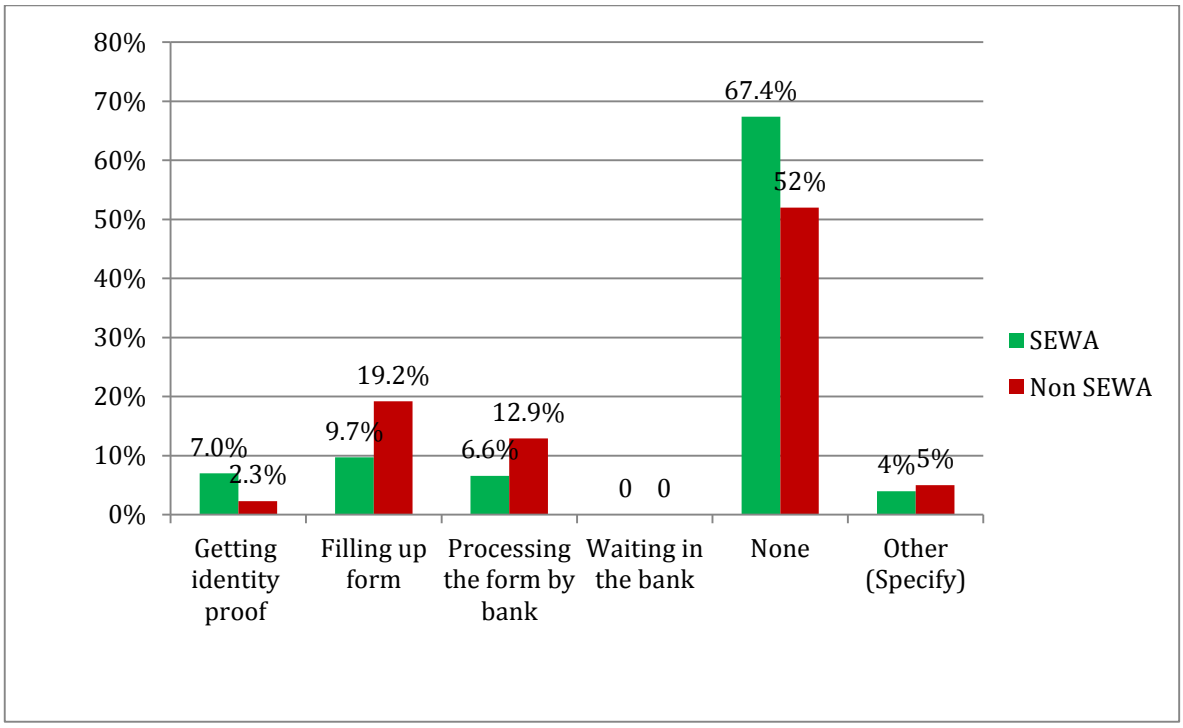
*After this I was able to organize a camp with Union Bank for verification of documents. The filled forms were collected and on the first day 30-40 forms were verified. The verification camp helped open accounts quickly. The 'sarpanch' gave his full cooperation.*

*In spite of all these efforts, account opening was slow because the Manager was changed and the new one refused to co-operate and was rude to us and the villagers.*

***Prateek, SEWA organizer***

As a result of the intensive financial intermediation, 67% of SEWA villagers and 52% of Non-SEWA villagers said that they faced no difficulties in opening bank accounts. In the SEWA villages, the women's accounts were all opened in the SEWA co-operative which accounts for the higher numbers of people who said that they faced no problems in the SEWA villages.

**Figure 3.7.2: General Villages: Most Difficult Part of Account-Opening Formalities**




Source-MPUCT IES, 2012 and n=604

The large number of people who said they faced no difficulty in opening bank accounts was in contrast to the experiences of the financial intermediaries whose main problem was mobilising villagers to get identity proofs, and for the Banks to except these proofs. A lot depended on the attitude of individual managers, but quick transfers of managers meant that the SEWA staff had to spend a great deal of time motivating new officials. They also had to spend time motivating villagers for whom spending time opening bank accounts was often a cost in terms of days wages lost.

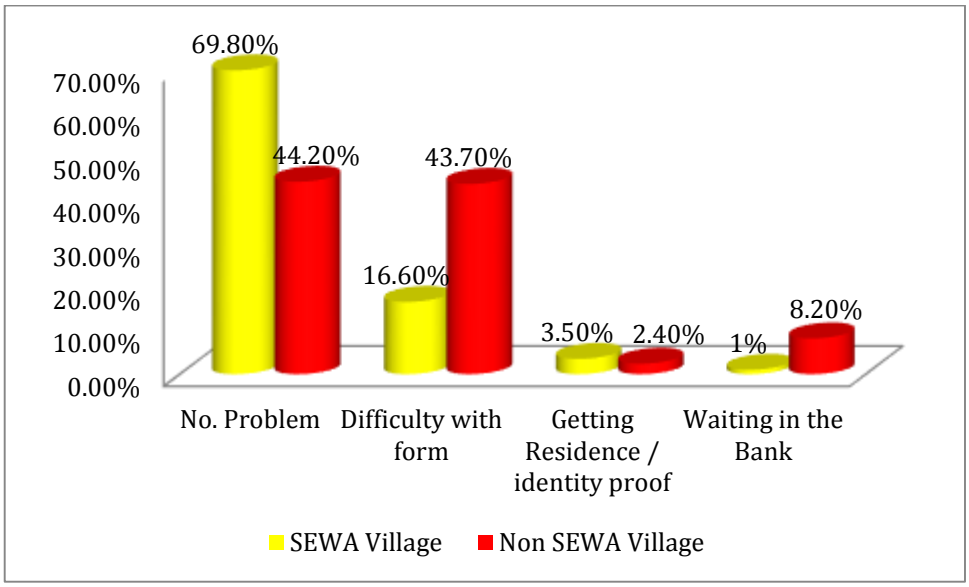
The SEWA national leadership also lobbied with the central bank and the banking system, and these efforts resulted in a supportive environment at the state level for the integration of project villages with the financial inclusion programme. But enlisting such cooperation at the branch level turned out to be a difficult process.

> The Branch Manager of Allahabad Bank in Khudel was willing to recognize the certificate issued by the Gogakhedi panchayat as valid proof of identity in the absence of ration card or voter ID card. Based on such certificates, on average, about 150 forms were submitted and accounts opened each day in Gogakhedi.
>
> However, the branch manager of the same bank in Jalod Keu insisted that he would not accept panchayat certificates. After considerable effort by the project team, the manager had a more positive attitude, but after that he was transferred. According to the village residents, they would go to the bank branch with the diaries provided by the bank but were not given service by the bank staff on various pretexts such as staff shortage and electricity cuts. They would often wait for an hour to an hour and a half for their turn. The bank managers said they did not have enough staff to manage these new clients and that due to electricity cuts their computers were often not working.

Most of the accounts opened for the purposes of the basic incomes were "no-frill" accounts sanctioned by the Reserve Bank of India, where the account holder does not need to maintain a minimum balance and receives only the most basic banking services. However, many rural branches are unaware of latest policy changes. Banks often insisted that account holders pay Rs 500 to open accounts, and keep a minimum balance of Rs 1000 in them.

The account opening problems were much less in SEWA villages where accounts were opened in the SEWA co-operative. Nearly 70% of women faced no problem in opening accounts in the Co-operative compared to 44% in non-SEWA villages who had to open accounts in a bank.

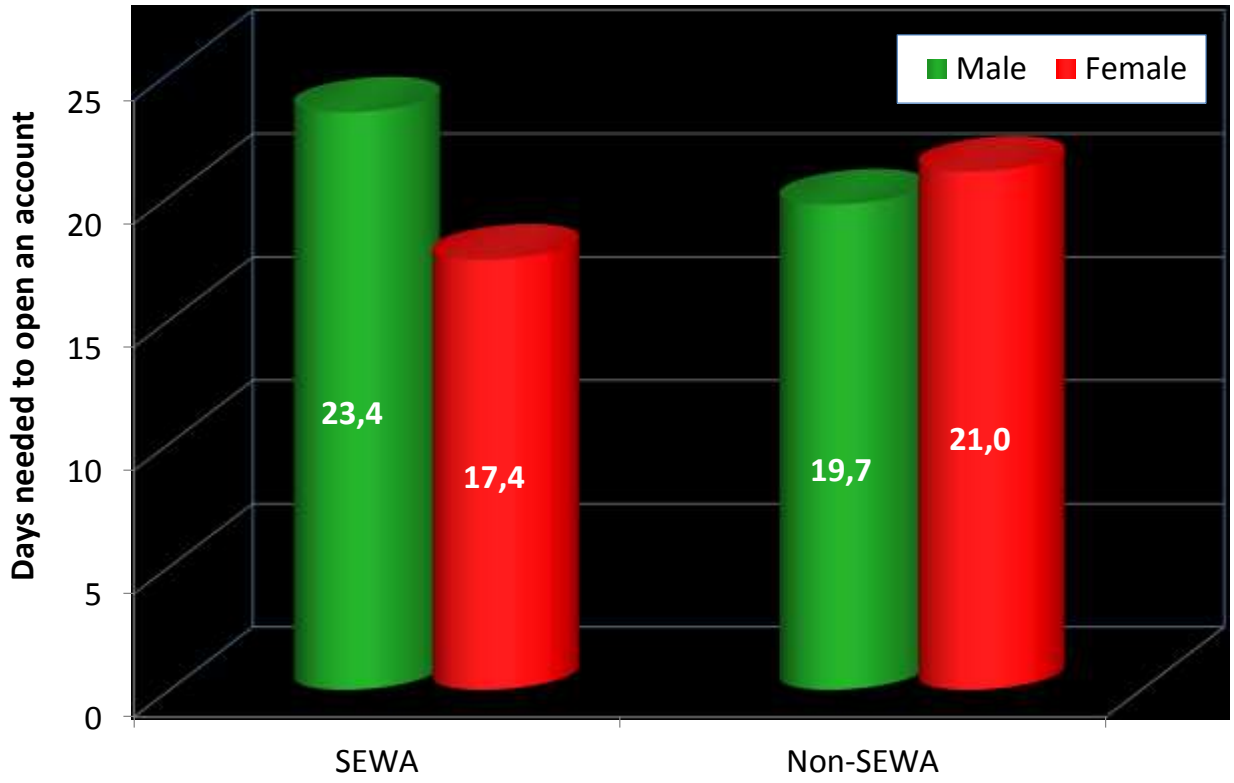
**Figure 3.7.3: General Villages: Main difficulty in Opening Account in Basic Income Village among Women**




Source-MPUCT IES, 2012 and n=?

Since most of the formalities were taken care of by SEWA and the research agency, respondents felt the proceedings for opening accounts were not particularly arduous. For instance, according to the IES, in SEWA basic income villages, on average, men reported that it took 23 days to open their most recent account, while women reported that it had taken just over 17 days (see Figure 3.7.4) Although this could have been speeded up, it was considered a reasonable time span for opening accounts. In non-SEWA basic income villages, it took men slightly less time (about 20 days) and women slightly longer (21 days).

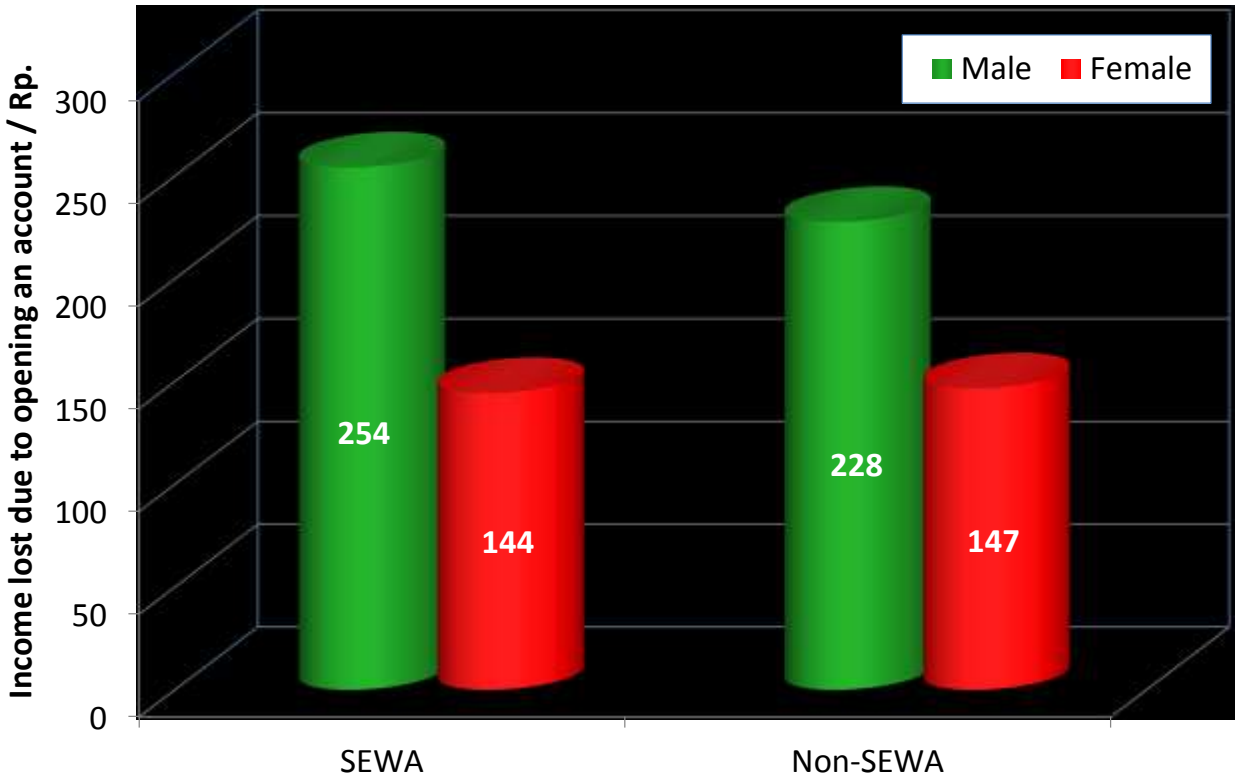
**Figure 3.7.4. General Villages: Number of days required for formalities of opening the most recent account, by village type and gender of respondents**




Source: MPUCT IES, 2012, n = 559

The average estimated cost in terms of lost (or forgone) income and cost of transport, bribes and the cost of photographs for the forms to open an account was lower in basic income villages, as most of these costs were absorbed by the agencies—SEWA and IDF—which were helping residents to open their accounts. In both SEWA and non-SEWA villages, the average cost for women was significantly less than for women in control villages (Figure3.7.5),

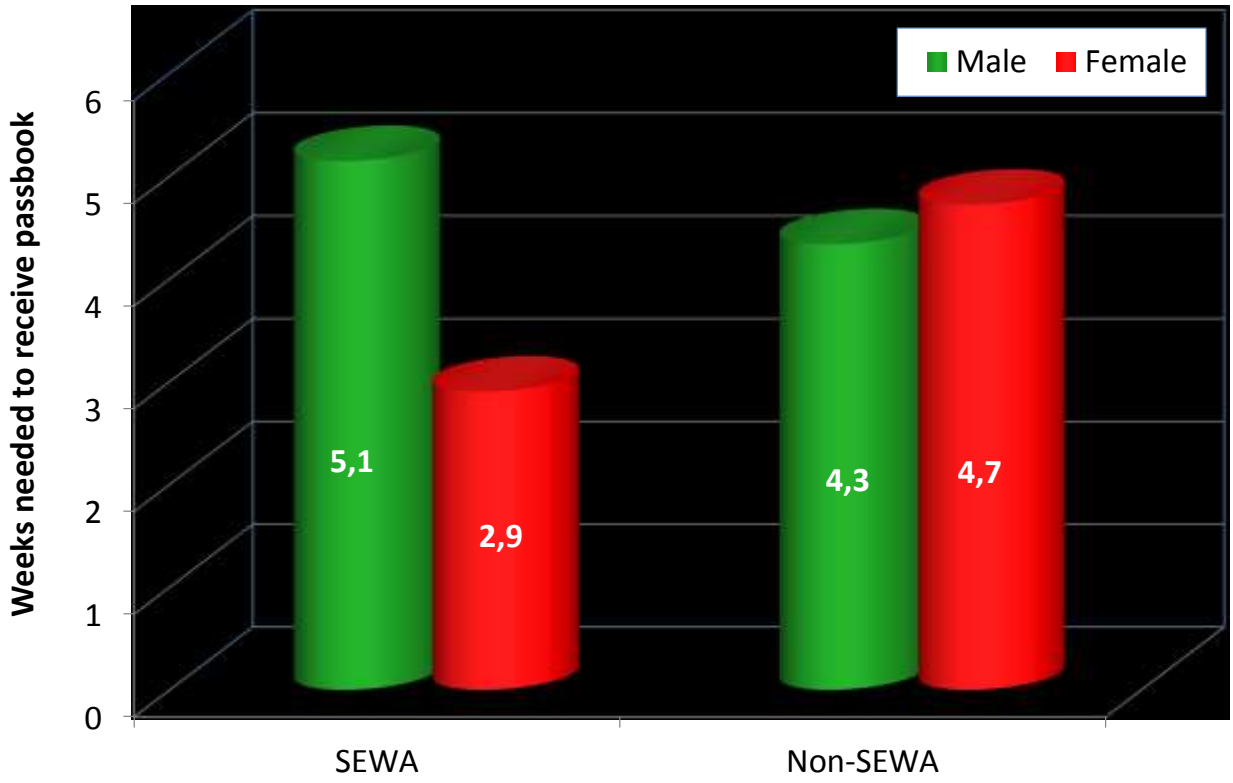
**Figure 3.7.5: General Villages: Income lost and expenditure for opening an account, by village type and gender of respondent**




Source: MPUCT IES, 2012, n = 524

In terms of time taken for receipt of passbooks for people too operate their accounts, in SEWA basic income villages, men on average had to wait just over five weeks and women just under three weeks and in non-SEWA basic income villages, men and women had to wait on average about the same, just under five weeks (Figure 3.7.6).

**Figure 3.7.6: General Villages: Weeks needed to receive passbook, by village type and gender of respondent**




Source: MPUCT IES, 2012, n = 609

## 3.8. Banking Difficulties

A more important practical problem came with subsequent dealings with the banks. As we saw earlier, about 17% of people said that they did not get their basic income due to "banking difficulties". Beyond those who did not receive their cash transfer, people reported that they had difficulty in dealing with the banks and in withdrawing their money.

The households in SEWA villages had fewer difficulties in withdrawing their money—73% had no problems as compared 39% in non-SEWA villages who had no difficulties. For individuals who had to deal with the banks in non-SEWA villages, the main issue seemed either that the bank insisted that they keep a minimum amount in balance or else it just told them that the money had not come. In SEWA villages, the main problem, reported by over 4% of people, was the long wait.

**Table 3.8.1: General Villages: Percent of households with main difficulty in withdrawing money, by village type**

| Main difficulty | BI SEWA (co-operative) (Percent) | BI non-SEWA (Bank) (Percent) |
|---|---|---|
| No problem | 72.8 | 38.9 |
| Have not tried to withdraw | 9.3 | 15.0 |
| Bank insists on keeping minimum amount in account | 3.5 | 23.5 |
| Bank says money has not come | 3.1 | 11.1 |
| Bank asks us to come another day because less staff | 1.6 | 6.2 |
| Bad attitude of staff | 1.6 | 0.4 |
| Long wait | 4.3 | 0.4 |
| Other, or don't know | 4.0 | 4.4 |
| | 100% | 100% |

Source: MPUCT IES, 2012, n = 618

**Banking difficulties faced by some basic income recipients**

*Sampatbai and Tolarambhai*

*Once they had opened bank accounts, this elderly lady, Sampatbai, and her quite elderly son-in-law, Tolarambhai, who lived together, were told by their bank not to come every month but to do so only every three months. This reduced their flexibility and sense of having liquid assets for use in emergencies. But a worse problem had hit Sampatbai. Her husband, who had been receiving the basic income, died several months after starting to receive it. Although Sampatbai was the legal heir, she was not allowed to draw her husband's money.*

*Tejubai and Nauram*

*"All of us have our bank accounts in the Gautampura branch of Allahabad Bank. We withdraw once in every two-three months. But the bank people have asked us to come once every three months, not every month."*

*Seema Bhil*

*Babulal head of the household received of the house hold received cash transfer for the first two months when the cash was disbursed by SEWA. After that the bank did not open an account for him. He showed us a letter from the bank – in English – informing him that savings account had been opened for him. But he did not have one.....As a result he did not receive cash transfer many months, because he could not produce a bank account number and does not have a bank passbook …since he is unwell he could not go to the bank to obtain his passbook .*

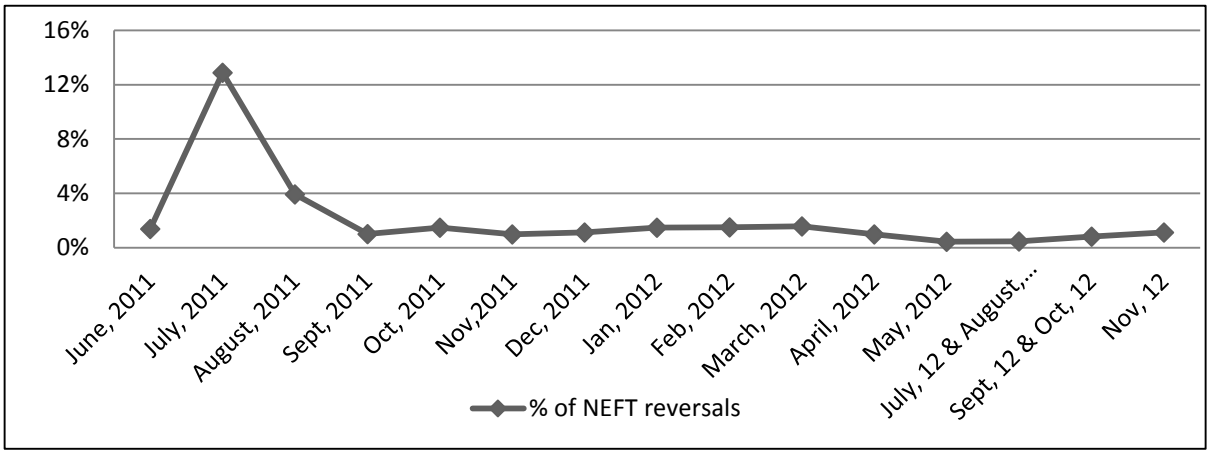
*Reshambai, aged 60*

*Her family received two basic incomes initially. Her son Shankar's wife got two cash transfer, but after that she could not open bank account because by them she had left for her parents' place. Pratap Singh, head of the household, received two cash transfers and those two bank transfers but after that did not get any bank transfers, We were told by the family and also by the staff that a wrong account number was given to SEWA MP.*

***Source: MPUCT case studies, 2012***

While exploring the reasons people like Reshambai and Babulal did not receive their basic income, we found that some payments had not been credited to the recipient's accounts and had reverted back. These were "NEFT reversals" mentioned earlier.

**Figure 3.8.1: General Villages: NEFT Reversals, June, 2011 to November, 2012**




Initially there were a large number of reversals peaking at 13% within two months of the basic income, but as problems were sorted out these declined to 1% by the end of the project. The main reasons for reversals were errors in reporting the bank account number and the Bank declaring an account "inactive".[93]

Apart from reversals, there were some mistakes made in the transfers, due to clerical mistakes, which typically required financial intermediation from SEWA.

**Case of SeetaBai in Panthbadodiya and another case of mistaken identity**

*There are two women by the name of SeetaBai in Panth badodiya – SeetaBai Thavar Singh and SeetaBai Gendalal. Both these women had opened accounts in SBI, Betma branch. The postman delivered the letter from the bank containing the account number of SeetaBai Gendalal to SeetaBai Thavar Singh. On receiving the letter SeetaBai Thavar Singh went to the bank and withdrew Rs 800, thinking she was taking this from her account. SeetaBai Gendalal retrieved the letter from SeetaBai Thavar Singh and went to the bank branch to withdraw Rs 800, but she was told that her account had zero balance.*

*After some argument with the branch manager, she received Rs 800 from him, who gave the money from his pocket. When the matter was discussed with the SEWA team by SeethaBai Gendalal, the team went to the bank and discussed the matter. The bank manager replied that if SEWA team helped him in getting the Rs 800 returned to him, he would open an account for SeetaBai Thavar and would also give the passbooks of both the SeetaBais. SeetaBai Thavar also offered to refund the money provided she would get basic income transfer in her account. Then her account was opened by the bank manager and the cash transferred to her account.*

***Source- MPUCT case studies, 2012***

[93] Although an account is supposed to be declared inactive or inoperative after a year of no transactions in the account, we found that banks tended to declare no-frills accounts "inoperative" after just three months.

### 3.9. Doorstep Banking

Providing doorstep delivery and customized products to the clients to achieve financial inclusion has been recognized as necessary by the government and financial system, and, in this regard, the 'business correspondent' model has been widely promoted by the Government of India and the RBI. The option of working with local banking correspondents was explored, and at the time of opening of accounts, only one of the banks in the target area (Union Bank of India, Gandhinagar, serving Panthbadodiya) had a BC. The agent was approached by the project staff to open accounts in the village served by him. He filled up the application forms using the pos (point of sale) machine provided to him; but, even after two months of this exercise, accounts were not opened for people living in those villages. The BC had sent the applications to the head office, where all applications routed through a BC are further processed, which appeared to have not taken place. Furthermore, the agent also stopped working as BC after some time, since it was not profitable enough. The team interviewed the local BCs and found that there were a number of reasons why they were unsuccessful. (See Appendix 2)

The SEWA cooperative, however, was able to provide doorstep banking. Compared to the arduous process for opening accounts in mainstream banks, the account opening in the SEWA co-operative was much easier. Going far beyond opening accounts, it also provided access to the financial services of savings and credit and helped recipients understand how to best use their finances and use the financial systems by conducting a systematic financial literacy programme. Further, the cooperative personnel came to each village once a week and provided services right in the village itself. As a result women in SEWA villages were far more likely to access their accounts, the number of times women visited the banks were much less than the number of times they visited the co-operative.

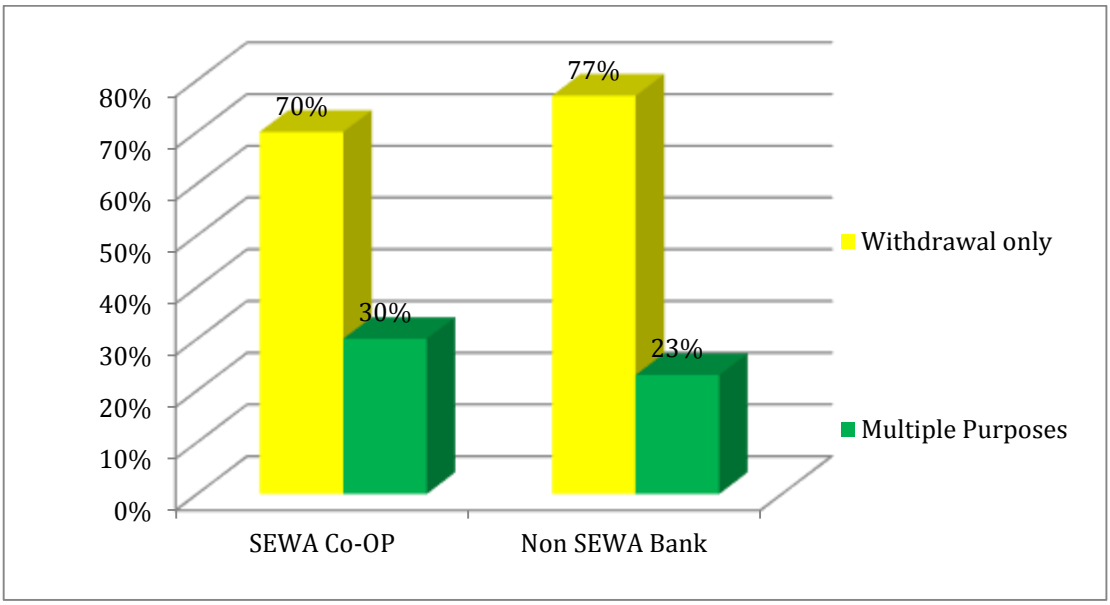
**Table 3.8.2: Number of times visited bank to withdraw basic income, (Female), in General Villages**

| No. of visits to the bank Cooperative) Female( | SEWA | Non-SEWA | Total |
|---|---|---|---|
| Once<br>In number (Percentage) | 10<br>(3.4%) | 30<br>(13.6%) | 40<br>(7.7%) |
| Twice<br>In number (Percentage) | 10<br>(3.4%) | 43<br>(19.5%) | 53<br>(10.2%) |
| Three times<br>In number (Percentage) | 15<br>(5%) | 45<br>(20.5%) | 60<br>(11.6%) |
| Four or more times<br>In number (Percentage) | 255<br>(85.6%) | 97<br>(44.1%) | 352<br>(68%) |
| Never<br>In number (Percentage) | 8<br>(2.7%) | 5<br>(2.3%) | 13<br>(2.5%) |
| Total | 298<br>100% | 220<br>100% | 518<br>100% |

Source- MPUCT FES, 2012 and n=518

Another indicator of financial inclusion or activity is the purpose for which the account is used. Although, as can be seen from Figure 3.8.2. Most women have been using their accounts to withdraw cash from the Basic Income transfers. The women using the SEWA cooperative, however, are more likely to use it for both deposit and withdrawal (30%) as compared with the women who have bank accounts (23%).

**Figure 3.8.2: Main Purpose of Using an Account (Female), in General Villages**




Source- MPUCT FES, 2012 and n=519

Although on the average Banks were about 12 kms away from the villages, distance was not cited as a difficulty for using the bank account. The main difficulty was trouble in filling the forms, which 34% of people said was a difficulty. The second main difficulty was losing wages, as the time taken to make the withdrawal or deposit, did not allow them to go to work that day. About 10% of people said that this was their main difficulty. The numbers were about the same for SEWA and Non-SEWA villages because even though the SEWA Co-operative came to the village, those who earned their living by labour had to stay home to access their accounts.

More women than men expressed difficulty about accessing financial institutions due to their inability to do the required paperwork, because they were illiterate or semi-literate. They generally had to rely on other customers or bring along literate family members to fill up their forms. In the cooperative, however, the staff provided this service, making the women feel comfortable enough to use the cooperative often. Over 87% of SEWA Co-operative account holders said that the SEWA staff filled up their forms, only 26% of the Bank account holders said that the staff helped them. The rest had to depend on the good will of other customers or bring along a literate family member of neighbour.

**Table 3.8.3: Persons Filling Withdrawal Forms for Women without Literacy Skills, in General Villages**

| Who fills withdrawal forms if not self? (Female) | SEWA Co-OP | Non SEWA Bank |
|---|---|---|
| Bank staff ( Percentage) | 0 | 52 (26.1%) |
| SEWA Cooperative staff ( Percentage) | 187 (87.3%) | 0 |
| Other customers ( Percentage) | 11 (5.1%) | 75 (37.6%) |
| Literate family member ( Percentage) | 5 (2.3%) | 43 (21.6%) |
| Literate person in village ( Percentage) | 5 (2.3%) | 21 (10.5%) |
| Other ( Percentage) | 6 (2.8%) | 8 (4%) |
| Total | 214 (100%) | 199 (100%) |

Source- MPUCT FES, 2012 and n=313

The section of subsidies vs cash transfers should go to chapter 11 or chapter 12.

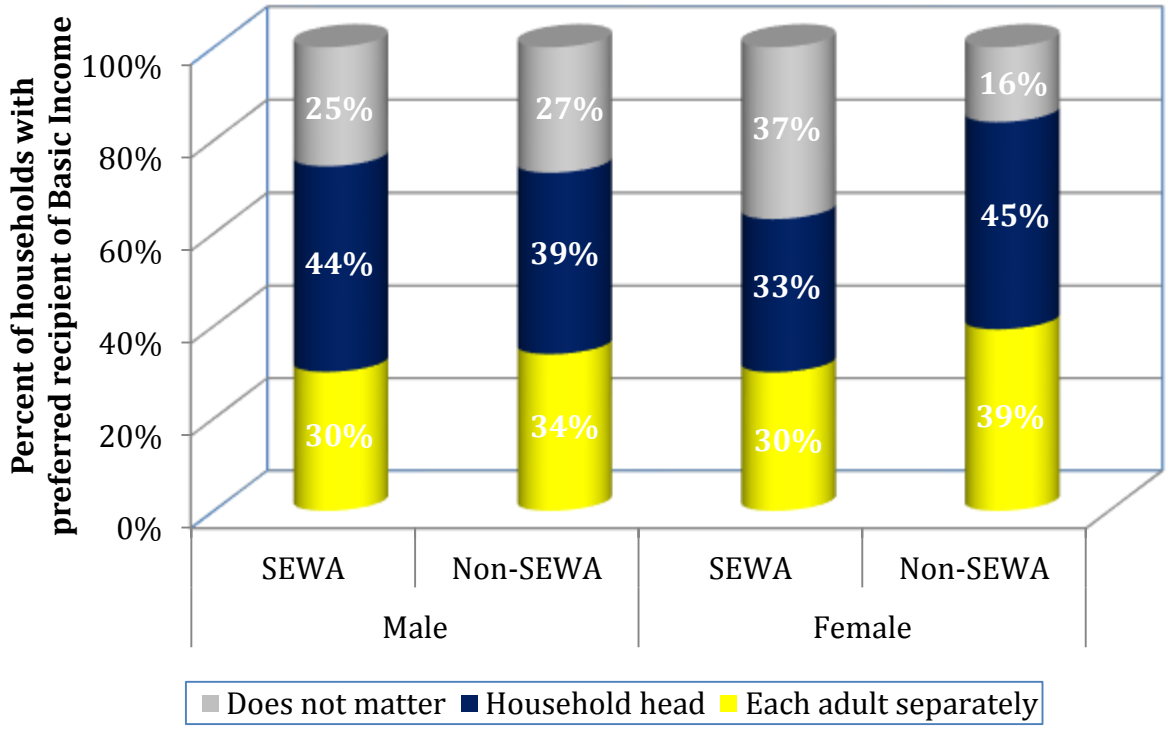
## 3.10. Who should receive the basic income?

Another aspect of financial inclusion that relates to the likely impact is the preferred person for receiving basic income. This is an issue that tends to be overlooked or taken for granted. Surely, policymakers have a responsibility not to reinforce social prejudices and to ensure that their mechanisms correspond to their stated moral commitments. To put this into context, suppose policymakers gave rhetorical commitment to "gender equality". If so, then they should design social policies in such a way that men and women, and girls and boys, would be enabled to benefit equally. But suppose they knew that at the level of the typical family or typical community, some households or communities were systematically practising discrimination against women. Should they design the policy mechanisms as if that did not happen, or should they design them to reduce the probability of that happening?

There is a further predicament. Should the policy design reproduce the views of the median person or seek to adhere to values of equality that may not be shared by a majority of intended beneficiaries, because of historical or cultural influences? In particular, as is well known, many people – and not just men – have been habituated to believe that women's status, needs and abilities are inferior to men's. Many women have been subject to a lifetime of indoctrination in these prejudices. As a result, they may come to believe – perhaps as a rationalisation for "a quiet life" – to accept than men should be in control of economic matters and decisions.

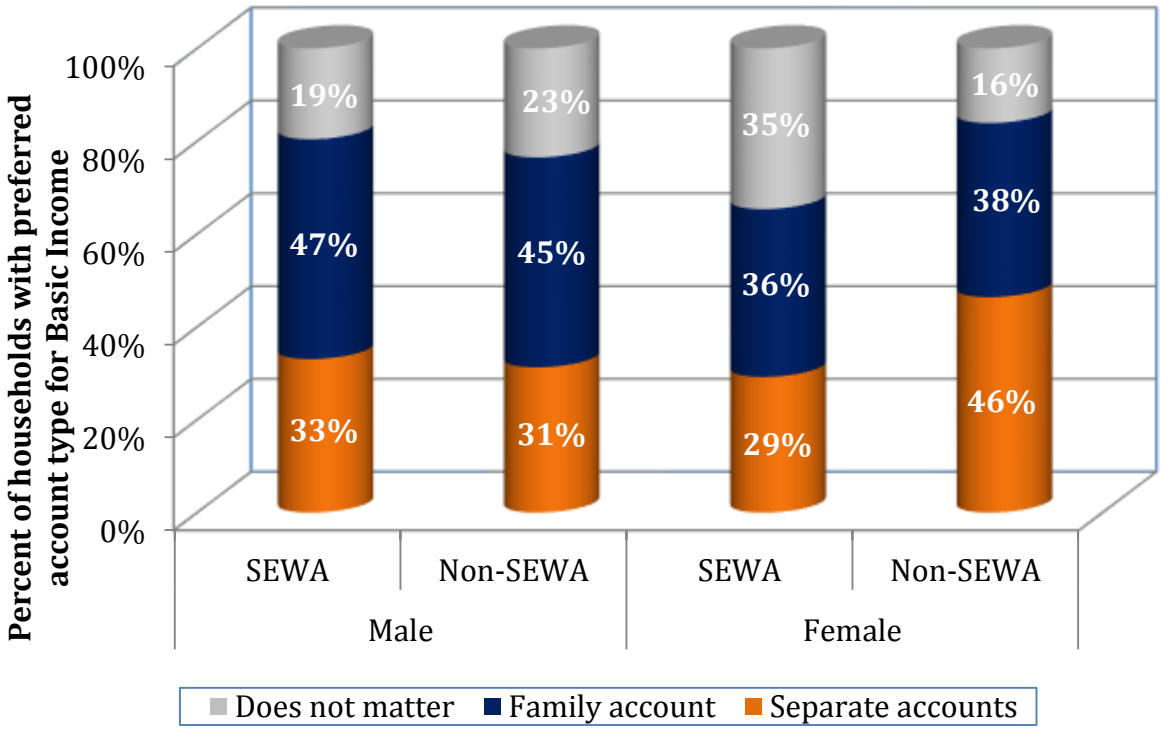
In that context, we asked all respondents, men and women, who should be the actual recipient of basic income, the family head or each person individually. To some extent, the results bore out the expectation. However, what was encouraging was that only a minority said that the money should be given to the household head, meaning that a majority were not committed to that perspective. And women in SEWA villages were much less likely to say that the household head should be the recipient, perhaps testimony to the greater sense of empowerment induced by belonging to SEWA.

**Figure 3.10.1: Percent of households with preferred recipient of basic income, by village type, in General Villages**




Source: MPUCT IES, 2012, n = 227

**Figure 3.10.2: Percent of households with preferred account type for cash transfers, by village type, in General Villages**



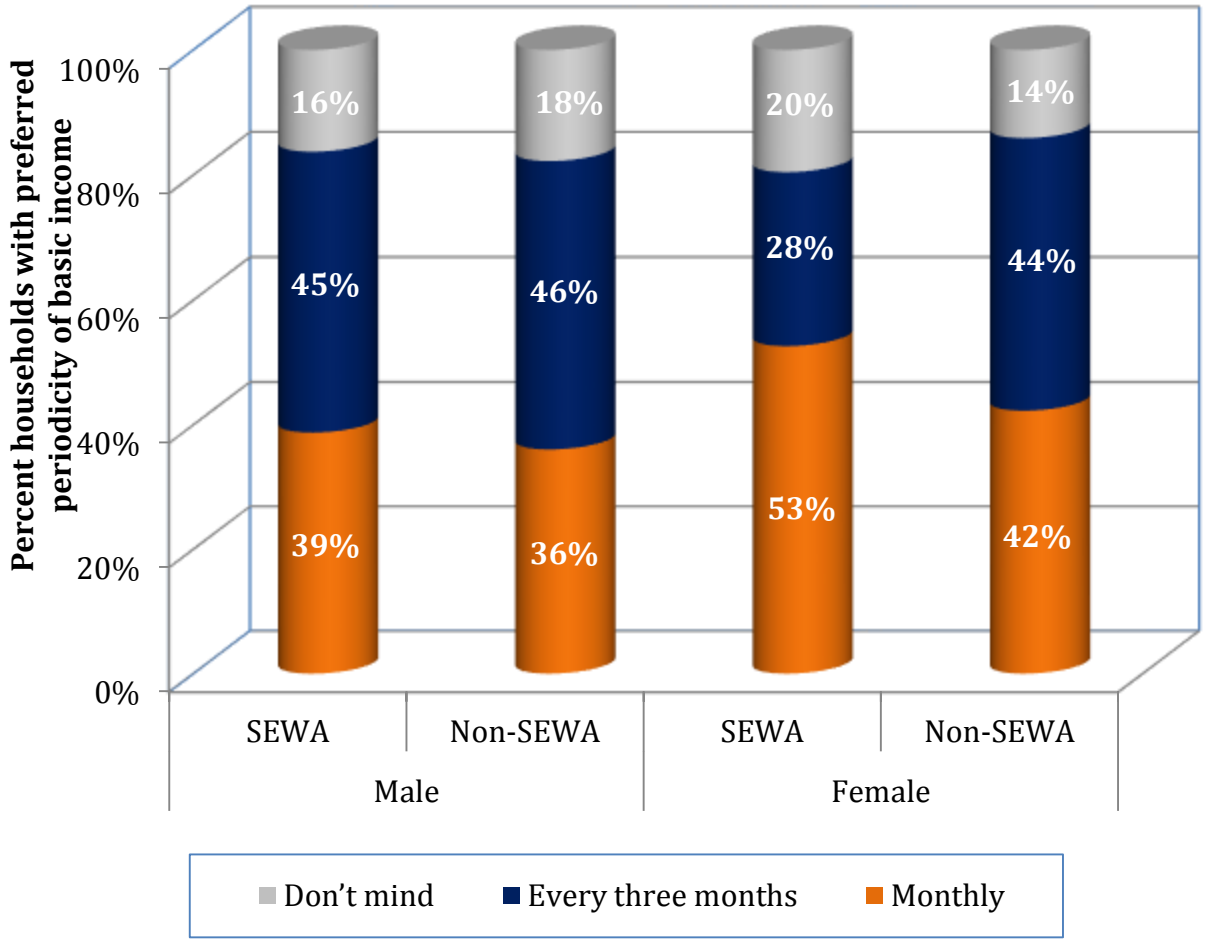

Source: MPUCT IES, 2012, n = 227

## 3.11. Preferred Interval between basic income payments

We asked all basic income recipients about the regularity of receipt of basic income, giving them three options – monthly, every three months or not minding which. A large number preferred to receive the money monthly (Figure 3.11.1). The main reason that they gave for this was the need for liquidity (or cash) every month for their basic needs. There was a significant difference between men and women, and between the SEWA and non-SEWA responses. The majority of women in SEWA villages preferred the monthly option, whereas men were less particular about receiving a monthly transfer. Women tended to be more concerned about making sure that food was available to the household, and women in SEWA villages with accounts in the co-operative, had experienced the advantages of a regular monthly payment.

As we saw earlier, banks did not encourage people to withdraw small amounts from their accounts every month and so most individuals with accounts in Banks could not get their monthly deposits, and actually withdrew their money at irregular intervals. An important policy implication is to devise mechanisms within banks to ensure regularity of payment so that the individuals are able to meet their cash needs.

**Figure 3.11.1: Percent of households with preferred periodicity of basic income, by village type and gender, in General Villages**




Source: MPUCT FES, 2012, n = 928

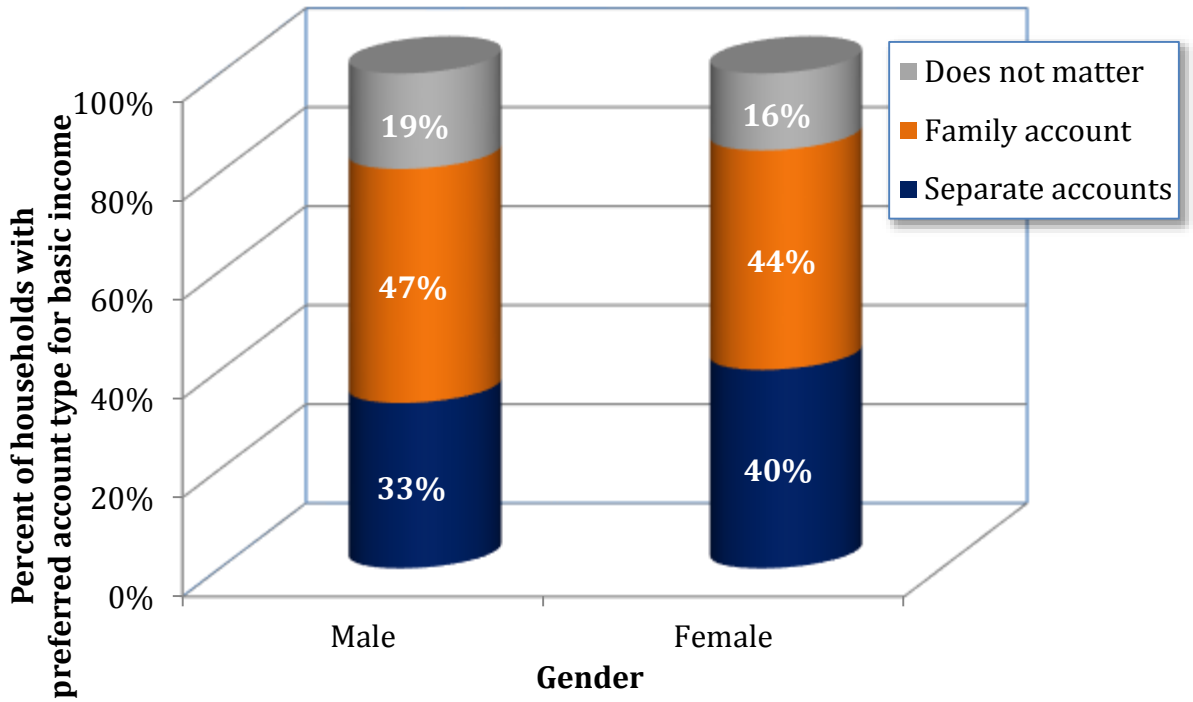
### 3.12. What type of bank account preferred?

One aspect explored in the study was the type of bank account preferred by respondents. This is an aspect of financial inclusion that typically receives little attention from policy-makers. It matters a lot to women. If a person has his or her own account, that in principle gives them a greater sense of *autonomy* and can lead them to take a greater sense of responsibility for financial affairs. Furthermore, the household account tends to be in the name of the man rather than the woman, so that she remains dependent even if the money is meant for her.

As Figure 3.12.1 shows, that significantly more women than men prefer to have a basic income deposited in an individual account rather than a household account. There was no significant difference between women in SEWA and non-SEWA villages. Those individuals, who said that they preferred a household account, did so as a matter of convenience. As the interview

below shows, some people prefer a household account so that every member does not have to incur the monetary and time cost for going to the bank.

**Figure 3.12.1: Percent of households with preferred account type for basic income, by gender, in General Villages**




Source: MPUCT FES, 2012, n = 925

**Two Women with Different Views on basic income**

*Reshambai, aged 60*

*"The government money should be given to each member of the family, so that they can spend the money according to their individual needs. There will be no quarrels among family members."*

*Ramkanya, aged 40, agricultural worker, with mentally disabled husband, aged 45*

*"I think the cash transfer money should be given to the head of the family. If the money is given to the head of the family, then all of us need not go to the bank individually to withdraw money. It is a waste of time and expenditure. You see, I have to take my husband to the bank,*

*spending money to get his cash money. We could save that money. Above all, the money could be put to use by the head in a way that would benefit the entire family."*

***Source- MPUCT case studies, 2012***

## 3.13. Pooling the Grants

The basic incomes were provided on an individual basis, and this feature was emphasised to all recipients at the outset of the project, so that everybody was made aware that in principle the cash transfer was *theirs*. However, it was neither possible nor necessarily desirable to try to intervene to influence household or community dynamics in what actually happened to the money once it was disbursed.

Paradoxically, we reasoned that the very individualisation of basic income could induce a process of intra-family and intra-household decisions that would break old patterns of decision-making. This brief chapter will explore this possibility, primarily through looking at the practice of what we call "pooling", whereby all or some members of households agree to put all or part of their basic income together in order to spend the money on some agreed goods or services. This possibility was explored in both the IES and FES.

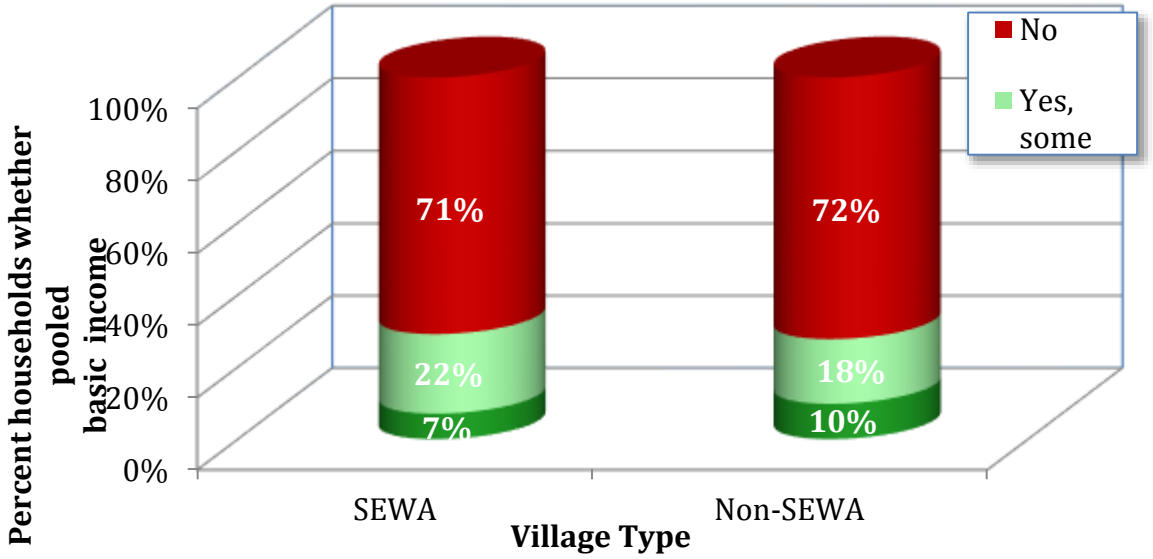
Bear in mind that pooling the cash transfer money was never suggested nor encouraged or discouraged by the research team.

### 3.13.1. The extent of pooling Basic Income

According to the FES, some 9% of households pooled all their cash transfer money, and 20% said they pooled some of it (Figure 3.13.1.1). About 37% of the household members said that they had pooled all their money, while 62% said that they had pooled some, and (Table 3.13.1.1). 48% of the people asked said that the household head had decided about the pooling, 19% said that they themselves had decided and the rest said that it was decided either collectively or by some other household member.

In the SEWA households, there seemed to be more individual decision making, probably as the women were more assertive. 24% of the respondents in SEWA villages said that they individually had made the pooling decision, as compared to only 12% of those in non-SEWA villages. Also, for the SEWA respondents only some of the money was more likely to be pooled.

**Figure 3.13.1.1: Percent households whether pooled cash transfer money, by village type, in General Villages**




Source: MPUCT FES, 2012 and n = 926

**Table 3.13.1: Decision maker for pooling the basic income money, in General Villages**

| Decision maker for pooling the cash transfer money | SEWA | | Non-SEWA | | Total | |
|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % |
| None | 0 | 0 | 1 | 0.9 | 1 | 0.4 |
| Head of household | 70 | 47.3 | 57 | 49.1 | 127 | 48.1 |
| Myself | 36 | 24.3 | 15 | 12.9 | 51 | 19.3 |
| Other household members | 18 | 12.2 | 12 | 10.3 | 30 | 11.4 |
| Decided collectively | 23 | 15.5 | 26 | 22.4 | 49 | 18.6 |
| Others(in bank, require for medicine of children, will withdraw when needed) | 0 | 0.0 | 5 | 4.3 | 5 | 1.9 |
| Don't know | 1 | 0.7 | 0 | 0.0 | 1 | 0.4 |
| Total | 148 | 100% | 116 | 100% | 264 | 100% |

Source- MPUCT FES, 2012 and n=264

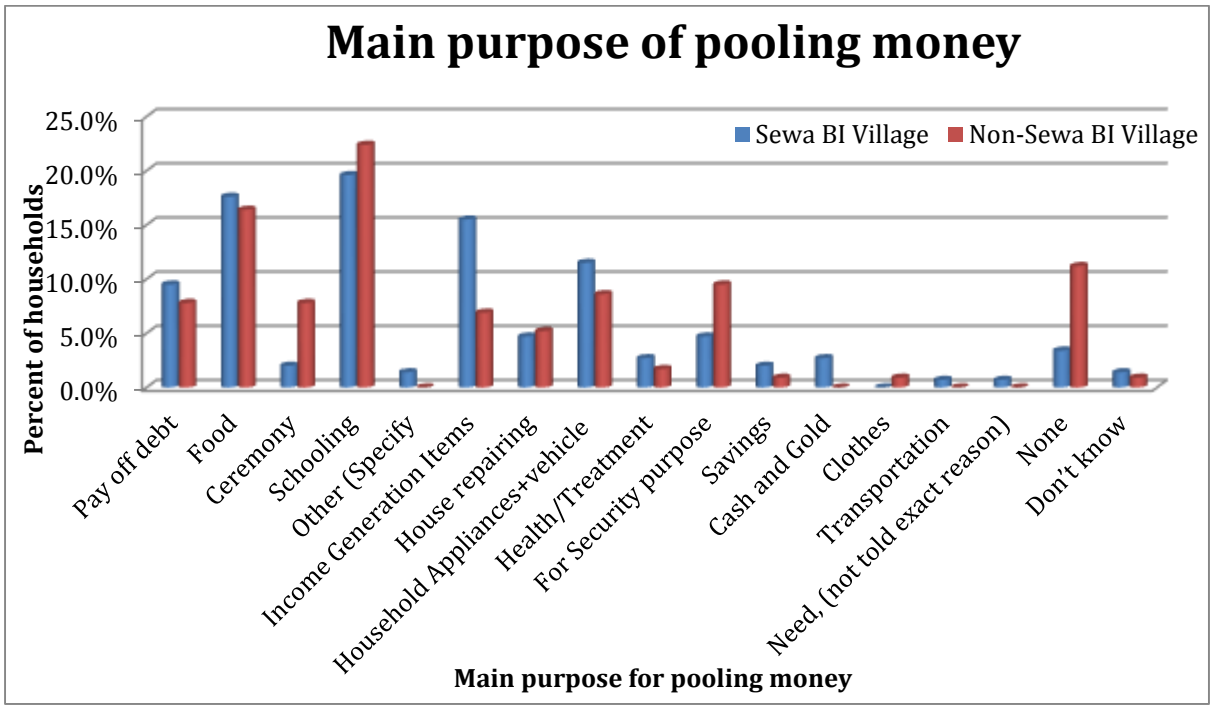
Although there were a number of reasons why household members pooled their money, the main reasons seemed to be for schooling (20.8%), to pay for food (17%), to buy income generating items (11.7%) or for household appliances (10.2%) (Figure 3.13.2). The households in SEWA villages were more likely to pool their transfers for generating an income, whereas in Non-SEWA villages, pooling was likely for security purposes.

There were major differences between the poorer and the better-off families. Taking caste as a proxy for income, it was found that more than 26% of SC families pooled to buy food, whereas only 14% of OBC families did so. On the other hand only 2.6% of the SC families pooled for

education, whereas nearly 27% of OBC families invested their pooled money in educating their children. (Fig 3.13.1.3).As we have seen earlier, SC and ST families tend to be food-deficient and so this is their main priority. Also poorer families tend to educate their children in Government schools.

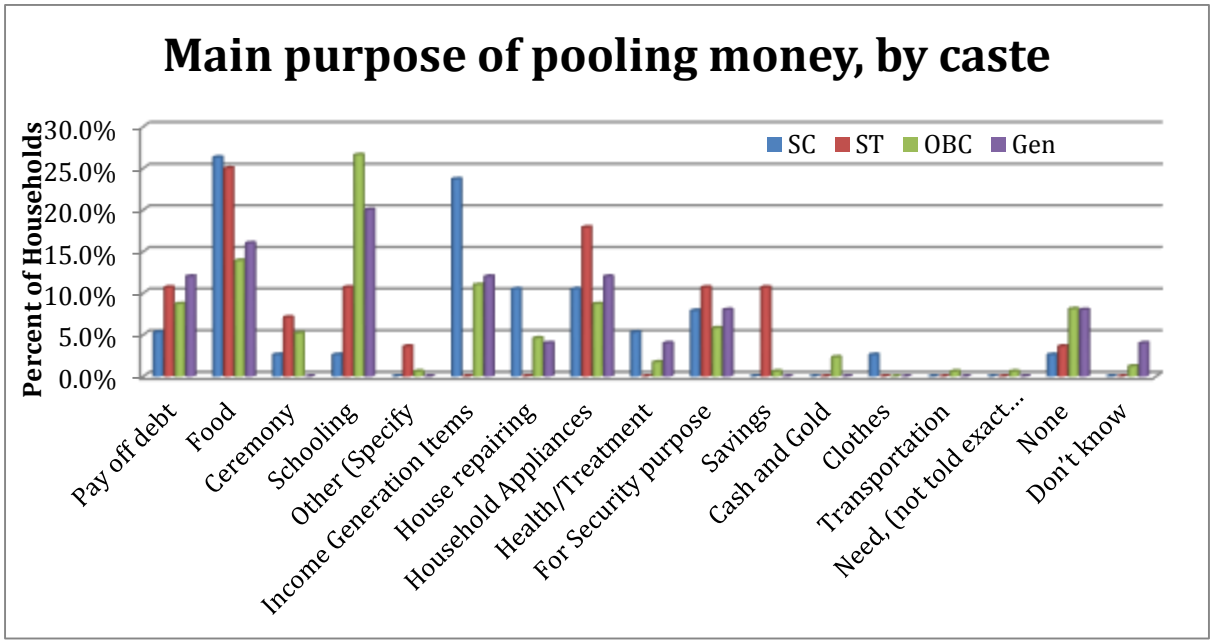
Interestingly, SC families tended to pool for income generation. We will see later (chapter 8) that the basic income allowed SC and ST families to move from casual wage labour to own account work, and the pooling of income seems to have played a part either for buying inputs sucha s seeds or fertilizers or for buying small implements like sewing machines.

**Figure 3.13.1.2 Main Purpose of Pooling, in General Villages**




Source- MPUCT FES, 2012 and n=264

**Figure 3.13.1.3 Main Purpose of Pooling, by Caste**




Source- MPUCT FES, 2012 and n=264

### 3.14. Concluding points

Partly by default, in the course of the pilots we implemented several overlapping experiments, in that the disbursement method varied. But it was decided that within the Indian policymaking community basic income would only be regarded as realistic if the institutional mechanisms existed to enable them to be implemented on a widespread scale, which means the existence of accessible banks or financial institutions.

Accordingly, a decision was conveyed to the recipients in the MPUCT (but not the TVUCT) that in the first three months a bank account or a cooperative society account should be established, into which the money would henceforth be paid. This decision inevitably affected the difficulty of achieving the high take-up rate, which in turn may affect the analysis of some of the effects of basic income. We have tried to keep that point in mind in the remaining analysis.

A major conclusion of this chapter is that for basic income to succeed optimally, financial inclusion is necessary. People must have access to the financial system through bank or co-operative or any other financial accounts, which allow transfer of money. On the other hand, it was also seen that once a cash scheme like basic income was available, it induced people to open accounts and put pressure on the banking system to do so. In other words, a basic income actually induces universal financial inclusion.

Doorstep banking, where the individual does not have to travel a long distance to go to the financial institution, is most successful in reaching a basic income and in increasing access to financial services of savings and credit. The Co-operative was able to reach to the individuals with much better results than the banks, whose 'Banking Correspondents' were practically non-existent.

## ANNEXURE 1

## Definition of Financial Inclusion

The Reserve Bank of India defined financial inclusion as the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players.

RBI AND GOVERNMENT EFFORTS TOWARDS FINANCIAL INCLUSION

RBI has accorded top-most policy priority to financial inclusion, by advising commercial banks, to formulate specific Board approved Financial Inclusion Plans (FIP) and to act on them on a mission mode. Banks were also DIRECTED by RBI to provide banking services in every village having a population of over 2000 by 31 March 2012, through bank branches as well as through various ICT-based models including through Business Correspondents (BCs).

The branch authorization policy was liberalized in December 2009 giving freedom to domestic scheduled commercial banks to open branches at Tier 3 to 6 centres (with population of up to 49,999 as per the Population Census of 2001) without having the need to take permission from RBI in each case subject to reporting.

Financial Inclusion Fund (FIF) for meeting the cost of developmental and promotional interventions of financial inclusion, and Financial Inclusion Technology Fund (FITF) for meeting the cost of technology adoption, were set up in NABARD during 2007-08, based on the recommendations of the Committee on Financial Inclusion (Chairman: Dr C Rangarajan) (Government of India, 2008).

Regional Rural Banks (RRBs) are actively involved in promoting financial inclusion by opening 'No Frill Accounts', issuing Kisan Credit Cards (KCC) and General Credit Cards (GCC) and dispensing micro credit under the SHG-Bank Linkage Programme.

Revival Package for the Short-term Cooperative Credit Structure (STCCS). NABARD has provided support to cooperative banks in core banking solutions.

Other measures include setting up pilots for credit counselling and financial education. Cooperative banks and regional rural banks are being strengthened with incentives for better governance to achieve financial inclusion.

Technology-enabled projects, viz. the Unique Identification Number (UID) project, CBS in RRBs and cooperative credit institutions, mobile banking, hand-held devices, smart cards, biometric cards, tech-savvy BCs (trained out of FITF), routing of payment under government social schemes through banks and microfinance have the ability to catapult financial inclusion into mainstream banking business.

However, despite the earnest efforts of the central bank and the banking system, the progress of financial inclusion in India as a whole remains tardy. Though close to 75 million 'no frill' accounts have been opened until June 2011, there were hardly any transactions in them.

Madhya Pradesh (MP) is one of the India's largest states, in which about 75% of the population lives in rural areas. Although MP occupies 9.38% of the country's total land area, it comprises only about 6% of India's population (as per census 2011). The population density of MP is 236 per sq km, which is lower than national average (382 per sq km). Lower population density deters many banks from opening branches in sparsely inhabited regions of the state.

According to the interim report of the committee on financial inclusion, at least 4.26 million farmer households in MP are financially excluded. Many Self-Help Groups (SHGs) where formed and promoted under various programmes in MP. Regional office of the National Bank for Agriculture and Rural Development (NABARD) in Bhopal has estimated that about 2.5 Lake previously formed SHGs remain unlinked to any banks despite that fact some of these groups are several years old. As per the State Level Bankers' Committee 150th Meeting report, the banking system network in the state consists of a total of 5,830 branches, including 4,288 (73%) rural/semi urban branches and 1,542 (27%) urban branches, as on 31 December 2012.

The status of penetration of banking services in villages (which are traditionally uncovered or underserved) by also reflects the state of Financial Inclusion of an area. Hence, it will important to look at the coverage of villages by the banking system in MP. The table below presents the status of Financial Inclusion in MP[94].

| | |
|---|---|
| Total number of villages in MP | 54,903 |
| Number of villages covered with banking facilities | 5,147 |
| Number of villages (with population less than 2000) not covered with banking facilities | 47,020 |
| Number of villages with population over 2000 | 2,736 |
| Number of such villages covered by Brick & Mortar branch | 902 |
| Number of No-Frill Accounts opened in such villages | 11,52,336 |

**ANNEXURE 2**

[94] State Level Bankers' Committee 150th Meeting report, January 2013

PROFILE OF THE BUSINESS CORRESPONDENTS

The study team conducted personal interviews with business correspondents in the month of January and March 2013 to elicit the views of agents on the prospects of their role and responsibilities and also to examine the status of their functioning in the project villages. The table below compiles the profile of some of the business correspondents that were interviewed:

| Bank Name & Branch | Union Bank of India, Gandhi Nagar, Indore | Union Bank of India, Gandhi Nagar, Indore | Bank of India, Hatod, Indore | Bank of India, Gopalpur |
|---|---|---|---|---|
| MPUCT – details | Panthbarodiya | SEWA – village Malibarodiya | SEWA – village Malibarodiya | Non SEWA village – Padlya |
| No of BCs (as on 28.02.2013) | 1 (left the bank in January 2013) | 1 | 1 | 2 |
| Name of BC | Rupesh Panchal | Rupesh | Rupesh Jat | Rahul Parmar |
| Appointment Date | October 2011 | December 2012 | December 2012 | December 2012 |
| Education | Graduate | Pursuing BCom-II | 12 pass | 12th pass |
| Works allotted | Account opening | Account opening | Account opening & Loan Recovery | Account opening |
| No of villages allotted | 5 | 10 | 8 | 8 |
| Training details | Training given by bank officials in branch on informal basis as also from IIBF | Training given by bank officials in branch on informal basis | | |
| Deposit taken by bank | Rs 10,000 | | | |

| | | | | |
|---|---|---|---|---|
| Bank Name & Branch | Union Bank of India, Gandhi Nagar, Indore | Union Bank of India, Gandhi Nagar, Indore | Bank of India, Hatod, Indore | Bank of India, Gopalpur |
| | | | | |
| Whether POS machine allotted? | Yes | No | | |
| Services provided to villages by BC | Opening S/B or NFA | Opening S/B or NFA | Opening S/B or NFA<br>Loan Recovery | |
| Status of other services | Aware of entire bouquet of services | Aware of only FD services but still not allowed | Not aware | Not aware |
| Commission details as known by BC | Rs 20/Account opening | Rs 20/Account opening | Rs 20/Account opening<br>1.5% on NPA recovery but currently not given as he is only acting as facilitator with branch manager to accompany him for recovery | Rs 20/Account opening |
| Monthly fixed remuneration | Rs 3,000 | | | |
| Petrol reimbursement | Rs 500 | | | |
| Whether petrol reimbursement sufficient to cover travel expenses | As the amount of travel is higher requiring daily visit to number of villages located far off the amount is inadequate to cover the travelling expenses | | | |

| | | | | |
|---|---|---|---|---|
| Bank Name & Branch | Union Bank of India, Gandhi Nagar, Indore | Union Bank of India, Gandhi Nagar, Indore | Bank of India, Hatod, Indore | Bank of India, Gopalpur |
| Alternative source of income | Insurance agent | Nil | Helping father in real estate business | Barber |
| BC feedback | Feel this is an introduction to banking, good for knowledge but as an income source not feasible | Feel this is an introduction to banking, good for knowledge but as an income source not feasible | Feel this is an introduction to banking, good for knowledge but as an income source not feasible. Villagers do not trust BC to for getting fixed deposits– lack of trust | Feel this is an introduction to banking, good for knowledge but as an income source not feasible |
| Bank branch comments on BC | Since BC is new, only account opening services are provided by him; required to develop first confidence | | | |

## Chapter 4: The Impact of Basic Income on Housing and Living Conditions

### 4.1. Introduction

People's living conditions are the most basic aspect of life, determining almost everything else. Provided with extra cash, families could be expected to make modest improvements to their housing, unless the critics are correct in thinking that recipients would dissipate the money in idleness and waste.

This chapter considers whether or not the basic income transfers led to households making improvements to their housing and living conditions. It draws mainly on the FES for the general villages covered by the major pilot, supplemented by case study material and by data from the evaluation surveys in the two tribal villages.

Housing conditionsin Indian villages, and in Madhya Pradesh in particular, aregenerallyverybasic,andbothinsideand outsidemosthomesthereare fewcomforts.However, most households in most villages are in the process of making a gradual transition from traditional 'kutcha' houses to relatively modern 'pucca' buildings. Apucca house is one having walls and a roof made of burnt bricks, stone, cement or timber, whereas a kutcha dwelling has walls and a roof of unburnt bricks, bamboo, mud, grass, reeds and loosely packed stones.[95] In the reality of these Madhya Pradesh villages, the surveys found that most houses were rarely fully pucca, often roofs are leaky, walls were made of kuccha materials and floors were muddy in the rainy season.

Above all, sanitation was very bad in most cases, with open defecation, leading to severe health hazards. According to the Indian Population Census of 2011,at that time only 47% of all households in India and 16.6% of all rural households in Madhya Pradesh had access to a toilet at that time.[96]That must have an adverse effect on health, particularly that of young children, as well as those who are frail, disabled or ill. Poor public hygiene is known to be the cause of many deaths from diarrhea and encephalitis. Indeed, many economists and other social observers argue that the primary cause of malnutrition in India is the abysmal state of public health in terms of sanitation, pure drinking water and public knowledge about the importance of cleanliness.[97]

For these reasons, the observed effects of Basic Incomes on housing conditions deserve scrutiny as a first sphere of possible impact. If they make even a modest improvement, they could produce a demonstration effect on neighbours across their villages.

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[95] This is the definition given by the Ministry of Statistics and Program Implementation: http://mospi.nic.in/Mospi_New/upload/statistical_year_book_2011/SECTOR-4-SERVICE%20SECTOR/CH-28-HOUSING/HOUSING-WRITEUP.pdf

[96] According to the Ministry of Drinking Water and Sanitation, rural sanitation coverage in India increased from 48% in 2008 to 67% in 2010. But this seems based on a rather broad notion of coverage.

[97] See, for instance, A. Virmani, "India's problem is malnutrition not food security: Public health (not cereals) is the solution", February 4, 2013. Last accessed at <http://dravirmani.blogspot.in/2013/02/indias-problem-is malnutrition-not-food.html> on September 23, 2014.

Consider the contextual realities revealed by the surveys. Although nearly all households in the 20 general villages (94%) owned their home; over half (57.1%) had just one or two rooms. Many had just one large room. Often, roofs were leaky; walls were kuccha, toilets non-existent. This was the general situation in which the basic income transfers were introduced. Did they make any difference, and if so in what areas?

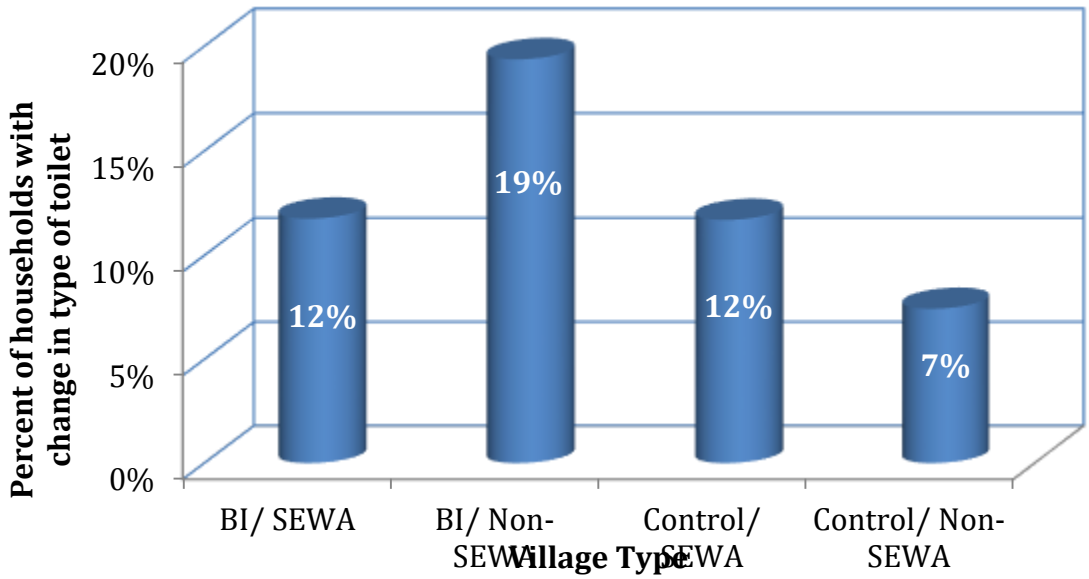
### 4.2.SanitationandLatrines

It is appropriate to start with the most basic of needs. It is a scourge of Indian village life that most dwellings lack any kind of toilet. At the time of the FES, only 31.9% of all households had a latrine, which was close to the 2011 Census estimate for rural Indore (37.7%); a few other households used a neighbour's or a public latrine, but about two-thirds used open spaces.

However, most families realize the need for a toilet and it was notable that over the course of the year between the baseline and the FES, a significant number of households did construct toilets, such that the number of families with toilets increased by 8% in the BI villages. However, the share of families with toilets in control villages also increased by 7%. So, on the surface there did not seem much of a difference.

By then, households that had been receiving the basic income were no more likely than others to have a latrine. Significantly, more households in basic income villages had changed toilets in some way during the pilot, 15.7%, compared to 9.8% in control villages. But there was no statistical significance between SEWA and non-SEWA villages. Indeed, 19.4% of households in non-SEWA/BI villages had changed toilets, compared to the overall average of 12.6% (Figure 4.2.1).

**Figure 4.2.1- Per cent of households with change in type of toilet, by village type**




Source: MPUCT FES, 2012, n = 649

Based on the FES data, it is possible to identify households that had a latrine and that had made a change to their toilets in the last 12 months. However, the nature of this change was not specified; the change might be something other than upgrading to a latrine. Thus, for example, one household had repaired a water main and reported this as a change.

Having excluded households with a latrine at the outset that have made no changes, 7.3% of households in basic income villages had a latrine at the end, compared to 4.0% in the control villages. This is statistically significant.

Households in non-SEWA basic income villages were significantly more likely to have a latrine and to have made changes to their toilets in the past 12 months (10.7%) than households in other villages. Households in SEWA BI villages did not differ from the mean in this respect.

A majority of households that had received basic incomes and that had made some change to their toilet arrangements attributed that to the basic incomes– 14.3% fullyand46.9%partly.

Within BI villages, male-headed households (MHH) were more likely to have a latrine at home (34.6%) than female-headed households (FHH), with more than a third of the former (34.6%) compared with under a quarter (24.8%) of the latter having one.[98] This was probably a reflection of female-headed households tending to be lower-income households. However, there was no significant difference as far as changes made to toilets, suggesting that female-headed households did benefit slightly more.

Within basic income villages, General caste households were much more likely to have a latrine (53.9%), followed by OBC (42.2%), whereas only 13.5% of scheduled tribe households and 7.4 % of scheduled caste households had one. Excluding those households that had latrines at the outset that made no improvements, OBC (10.2%) and General caste households (14.6%) were more likely to have installed a latrine and to have made changes to their toilets in the past 12 months, compared to just 2% of scheduled tribe and 1.8% of scheduled caste households. This is statistically significant.

Households that pooled some or all of the basic income were significantly more likely to have a latrine at home (43.9%) than those which did not. More of these had also changed toilets in the past 12 months (19.8%, compared with 13.3% for non-poolers), although this is not statistically significant. Excluding households that had a latrine and reported no changes in the past 12 months, households that pooled some income were more likely to have a latrine and to have made changes to their toilets (13.5%) than households that did not (5.3%). This is statistically significant.

In sum, there is sufficient evidence to claim that the basic incomes stimulated some improvements in toilet arrangements and induced some households to install a latrine. One

[98]The Chi-squared was 11.983, statistically significant at the 5% level of probability.

would hope that this positive development would have a demonstration effect on other villagers.

The case studies also produced some encouraging accounts. Thus, Sitabai, a 45-year-old wage labourer from the Jaat caste, one of those included in the case studies, told the enumeration team:

> *"We used thecash transfer money for making a toilet in our house. The expense for making the toilet was 20-25 thousand rupees. We pooled everyone's money for this purpose and took some of the money from our house savings. We used two months of Basic Income money of all the members for household expenditure and the rest 15 months of money for making the toilet. The toilet would have cost much more, but we saved some money because we ourselves worked on its construction along with the mistri. Otherwise the labour cost would have added another 5-6 thousand to our expenditure."*


This is an interesting case because it shows the positive social dynamics released by a universal individual basic income scheme. Behaviourally, a facility built with one's own money and collectively will induce a sense of care to maintain it in good condition. It arose not from pure charity but from a presumably-debated decision for their common good.

There are several reasons why more families do not construct or improve their toilets. Their reticence is probably due to a legacy of generations of not having them. This is a major social problem. Women have a particularly strong need for toilets, since they cannot defecate in the open during the day, and suffer many diseases as a result. The trouble is that women have

been unable to determine spending priorities or make decisions. So, when a household decides on what items to buy, it is more likely to be a motorcycle than a toilet.

Affordability plays a major role. To some extent, the Total Sanitation Campaign, now called the Nirmal Bharat Abhiyan (NBA), discussed in chapter 11, was intended to overcome this fundamental constraint. It evidently has failed to do so. Bureaucratic inefficiencies no doubt play a big role. However, it should be noted here that many families tend to overestimate the cost of installing a latrine, although the data suggest that many others have been induced to spend more than should have been necessary.

Informed discussion suggested that the actual cost of installing a pucca latrine should be between about Rs.10,000 and Rs.12,000, including the cost of labour. In the PFES, respondents were asked how much they had paid if they had installed a latrine, and surprisingly the average was Rs.26,000. Those who had not installed one were asked how much they thought it would cost. The mean average of their responses was Rs.13,700. When asked how much they would be prepared to pay, the average was nearly Rs.4,700.

On that basis, one would have thought the NBA should be more successful in extending latrines to such villages. Finally, many households seemed to expect that the installation would be paid through a Government scheme, and as such were tending to wait until some Government official organizes the construction for them. The impasse is surely solvable, and basic incomes might have set useful precedents.

### 4.3. Drinking and Water Supply

Everyone familiar with Indian village life knows that access to water is an absolute necessity, determining health and comfort and saving or using a great deal of time. A secure water supply is a precious asset. Quite simply, access to drinking water and water for other purposes is crucial in these villages.

A set of questions was included in the evaluation surveys on access to water, use of water and changes in sources of drinking and household water. The most common main source of drinking water was a public tap or hand-pump (60.4%), followed by neighbour's house (14.7%), own tube well (13.4%), private tap/pump in house(7.8%),government or municipal or panchayat tanker (1.9%), public well (1%)and public water seller /tanker(0.8%).

The main indicator of an improvement in the period covered by the pilot was either gaining a tubewell or having a private tap or pump in the house. In basic income villages, there was a fairly radical shift, from a situation where there were almost no tube wells to one where 14% of households had tube-wells between the baseline and the FES. But the increase in the control villages was nearly as much, at 12%.

The average time spent on collecting water also did not differ much between villages, with over 30% of households in each type of village spending between one and two hours.

Themeantimespentcollectingwaterwas76minutesperdayacrossallvillages. Some 25.4% of households spent less than an hour, and 26.7% spent two hours or more. There are no significant differences between basic income and control villages in this respect.

However, basic income households were significantly more likely than others to use public taps/ handpumps for drinking water and were less likely to use neighbour's house, private water seller and public well or tap (Table4.3.1). This does suggest there had been some change and some improvement. The source of household water presented the same pattern. There was no question on past usage in the FES to assess whether this was there sulto farecent change.[99]

**Table 4.3.1: General Villages: Main source of drinking water, by receipt of Basic Income**

| Main source of drinking water<br><br>(Percent ofhouseholds) | Basic Incomevillages | Control villages |
|---|---|---|
| Private tap/pump in house | 7.9 | 7.7 |
| Public Supply (tube well, handpump, public well) | 65.3* | 61.6* |
| Neighbour'shouse | 12.0* | 17.0* |
| Privatewaterseller/tanker | 0.2* | 1.3* |
| Own tube well | 14.5 | 12.5 |

Source: FES, n =2034. * indicate sadj. standardized residuals >2.0.

Within basic income villages, there were no significant differences between MHH and FHH regarding water sources, but there were between the drinking water sources of different castes (Table4.3.2). Many more General and OBC caste households had a tubewell (24.7% and18.1%), compared to scheduled caste (4.5%) and scheduled tribe households (3.6%). And OBC (57.3%) and General(47.2%) households were also less likely to use public taps /hand-pumps than SC (80.7%) and ST (81.1%) households. Finally, OBC households were more likely to have a private tap in their house, 9.6% compared to the average of 7.9%. There was a similar pattern for the source of household water.

[99]For practical reasons, a few subjects were dropped from the FES questionnaire, simply because it was the longest and most complex of the questionnaires and evaluation surveys.

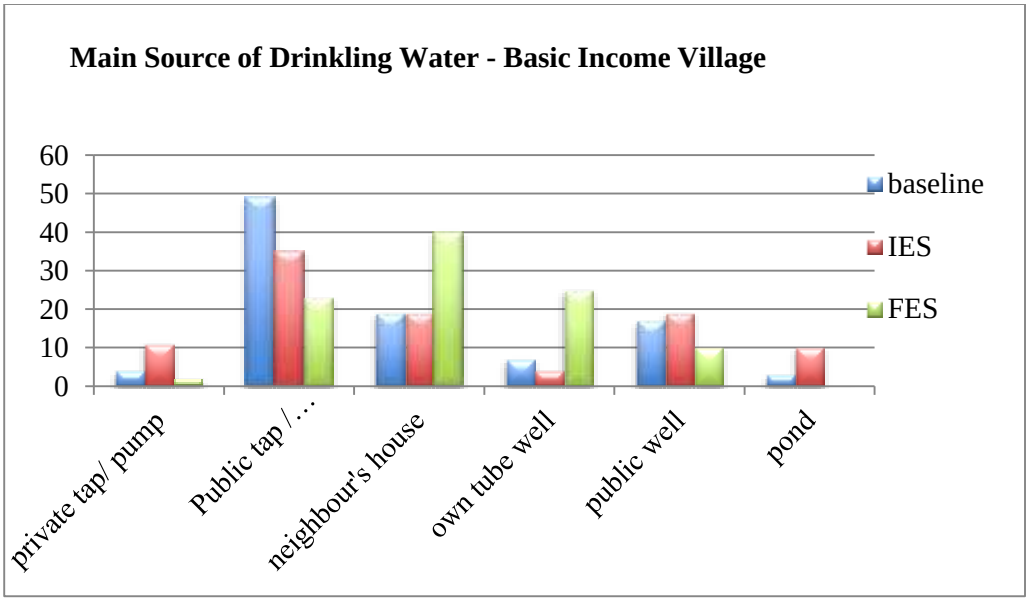
**Table 4.3.2: General Villages: Main Source of Drinking Water, by Social Category of Household**

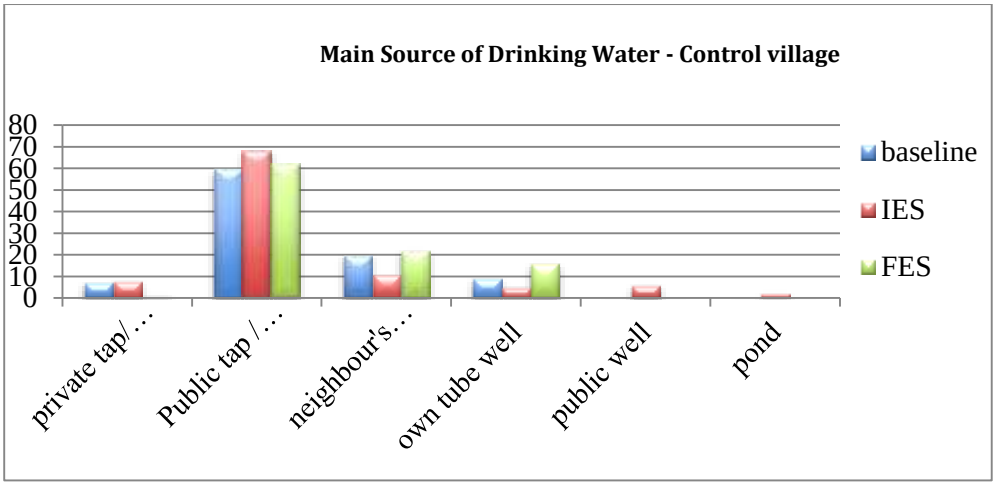
| Main source of drinking water (percent of households) | Scheduled caste | Scheduled tribe | OBC | General |
|---|---|---|---|---|
| Private tap/pump in house | 5.0 | 4.7 | 10.3* | 6.9 |
| Public Supply (tube well, handpump, public well, etc) | 75.4* | 72.3* | 58.7* | 52.8* |
| Neighbour's house | 15.5 | 19.1 | 12.7 | 16.0 |
| Private water seller/tanker | 0.6 | 0.4 | 0.2 | 2.8 |
| Own tube well | 3.4* | 3.4* | 18.1* | 21.5* |

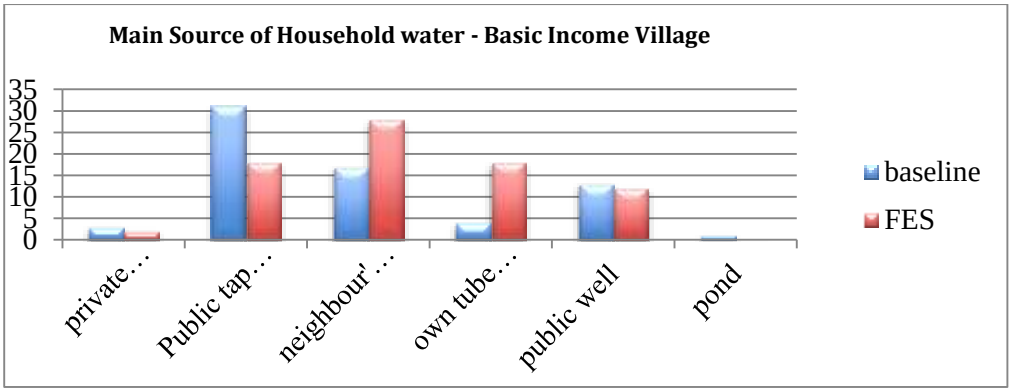
n = 938. * indicates adj. standardized residuals >2.

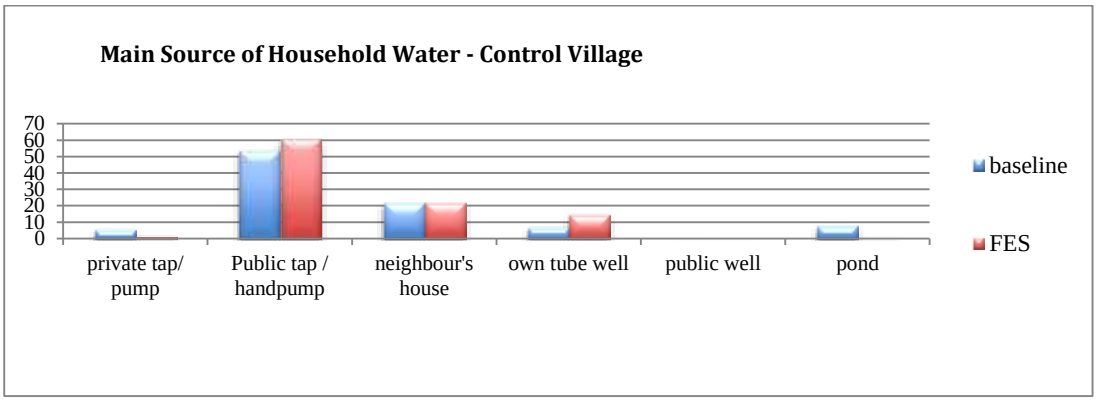
In the tribal village, more basic income recipient households seem to have spent part of their extra cash in investing in better water resources for drinking. One in every five households made their own tubewells and another one in five invested with a neighbour, instead of using a public handpump.

**Figure 4.3.1: Tribal Villages: Main Source of Drinking Water and of Household Water, Baseline and Final**






There seems to be a significant shift in the source of water used for drinking and for other household uses. Before the basic income transfers started, in both the villages public hand pump was the main source of drinking water. While in the control village, it was 60%, in the basic income village it was close to 50%. In the course of one year, while in the control village it remained more or less the same, in the basic income village the change was considerable. It dropped to 35% within six months, and to 23% by the end of the year.

The shift was mainly to either own tube well or a neighbour's tube-well. An explanation is warranted here. In the tribal villages, as almost everyone owns land, most people construct houses on their land and live there. So, in general the houses are scattered. In the basic income village, there was a pond and a recharged well in the centre of the village; aided by

their basic in comes some villagers lay an underground pipeline and use dam or pump water to their farm. It was the same water they used for drinking and household use, but the shift was in the source of water.

Several people invested their basic income money in purchasing the pipeline, which they obtained by paying monthly instalments to vendors in Mhow, the nearest town. Although no villagers reported using the pond as their source of drinking water, many used part of their basic income money to buy motors and lay underground plastic pipes. In some cases, they did this to pump water onto their farm. A justification for what was a substantial cost was that the pumps were needed for irrigation, the lack of which has been a major impediment to production and higher productivity.

The effect on work and production is considered later. But clearly the basic income induced improved access to drinking water and to productive investment. Those who could not obtain a pipeline of their own began to take water from neighbours. In the basic incomevillage,40% reported using a neighbour'swatersourceand25% reported having their own water source, which was the pipeline from the pond or the attachment of a motor to an existing well.

Equally interesting was the shift away from the public well. From17% doing so at the outset, it dropped to10% by the end of the year. A similar shift was observed in the case of household water, exceptthathouseholdscontinuedtousethepublicwellfornon-drinkinghousehold purposes.

### 4.4.Cooking and Lighting Facilities

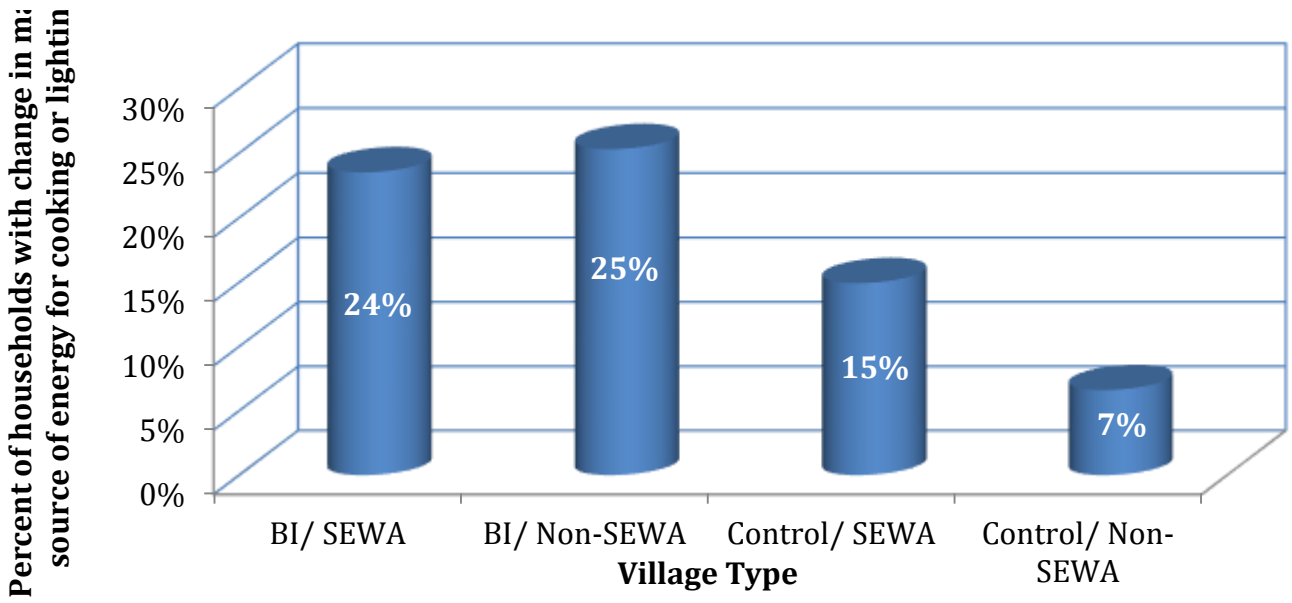
The next aspect of living conditions to be examined was the household's main source of energy for cooking and lighting in their homes. Many households seem to have used their basic income payments to change or improve their energy or lighting. In the general villages, according to the FES, 24.3% of basic income households had changed their main source of energy for cooking or lighting in some way in the previous 12 months, compared to just 10.6% in the control village households, difference that was statistically highly significant.[100]

There were no differences by SEWA and non-SEWA villages (Figure 4.4.1). Households were more likely to have changed their lighting than cooking (Figure 4.4.2). We interpreted this as primarily a matter of extending electrification, rather than shifting source per se.

There was a statistically significant difference between the energy source for cooking in basic income and control villages. Households in basic income villages were more likely to use wood fires and less likely to use dung cakes, compared to those in control villages (Table 4.4.1).

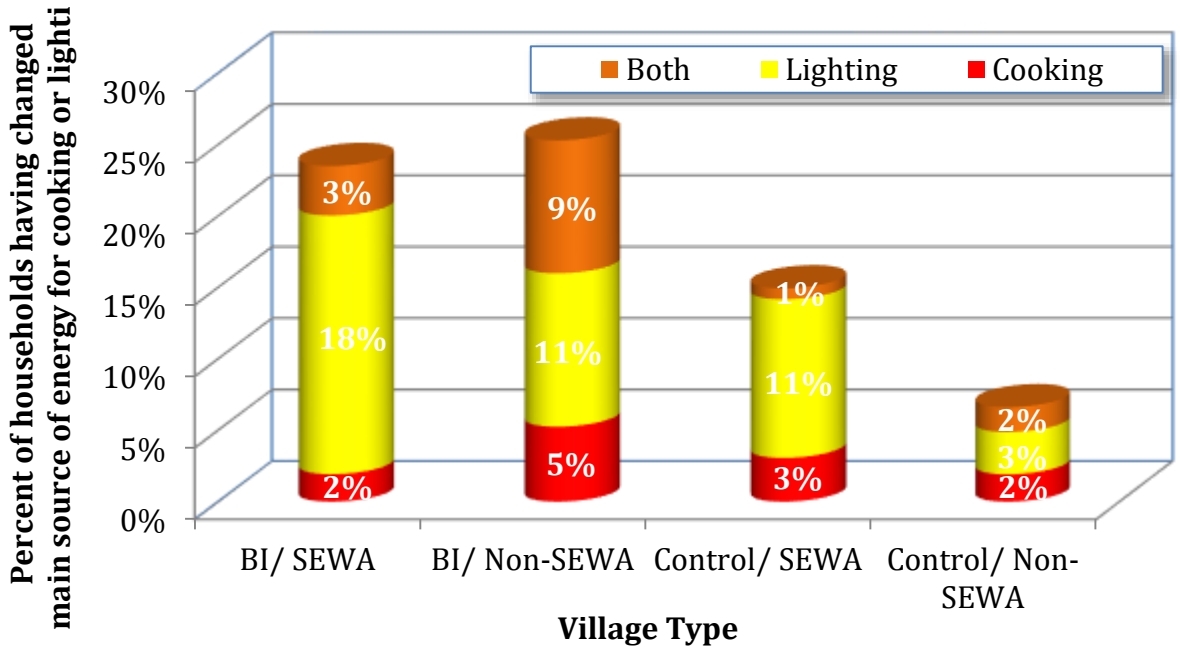
[100] The $\chi^2$ was 67.737, highly significant at the 1% level of probability.

**Figure 4.4.1: General villages: Percent of households changing main source of energy for cooking or lighting, by village type**




Source: MPUCT FES, 2012, n = 2034

**Figure 4.4.2:General villages: Percent of households having changed main source of energy for cooking or lighting, by village type**




Source: MPUCT FES, 2012, n = 2034

**Table 4.4.1: General Villages: Main source of energy for cooking, 2011-2012**

| Main source of energy | Basic Income | | Control | |
|---|---|---|---|---|
| | Baseline | FES | Baseline | FES |
| Wood fire | 30.1 | 42.5 | 24.5 | 32.1 |
| Coke/coal/charcoal | 10.3 | 0.5 | 14.1 | 0.8 |
| Dung cake | 47.8 | 44.8 | 52.5 | 54.5 |
| LPG | 8.5 | 8.1 | 7.0 | 8.1 |
| Kerosene | 0.6 | 1.8 | 0.2 | 3.0 |
| Other | 2.7 | 2.2 | 1.7 | 1.6 |

n = 2034. Note: * indicatesadj. standardized residuals >2.0.

Although the vast majority of households used electricity, there were statistically significant differences between energy source for lighting in the basic income and control villages ($\chi^2(4)=11.551, p<0.05$).Households in BI villages were more likely to use electricity and less likely to use oil compared to the control villages (Table 4.4.2). Households in SEWA basic income villages were more likely to use electricity (97.3%) than the mean (94.9%) ($\chi^2(12)=36.184$, $p<0.001$).

In recent years, households in these villages have been steadily moving towards using electricity for lighting as there is a good local supply of electricity and the monthly costs are affordable. So, most households had been able to use electricity for some part of the time, if not for all of every day (Tables 4.4.2 and 4.4.3). The small minority that was not using electricity consisted of households that could not afford the initial cost of installing the required electrical wires. In this regard, the basic income seems to have made a significant difference, with 10% of households in BI villages installing electricity in their houses over the year as compared to only about 5% in the control villages.

Furthermore, households in SEWA villages were significantly more likely to move to electricity than those in the non-SEWA villages. This was particularly the case in the basic income villages, where the share of houses using electricity increased by 13%. But it also increased in the SEWA control villages.

**Table 4.4.2: General Villages: Percent of households using electricity for lighting, 2012**

| Basic Income | | | | Control | | | |
|---|---|---|---|---|---|---|---|
| SEWA | | NON-SEWA | | SEWA | | NON-SEWA | |
| Baseline | FES | Baseline | FES | Baseline | FES | Baseline | FES |
| 84 | 97 | 88 | 95 | 84 | 96 | 93 | 92 |

**Figures 4.4.3: General Villages: Percent of households using electricity for lighting, 2012**

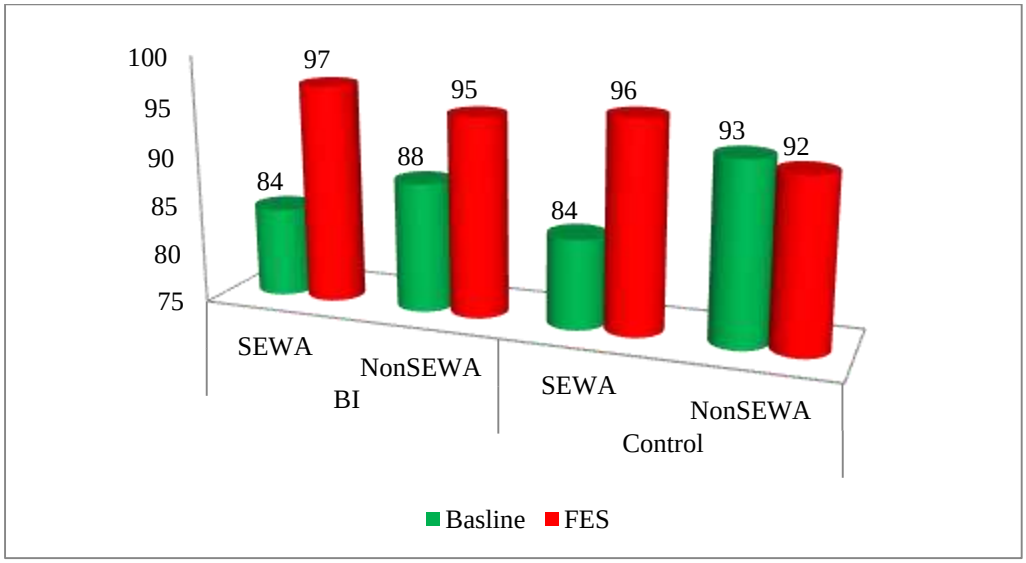



**Table 4.4.3: General villages; Main source of energy for lighting, by village type**

| Main source of energy for lighting (% ofhouseholds) | Basic Income | Control |
|---|---|---|
| Electricity | 96.3* | 93.8* |
| Kerosene/gas lamp | 3.0 | 4.4 |
| Oil Candles | 0.2* | 1.3* |
| Solarpower | 0.4 | 0.5 |
| Other (Specify) | 0.0 | 0.0 |

N= 2034. Note: *indicatesadj. standardized residuals >2.0.

Excludinghouseholdsthatwereusingelectricityforlightingandthatreportedhaving made no change to their lighting in the past year, both SEWA and non-SEWA basic income villages are more likely to have changed their source of lighting (Table 4.4.3) ($\chi^2$ (3) =81.229,

p<0.001).And the vast majority of the households that had made a change (94%) had switched to electricity.

Excluding households using LPG, Gobargas, electricity or kerosene for cooking (modern or more desirable energy sources) and that reported having made no change to their cooking energy in the past year, there were significant differences between villages regarding changes made to cooking energy sources ($\chi^2$ (1) =27.145, p<0.001), with households in basic income villages more likely to have changed (10.5%) than those in the control villages (4.2%).

Households in non-SEWA BI villages are particularly likely to have changed (16.2%) compared to SEWA BI villages (6.0%), SEWA control (4.5%) and non-SEWA control villages (4.0%) ($\chi^2$ (3) =69.093, p<0.001).

Within BI villages, there were significant caste differences in the type of fuel used for cooking ($\chi^2$ (24) =47.016, p<0.01). Scheduled caste and scheduled tribal households were more likely to use wood for cooking. There were no significant differences in cooking fuel between FHH and MHH, or by whether or not households pooled their basic incomes.

The main change that occurred in the cooking fuel was a shift from coke/coal and charcoal to reliance on wood. In particular, the use of charcoal declined and more wood was used. The use of charcoal in both types of village fell dramatically, from 11.5% to practically nothing. Charcoal making is generally illegal, as forest wood is destroyed in the process. Illegal charcoal is imported from Africa, but during the course of the year when the pilot was taking place, stricter measures were put in place by the Government, so that no charcoal was available, inducing people to switch to other fuels.

The basic income villages seemed to have been more able to switch to wood, while the control villages were less likely to switch to wood and had to use cheaper fuels or the kerosene that came from the ration shops. In the basic income villages, at the time of the baseline, 30.1% people were using wood, which rose to 42.5% twelve months later, at the time of the FES. Meanwhile, in the control villages, the share using wood increased less, from 24.5% to 32.1%.

Although the questions used in the evaluation surveys used for the tribal villages were slightly changed for these issues, it was remarkable that the apparent effects on lighting and energy for cooking were stronger. Figures 4.4.4 and 4.4.5 show that many more of those receiving basic incomes improved cooking and electricity use.

**Figure 4.4.4: Tribal Villages: Whether household made change in energy source in past six months**

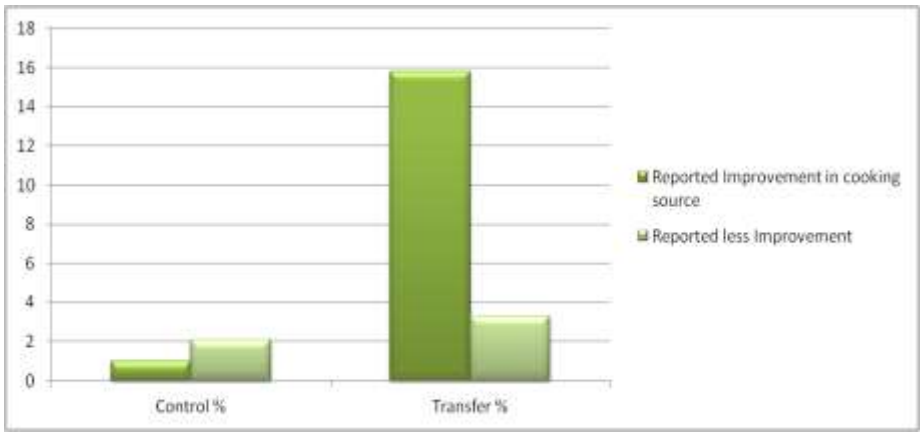
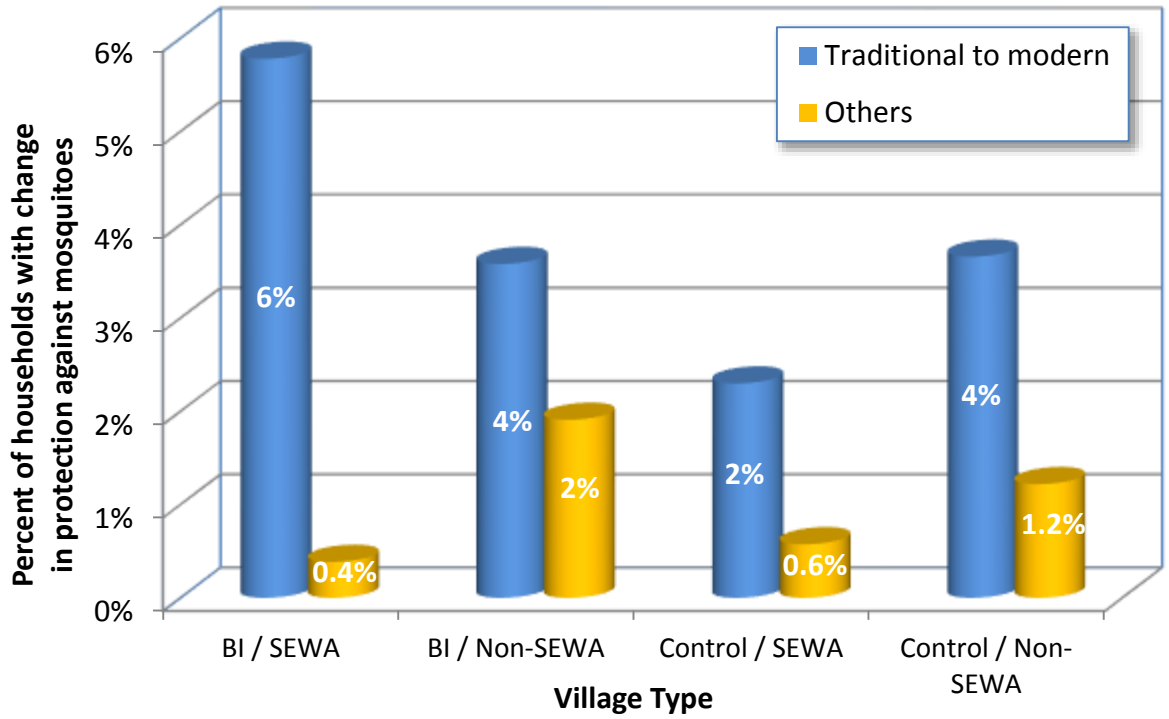



**Figure 4.4.5: Tribal Villages: Percent of households reporting improvement in lighting, 2012-2013**


## 4.5. Mosquito Protection

Some modifications to living conditions are small in themselves but have wide implications on living conditions. For instance, protecting against mosquitoes at night is a small but important change, particularly with regard to children's health. In that regard, there was a shift from more traditional methods or none at all to nets or chemical repellents, and the shift was more pronounced in the basic income villages (Figure 4.5.1).

**Figure 4.5.1: Percent of households that made a change in protection against mosquitoes, by village type**




Note:Other changes include: Modern to Traditional, Traditional to None, Modern to None, None to Modern, None to Traditional

Source: MPUCT FES, 2012, n = 2034

## 4.6. Housing Improvements

It was a visible aspect of the pilot that improvements were being made to houses. What was unclear at the time was whether or not the apparent changes show up in the evaluation surveys. Case studies did throw up examples that were encouraging.

An example was Kalabai, a woman in a scheduled caste household that had 1.75 bighas, who reported that the family pooled their basic income money:

> *"Last month [June 2012], before the start of the monsoon, with the last cash transfer of 600 Rupees and adding 200 Rupees, we put a kuccha roof on the verandah. The previous year it was so bad, because we had no roof, and so all the rain water came inside the house. This year we thought we should do something. Thankfully, at the right time we had this money. On a bamboo frame, we put a plastic sheet and on top of it many stones to protect it from the wind. The bamboo frame cost us 300 Rupees and the plastic sheets cost 500 Rupees, and since we did all the work, so there was no spending on labour."*

According to the data from the FES, over one in five households made some improvement to their housing in the previous 12 months, with more doing so in the basic income villages. The

most common change was improvement to the walls, although construction of a new dwelling was also common, along with improvement to roofs.

**Table 4.6.1: General Villages: Percent of households having made improvement to dwelling in past 12 months, by village type, 2011-2012**

| Village type<br>Improvement type | Basic Income/ SEWA | Basic Income/ Non-SEWA | Control/ SEWA | Control/ Non-SEWA |
|---|---|---|---|---|
| Walls improved/repaired | 7.6 | 7.4 | 3.1 | 4.7 |
| Roof improved/repaired | 6.6 | 6.2 | 4.8 | 7. 3 |
| Floor improved | 1.0 | 1.4 | 0.8 | 0. 5 |
| Window improved/repaired | 0.6 | 1.0 | 0.2 | 0. 2 |
| Added room | 1.2 | 4.3 | 1.5 | 2. 1 |
| Added toilet | 1.4 | 2.6 | 2.5 | 0. 3 |
| Constructed new house | 5.6 | 7.6 | 5. 0 | 5. 7 |
| Planning to do so | 1.4 | 1.2 | 1. 2 | 0. 7 |
| No improvement | 74.8 | 68.3 | 81.0 | 78.4 |

Source: MPUCT FES, 2012, n = 2030

Sometimes, an anecdote from case studies can capture reality. Gokul, a 40-year-old wage labourer, described his family's actions:

> *"The roof of my house was made of dry grass and straw, which used to create quite a difficulty in the rainy season. Now that I received this money [basic income], I bought metal sheets to cover the roof and this has given us some comfort..... We used the cash transfer income money for house repairs. In the rainy season, water used to get collected in the house, which is why we put Mooram for 3,000 rupees; and one iron angle and sheet to cover the roof. We used some of the cash transfer money and some of our savings from our wages for this purpose; altogether we spent about 5,000 rupees for the house repairs."*

In the tribal villages, the changes to housing were studied in more detail than in the larger pilot covering the non-tribal villages, and several developments emerged, highlighted by the case of Draupadi bai(Box 4.6.1). While this was unusual, it shows something that is not immediately obvious, which is that knowledge of a continuing inflow of cash induced a strategic planning decision.

**Box 4.6.1: Draupadibai's New House**

My name is Draupadibai; my husband's name is RamprasadDawar. I have 4 girls and one boy. My mother-in-law lives with us. Each month we received 1350, which includes my husband's money as well. My mother-in-law kept her money.

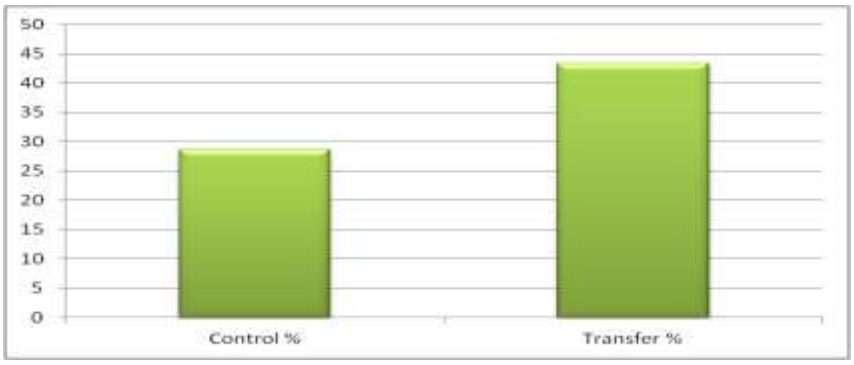
Last year, three months after the basic incomes began, my husband and I decided to build a new house on our farm near the pond. Before that we were living in a hut far away from the village in the forest. On the whole we spent about 15,000 rupees. We had four masons who stayed in our house for two weeks. We had to pay them 200 rupees per day. They were my husband's relatives. We had saved 3,000 Rupees from the cash grants and started the work.

Gradually, we paid the masons the rest of the money. After the masons did the basic structure and the roof, my husband and I did all the other work. The cash grant money gave me a new house. After that, my husband went away to work in a brick kiln. I did almost the entire plastering outside slowly.

Most houses in the tribal villages were kucha or semi-pucca, and it seems as if the norm is for households to add facilities when they can so as to move towards making their housing pucca, adding a floor, wall, doors and windows and eventually a pucca roof. Figure 4.6.1 suggests that many housholds took advantage of the basic incomes to upgrade their housing, while adding some savings and loans to construct new houses.

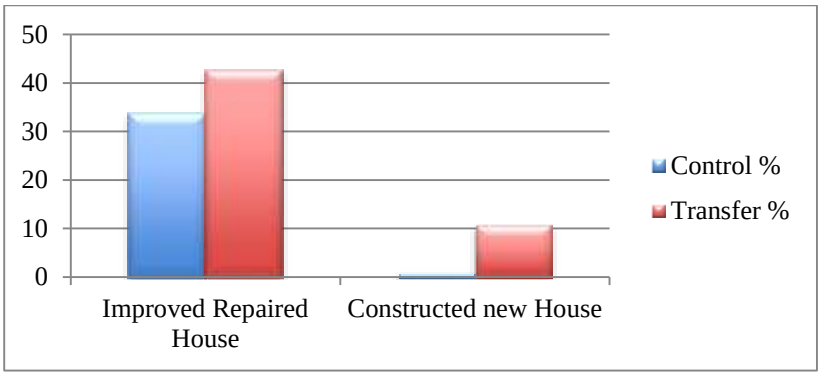
In all, thirteen new houses were constructed (10% of the total), while 43% of the households in the village receiving the basic income payments upgraded their housing in some way, compared to 28% of households in the control village.

**Figure 4.6.1: Tribal Villages: Percent of households that repaired or upgraded house, 2012**




Source: Tribal FES January 2013

**Figure 4.6.2: Tribal Villages: Percent of households improving or constructing housing, 2012**




Source: Tribal FES January 2013

## 4.7.Household Assets

Some of the money from the Basic Income was spent on buying household assets in the MPUCT, but it was not much. As we shall see in Chapter 8, households were more likely to buy productive assets to earnmore income, rather than household assets that wouldgive them more comfort. Both basic income and control villages purchased household assets over the year, but the BI households were more likely to do so.

Some 19.4% of households in the basic income villages purchased furniture or fans over the course of the year, while only 14.4% of the control households did so. And bearing in mind the importance of transport for villagers, it is notable that6.7% of basic income housheolds and 5% of control households purchased some new means of transport. Surprisingly almost no one purchased a mobile phone, although according to the case studies many purchased "talk-time". Only about 3% in both types of villages purchased radios or television ora TV dish.

The tribal villages, however did tend to spend some of their cash on household assets. Most households in th tribal villages are really very poor and so their houses are quite bare with no furniture or amenities. Comparing Ghoda Khurd with the general villages receiving Basic Incomes covered by the MPUCT, we find that where as before the experiment 39% of the families in general villages had scooter or motorcycles only 3% in the tribal villages had them. Whereas 60% of families in general villages owned chairs and 57% had fans, only 3% in tribal village had chairs and no one had an electric fan.

**Table 4.7.1:Tribal villages: Household Assets of tribal families**

| Assets | Baseline | | FES | |
|---|---|---|---|---|
| | BI village | | BI village | |
| | No. | Percent | No. | Percent |
| Cycle | 8 | 6.6 | 21 | 17.5 |
| Scooter/Motorcycle | 4 | 3.3 | 36 | 30.0 |
| Radio | 4 | 3.3 | 9 | 7.5 |
| Mobile phone | 11 | 9.1 | 73 | 60.8 |
| Electric fan | 0 | 0.0 | 15 | 12.5 |
| Refrigerator | 0 | 0.0 | 0 | |
| Television | 5 | 4.1 | 30 | 25.0 |
| DTH (dish | 0 | 0.0 | 11 | 9.2 |
| DVD player | 2 | 1.7 | 2 | 1.7 |
| Loudspeaker | 1 | 0.8 | 4 | 3.3 |
| Jeep / 4-wheeler | 1 | 0.8 | | |
| Almirah | 3 | 2.5 | 9 | 7.5 |
| Chair | 4 | 3.3 | 13 | 10.8 |
| Bed | 43 | 35.5 | 100 | 83.3 |
| N=All respondents | 121 | | 120 | |

Tribal families purchased all typesof assets over the year, but families receiving basic incomes were more likely to purchase them. Transport is an important need for the families, to go to work, to the market and to take children to school. In both villages,more families purchased bicycles, 13 being purchased, by 11% of the households, in the basic income villages. The control villages, in contrast increased their bicycle stock by just two. And, in the basic income villages nearly 27% of the families purchased a total of 32 scooters and motor-cycles (Figure 4.7.1). In contrast, only two new two-wheel motor vehicles were purchased in the control village.

Mobile phone use has been growing by leaps and bounds in India, and most people aspire to have one. Before the pilot, only 9% of families in the basic income village had cell phones, whereas 41% of families in Bhilami had them. By the end of the pilot, 62 new phones had been bought in Ghoda Khurd and 61% of households in each village had them. So, an initial difference had been closed.

In the tribal villages, families bought televisions and dish TVs in both villages during the course of the pilot, but the basic income families were much more likely to buythem.

Similarly, families in both villages bought furniture—beds, chairs and almirahs – but in the basic income village 57 bought new beds whereas only 43 did so in the control village (Figure 4.7.2), closing an initial difference.

**Figure 4.7.1: Tribal Villages: Purchase of scooters andmotor-cycles, 2012**

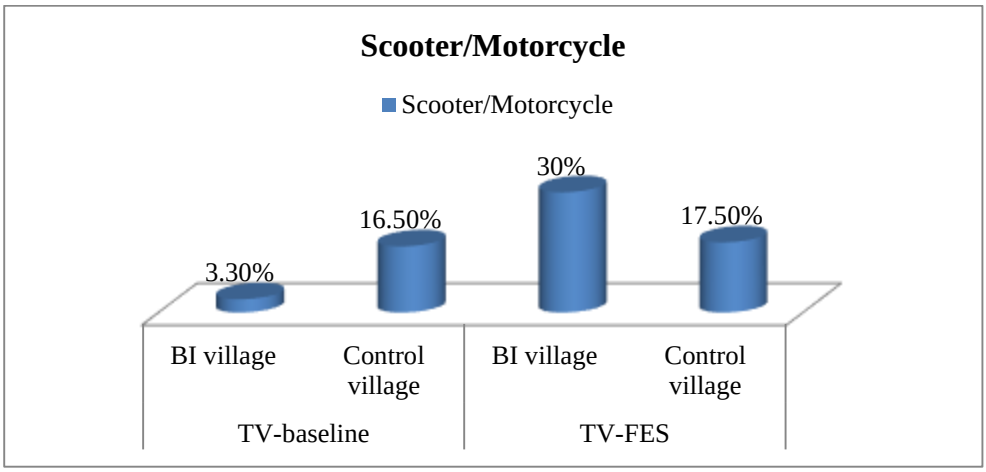



**Figure 4.7.2: Tribal Villages: Purchase of mobile phones, 2012**

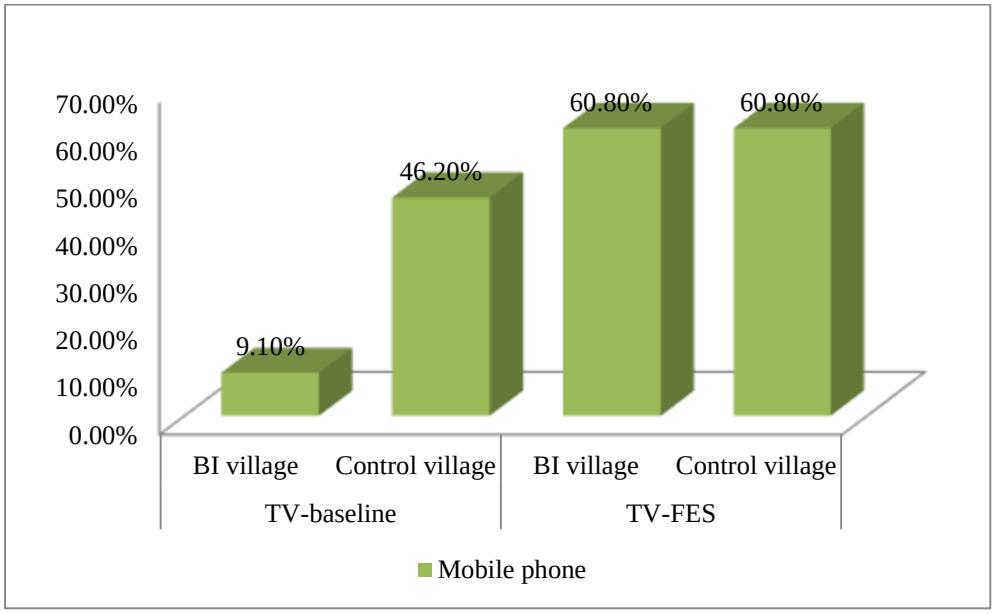


**Figure 4.7.3:Tribal Villages: Purchase of electric fan, 2012**

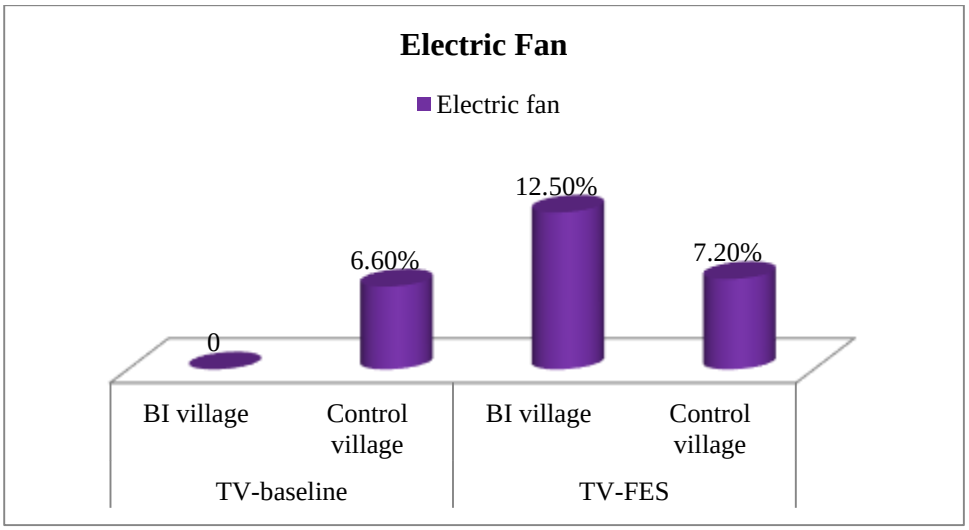
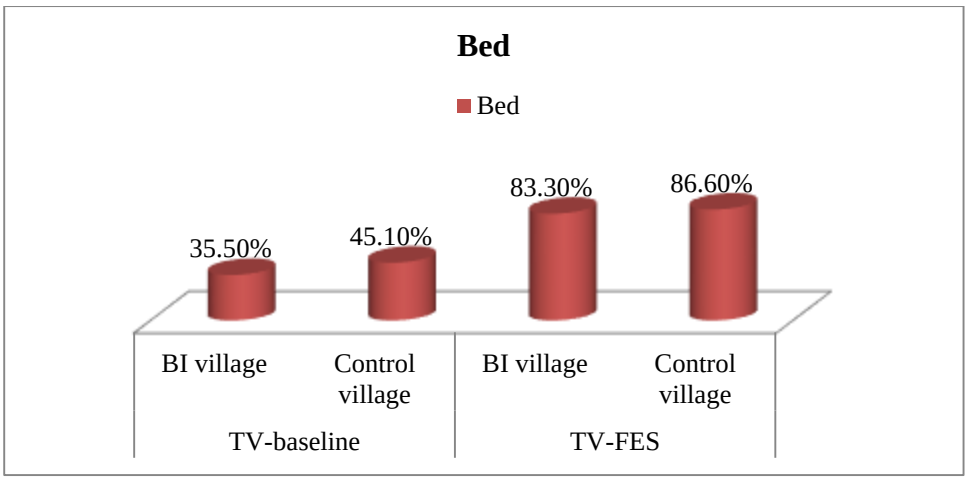



**Figure 4.7.4:Tribal Villages: Purchase of beds, 2012**




In sum, clearly in both the general villages and in the tribal villages, receipt of basic incomes were associated with acquisition of rather fundamental and useful household assets. This seems to point to very rational behaviour.

## 4.8. Creation of a Wealth Index

To try to obtain a wealth profile of the households, a wealth index was created, based on ownership of 25 assets by households (i.e., the assets on which information was collected in the Baseline Survey and in the FES) and housing characteristics. Hence along with changes in asset ownership, changes in housing characteristics like wall/roof/floor upgrades (possibly due to the basic incomes) across the Baseline and FES could also be taken into account.

Principal Components Analysis (PCA) was used to construct the wealth index. The *common 25* assets considered were ownership of irrigated land, unirrigated land, small livestock, large livestock (bullocks/cattle), well, tube-well, tractor, plough, sewing machine, machine tool,

iron cart, cycle rickshaw, auto rickshaw, bicycle, two-wheeler, four-wheeler, radio, mobile phone, electric fan, refrigerator, washing machine, television, water purifier and air cooler. Only the 'ownership' was considered, i.e. the population (i.e., household) was categorized who owned that asset and who did not (owning coded as 1, not-owning as 0). Quantity, or how much of it was owned, was not considered. In addition, some housing characteristics were included the index. Those were ownership of house (owned coded as1, other statusas 0), and type of wall, floor and roof (pucca 1, otherwise 0).

Each household asset was assigned a weight (factor score) generated through PCA. Each household was then assigned a score for each asset, and the scores were summed for each household. The households were divided into quintiles by the value of the wealth index. One advantage of determining asset weights through PCA is that we avoid assigning any kind of subjective or arbitrary weightings to the assets. The PCA itself, considering the spread of the data and ownership of different assets and items, assigns weights to those items.[101]

Table 4.8.1 gives the percentages of households that come under each quintile of the wealth index for basic income and control villages separately, for both Baseline and FES.

**Table 4.8.1: General Villages: Percent of households, by wealth index quintile, 2012**

| percentage of households by wealth index quintile | | | | | | |
|---|---|---|---|---|---|---|
| FES | | | | | | |
| BI/Control | Poorest quintile | Poorer | Middle | Richer | Richest quintile | Total |
| BI | 126 | 182 | 187 | 208 | 235 | 938 |
| Percent | 13.4 | 19.4 | 19.9 | 22.2 | 25.1 | 100 |
| Control | 282 | 257 | 189 | 198 | 170 | 1096 |
| Percent | 25.7 | 23.5 | 17.2 | 18.1 | 15.5 | 100 |
| Total | 408 | 439 | 376 | 406 | 405 | 2034 |
| Percent | 20.1 | 21.6 | 18.5 | 20.0 | 19.9 | 100 |
| Baseline | | | | | | |
| BI/Control | Poorest quintile | Poorer | Middle | Richer | Richest quintile | Total |
| BI | 159 | 140 | 148 | 154 | 191 | 792 |
| Percent | 20.1 | 17.7 | 18.7 | 19.4 | 24.1 | 100 |
| Control | 182 | 201 | 193 | 187 | 149 | 912 |
| Percent | 20.0 | 22.0 | 21.2 | 20.5 | 16.3 | 100 |
| Total | 341 | 341 | 341 | 341 | 340 | 1704 |
| Percent | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 100 |

Source: MPUCT Baseline and FES

What we see is that, compared to the Baseline, by the time of the FES more of the households in the control villages were in the bottom two quintiles. In contrast, compared to the Baseline, more of the households in the basic income villages were in the top two quintiles. In other

[101]For the same items, the weightings would possibly change for a different population.

words, there was a shift of basic income households from poorer to richer categories, whereas the control households exhibited an opposite shift.

Now compare the wealth index of the households in the basic income villages by caste categories. The objective is to observe whether basic income had a different impact on different caste groups. Table 4.8.2 shows the distribution of households by caste in the basic income and control villages in FES. The control villages have higher percentages of SCs and General households whereas OBCs were more concentrated in the basic income villages.

**Table 4.8.2: General Villages: Caste profile of households, 2012**

| Caste Profile of MPUCT households – FES | | | | | |
|---|---|---|---|---|---|
| BI/Control | Scheduled caste | Scheduled tribe | OBC | General | Total |
| BI | 176 | 111 | 562 | 89 | 938 |
| percent | 18.8 | 11.8 | 59.9 | 9.5 | 100.0 |
| Control | 321 | 124 | 378 | 273 | 1,096 |
| percent | 29.3 | 11.3 | 34.5 | 24.9 | 100.0 |
| Total | 497 | 235 | 940 | 362 | 2,034 |
| percent | 24.4 | 11.6 | 46.2 | 17.8 | 100.0 |

Table 4.8.3 shows the percentage of households in each wealth index quintile for basic income villages by caste groupings, for both the Baseline survey and the FES.

**Table 4.8.3: General Villages: Per cent of basic income households by wealth index quintile, by caste, 2012**

| Baseline | | | | | | |
|---|---|---|---|---|---|---|
| | Poorest quintile | Poorer | Middle | Richer | Richest quintile | Total |
| Scheduled caste | 40 | 36 | 30 | 20 | 10 | 136 |
| Row % | 29.4 | 26.5 | 22.1 | 14.7 | 7.4 | 100 |
| Column % | 27.4 | 28.4 | 23.6 | 14.1 | 5.9 | 19.1 |
| Scheduled tribe | 36 | 13 | 15 | 8 | 4 | 76 |
| Row % | 47.4 | 17.1 | 19.7 | 10.5 | 5.3 | 100 |
| Column % | 24.7 | 10.2 | 11.8 | 5.6 | 2.4 | 10.7 |
| OBC | 65 | 68 | 67 | 98 | 124 | 422 |
| Row % | 15.4 | 16.1 | 15.9 | 23.2 | 29.4 | 100 |
| Column % | 44.5 | 53.5 | 52.8 | 69.0 | 73.4 | 59.3 |
| General | 5 | 10 | 15 | 16 | 31 | 77 |
| Row % | 6.5 | 13.0 | 19.5 | 20.8 | 40.3 | 100 |
| Column % | 3.4 | 7.9 | 11.8 | 11.3 | 18.3 | 10.8 |
| Total | 146 | 127 | 127 | 142 | 169 | 711 |
| Row % | 20.5 | 17.9 | 17.9 | 20.0 | 23.8 | 100 |
| Column % | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100 |
| FES | | | | | | |
| | Poorest quintile | Poorer | Middle | Richer | Richest quintile | Total |
| Scheduled caste | 46 | 42 | 41 | 39 | 8 | 176 |
| Row % | 26.1 | 23.9 | 23.3 | 22.2 | 4.6 | 100 |
| Column % | 36.5 | 23.1 | 21.9 | 18.8 | 3.4 | 18.76 |
| Scheduled tribe | 17 | 27 | 29 | 31 | 7 | 111 |
| Row % | 15.3 | 24.3 | 26.1 | 27.9 | 6.3 | 100 |
| Column % | 13.5 | 14.8 | 15.5 | 14.9 | 3.0 | 11.83 |
| OBC | 54 | 98 | 99 | 123 | 188 | 562 |
| Row % | 9.6 | 17.4 | 17.6 | 21.9 | 33.5 | 100 |
| Column % | 42.9 | 53.9 | 52.9 | 59.1 | 80.0 | 59.91 |
| General | 9 | 15 | 18 | 15 | 32 | 89 |
| Row % | 10.1 | 16.9 | 20.2 | 16.9 | 36.0 | 100 |
| Column % | 7.1 | 8.2 | 9.6 | 7.2 | 13.6 | 9.49 |
| Total | 126 | 182 | 187 | 208 | 235 | 938 |
| Row % | 13.4 | 19.4 | 19.9 | 22.2 | 25.1 | 100 |
| Column % | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100 |

Source: MPUCT Baseline and FES

Some 56% of SC households in the Baseline were in the two poorest quintiles combined. In the FES, only 50% of SC households were in those categories. By the time of the FES, nearly 27% of SC households were in the two richest quintiles combined. In the Baseline, 22% were in those. This ‘shift’ in prosperity is even greater for ST households. A staggering 65% of ST

households belonged to the two poorest quintiles in the Baseline. The proportion came down to 40% in the FES. On the other hand, only 16% of ST households were in the two richest quintiles combined. In the FES, that share increased to 34%. The prosperity of OBC households was somewhat more moderate. General or ‘upper caste’ households seemed to fare worse. The column percentage figures show the caste composition of each quintile. The share of the ‘General’ categories in the two richest quintiles fell. Thus inter-caste disparity fell. This is evidence that the deprived sections, the lower castes, improved their well-being or “wealthiness” more than their ‘privileged’ counterparts.

On the other hand, in the control villages, households if anything experienced a slight deterioration in wealth status (Table 4.8.4). The deterioration occurred for SC and ST households as well. This is different from the observation in basic income villages.

**Table 4.8.4- General Villages: Percent of control village households, by wealth index quintile, by caste, 2012**

| Baseline | | | | | | |
|---|---|---|---|---|---|---|
| | Poorest quintile | Poorer | Middle | Richer | Richest quintile | Total |
| Scheduled caste | 60 | 74 | 52 | 36 | 11 | 233 |
| Row % | 25.8 | 31.8 | 22.3 | 15.5 | 4.7 | 100 |
| Column % | 41.1 | 48.1 | 35.1 | 22.0 | 8.6 | 31.5 |
| scheduled tribe | 38 | 19 | 11 | 12 | 3 | 83 |
| Row % | 45.8 | 22.9 | 13.3 | 14.5 | 3.6 | 100 |
| Column % | 26.0 | 12.3 | 7.4 | 7.3 | 2.3 | 11.2 |
| OBC | 30 | 39 | 49 | 70 | 55 | 243 |
| Row % | 12.4 | 16.1 | 20.2 | 28.8 | 22.6 | 100 |
| Column % | 20.6 | 25.3 | 33.1 | 42.7 | 43.0 | 32.8 |
| General | 18 | 22 | 36 | 46 | 59 | 181 |
| Row % | 9.9 | 12.2 | 19.9 | 25.4 | 32.6 | 100 |
| Column % | 12.3 | 14.3 | 24.3 | 28.1 | 46.1 | 24.5 |
| Total | 146 | 154 | 148 | 164 | 128 | 740 |
| Row % | 19.7 | 20.8 | 20.0 | 22.2 | 17.3 | 100 |
| Column % | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100 |
| FES | | | | | | |
| | Poorest quintile | Poorer | Middle | Richer | Richest quintile | Total |
| Scheduled caste | 108 | 86 | 67 | 51 | 9 | 321 |
| Row % | 33.6 | 26.8 | 20.9 | 15.9 | 2.8 | 100 |
| Column % | 38.3 | 33.5 | 35.5 | 25.8 | 5.3 | 29.3 |
| Scheduled tribe | 63 | 25 | 18 | 14 | 4 | 124 |
| Row % | 50.8 | 20.2 | 14.5 | 11.3 | 3.2 | 100 |
| Column % | 22.3 | 9.7 | 9.5 | 7.1 | 2.4 | 11.3 |
| OBC | 80 | 84 | 61 | 67 | 86 | 378 |
| Row % | 21.2 | 22.2 | 16.1 | 17.7 | 22.8 | 100 |
| Column % | 28.4 | 32.7 | 32.3 | 33.8 | 50.6 | 34.5 |
| General | 31 | 62 | 43 | 66 | 71 | 273 |
| Row % | 11.4 | 22.7 | 15.8 | 24.2 | 26.0 | 100 |
| Column % | 11.0 | 24.1 | 22.8 | 33.3 | 41.8 | 24.9 |
| Total | 282 | 257 | 189 | 198 | 170 | 1096 |
| Row % | 25.7 | 23.5 | 17.2 | 18.1 | 15.5 | 100 |
| Column % | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100 |

## 4.9.Concluding Reflections

The basic story emanating from this review is that many households that had received the basic incomes used at least some of the money to make improvements in their housing and in acquiring more or better household amenities. The improvements in sanitation were particularly important. In many respects, the changes that took place compared with households in the control villages were statistically highly significant.

Using an experimental assets or wealth index, it was apparent that basic income households had become "wealthier", whereas on average control village households deteriorated in the period. And, most encouragingly of all, the Scheduled Caste and Scheduled Tribe households progressed the most.

As we proceed through the analysis of the impact of the basic incomes on other aspects of life, such as nutrition and schooling, we should reflect on how improvements in basic living conditions may have a series of spillover effects on those other aspects of life.

## Chapter 5: The Impact of Basic Income on Family and Child Nutrition

### 5.1. Introduction

Reflect on the following by way of orienting thinking to the subject matter of this chapter. In one village covered by this study, two young women sat cross-legged outside their newly painted little house, in the mid-day heat. In front of them were two large mats, one with wheat spread across it, the other with padi. Three young children were running around, occasionally tugging on the saris of the women, demanding attention and reassurance as strangers asked their mothers questions.

The women were sifting the wheat and paddy meticulously. They said that doing this chore normally took about four hours. The wheat and paddy had come from the ration shop. According to the women, both sacks had been adulterated by the addition of small stones and bits of grit that had been added to bring the weight of the sacks of grain and rice to the required level in the ration shop. To compound their problem, the women said that the wheat and padi were of low quality and made their children sick.

We tell this story as a means of highlighting a likely failing of any scheme that makes the recipient a supplicant, someone without the capacity to make choices sensibly or to demand that the supplier treats them fairly and with respect. The villagers have had to take the food that they are offered, and if they were to object they would risk losing their entitlement to even that. Either way, it is their children who suffer most.

This chapter considers the possible implications of basic income payments for nutrition, eating habits and the type of food that families can and do eat. It gives particular emphasis to the implications for children. The *primary hypothesis* is that the basic income payments result in improved nutrition through family decision-making. It presents results from all three components of the project.

We know from basic income transfer schemes in other countries, such as Brazil, that the usual primary change as a result of their introduction is a big increase in expenditure on food, and we fully expected that this would be the case in the pilots.

### 5.2. The Nutritional Context

Food poverty is pervasive in India. In 2012, 42% of all children were officially categorised as underweight, and the Prime Minister, Manmohan Singh, called the country's malnutrition levels "a national shame".[102]

[102]India Today. 2012. "Malnutrition is a national shame, says Prime Minister Manmohan Singh". http://indiatoday.intoday.in/story/hunger-and-malnutrition-in-india-manmohan-singh-icds-scheme/1/168270.html on September 1, 2014.

The main effort made on behalf of the UPA government to address food security was to formulate a Food Security Bill, intended to provide more subsidised food for a larger share of the total Indian population. That Bill became an Act in 2013, but obviously had no impact on the pilots. As far as this study is concerned, the existing scheme was to provide subsidised wheat grain, rice and sugar for those with one of three types of card, BPL, Antyodaya Anna Yojana (AAY) or APL. For the extent of subsidies nominally provided for the different types of cards in the State, see Tables A1.1, A1.2 and A1.3 in Annex 1).

To give a general idea of how it worked, around 29% of our sample households at the time of the FES had either a BPL or an AAY card.[103]The subsidy, however, seemed to have been reaching rich households as well with 38.7% of households in the top 40% of the wealth distribution having either a BPL or an AAY card, exactly similar to the proportion of households in the poorest wealth quintile having the card (Table 5.2.1).

**Table 5.2.1: General Villages: Households having BPL or AAY cards,by wealth quintile**

| Wealth Quintiles | | Have BPL or AAY | Total |
|---|---|---|---|
| Poorest 20% | N | 158 | 408 |
| | % | 38.7 | 100.0 |
| Poorer 20% | N | 141 | 439 |
| | % | 32.1 | 100.0 |
| Middle 20% | N | 142 | 376 |
| | % | 37.8 | 100.0 |
| Richer 20% | N | 116 | 406 |
| | % | 28.6 | 100.0 |
| Richest 20% | N | 41 | 405 |
| | % | 10.1 | 100.0 |
| Total | **N** | **598** | **2,034** |
| | % | 29.4 | 100.0 |
| | | | |

Source: MPUCT FES

Errors of exclusion were also evident. Using proxy indicators for poverty (like household head being illiterate or household not owning land), a majority of the poor reported not having a BPL or an AAY card. For example, 61% of landless households in the sample villages did not have a BPL or an AAY card (Table A1.4 in Annex 1).

We will come back to a discussion of the effectiveness of the poverty card system. For present purposes, we merely note that a majority of seemingly poor households in the pilot villages did not have any of the relevant cards. Among those who did, three-quarters had used the cards for

[103] The Government of India launched the Antyodaya Anna Yojana (AAY) in 2009 in an attempt to ensure food security for the poorest of the poor in rural and urban areas of the country. The scheme targets households that cannot even afford two meals a day, which they estimated to be about 5% of India's total population. State governments have carried out procedures to identify households eligible for the scheme, drawing from among the number of BPL families within the State.

both food and fuel, while 15% had used them to obtain only fuel (kerosene) in the three months before the fieldwork for the FES was conducted.

In the areas of Madhya Pradesh where the pilots were conducted, the normal staple diet has long consisted of wheat-based products, and it is common to find dwellings that have carefully constructed containers in the middle of the building to hold the annual stock of wheat grain. We heard many reports of the poor quality of some of the wheat obtained through the ration ('control') shops. But many of the poorer households had little choice other than to rely on that source.

Many households in the pilot villages reported that the subsidized wheat that the ration shop entitled them to receive did not meet their requirements. Each BPL family was entitled to 3.6 quintals per annum. Since the food grains given by the PDS system were not linked to family size, the contribution of the PDS system to their food requirements varied considerably from household to household.

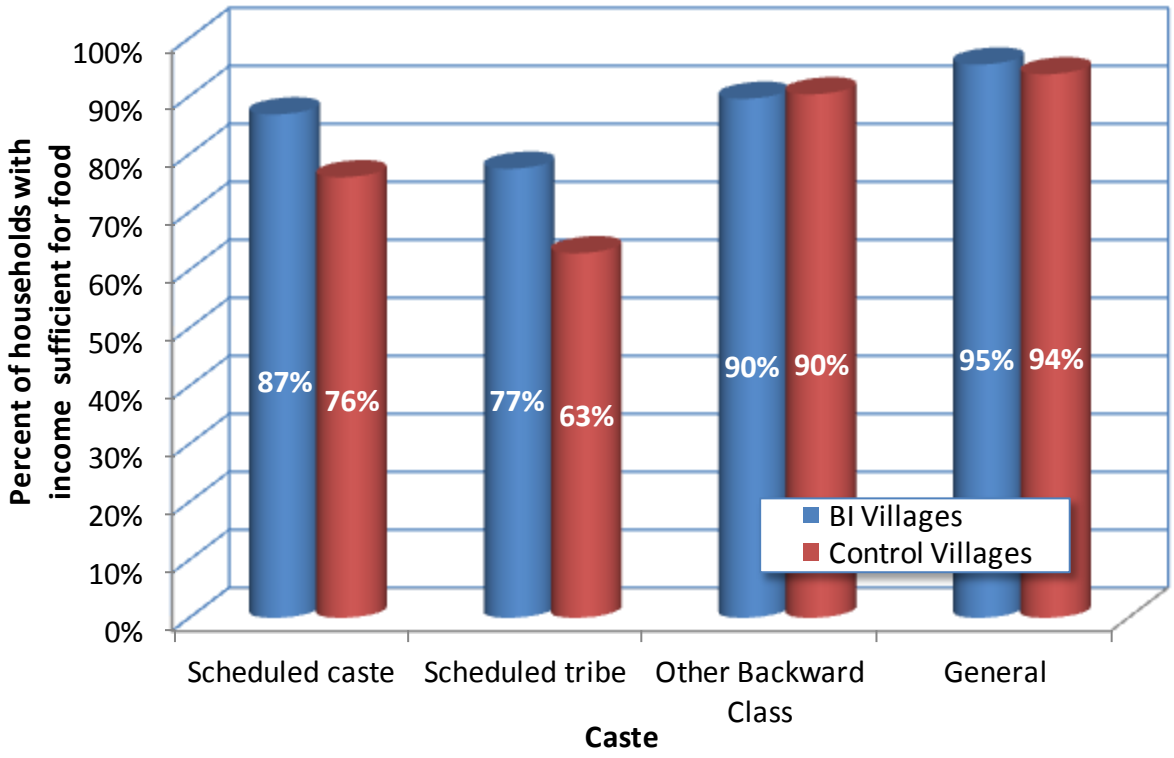
Furthermore, the disbursement of subsidised grain by the ration shop was uncertain, and depended on the vagaries of supply and logistical problems. Potential beneficiaries were therefore expected to be ready with cash for purchase at very short notice. For instance, in the rainy season of 2011, when the basic income transfers had just started, the State government suddenly decided that it would disburse three months of rations together in the month of August. Even more problematically, in the rainy season of 2012, the State government suddenly asked those with funds to pick up rations for six months.

Often when a situation like this arises, low-income families have to borrow money to make these purchases. Thus, when the government decided to disburse rations for six months in one bloc, it meant that a BPL family had to have in hand an amount of Rs.1295, while an Antyodaya family had to possess Rs.1070 (Tables A1.1 and A1.2 in Annex 1 for annual entitlements). Not being able to arrange cash at short notice, most poor families ended up borrowing at a very high interest rate.

### 5.3. Income Sufficiency for Food

In the general and tribal villages, all households were asked whether or not their total household income was sufficient for the food needs of their household. In most cases, it was sufficient, but particularly for scheduled caste and tribe households in the general villages, receipt of basic income was associated with significantly higher probability of sufficiency (Figure 5.3.1).

**Figure 5.3.1. General Villages: Percent of households with income sufficient for food, by social groupand whether receiving basic income**




Source: MPUCT FES, 2012, n = 1090

In the tribal villages, there was a considerable food insufficiency in both villages at the time of the baseline, with slightly more households in Ghodakhurd reporting insufficient income for food. But a remarkable change had occurred by the time of the IES there. Whereas little had changed in the control village, by then over three-quarters of all households in Ghodakhurd reported that their income was sufficient for their food needs (Table 5.3.1). The difference between the villages was statistically insignificant at the time of the baseline, but was highly significant at the time of the IES.

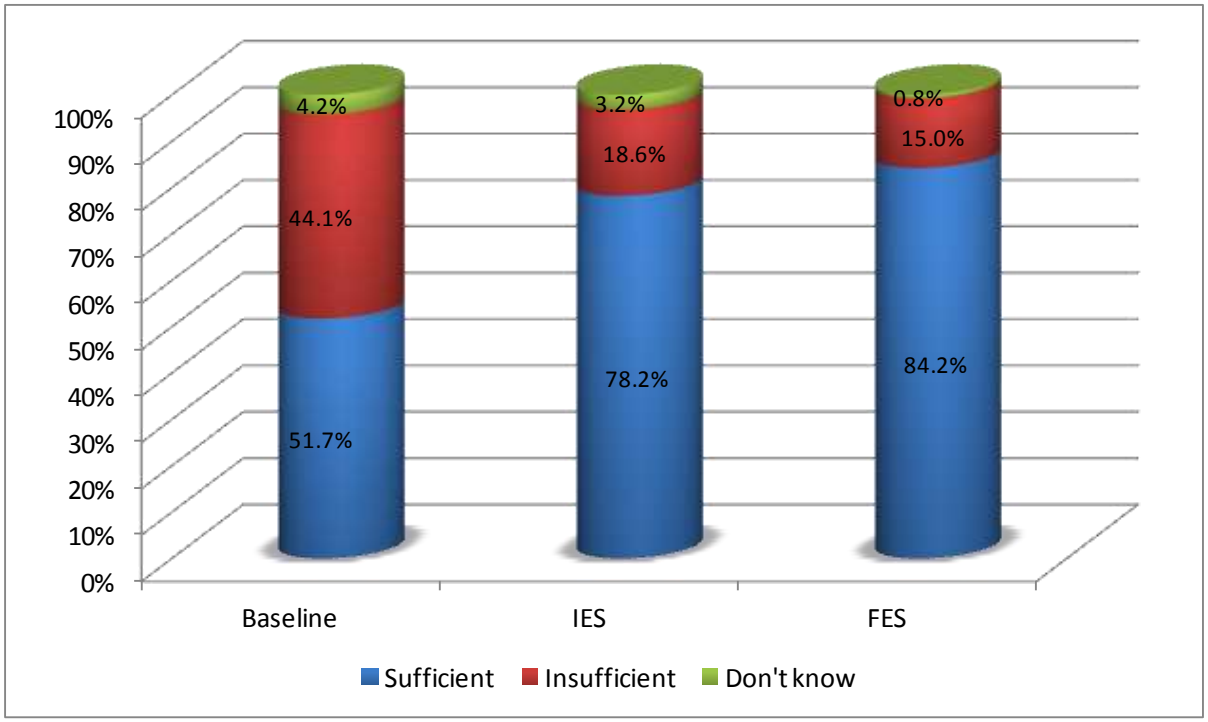
And the improvement continued, such that by the time of the FES, 84.2% of households in Ghodakhurd considered their income to be sufficient to meet their food needs. An increase in food sufficiency was also observed in the control village but not by as much. So whereas in Bhilami, food sufficiency increased by about 25 percentage points between the time of the baseline and the FES, in Ghodakhurd it increased by 32 percentage points (Figures 5.3.2 and 5.3.3).

**Table 5.3.1:Tribal Villages: Percentage of households byincome sufficiency for food needs**

| | BASELINE | | IES | |
|---|---|---|---|---|
| | **Control Village** | **Basic Income Village** | **Control Village** | **Basic IncomeVillage** |
| **Whether household income in past four weeks sufficient for food needs** | | | | |
| Sufficient | 59.3 | 51.7 | 57.2 | 78.2 |
| Insufficient | 39.0 | 44.1 | 41.7 | 18.6 |
| Don't know | 1.7 | 4.2 | 1.1 | 3.2 |
| **Number** | **91** | **121** | **187** | **220** |

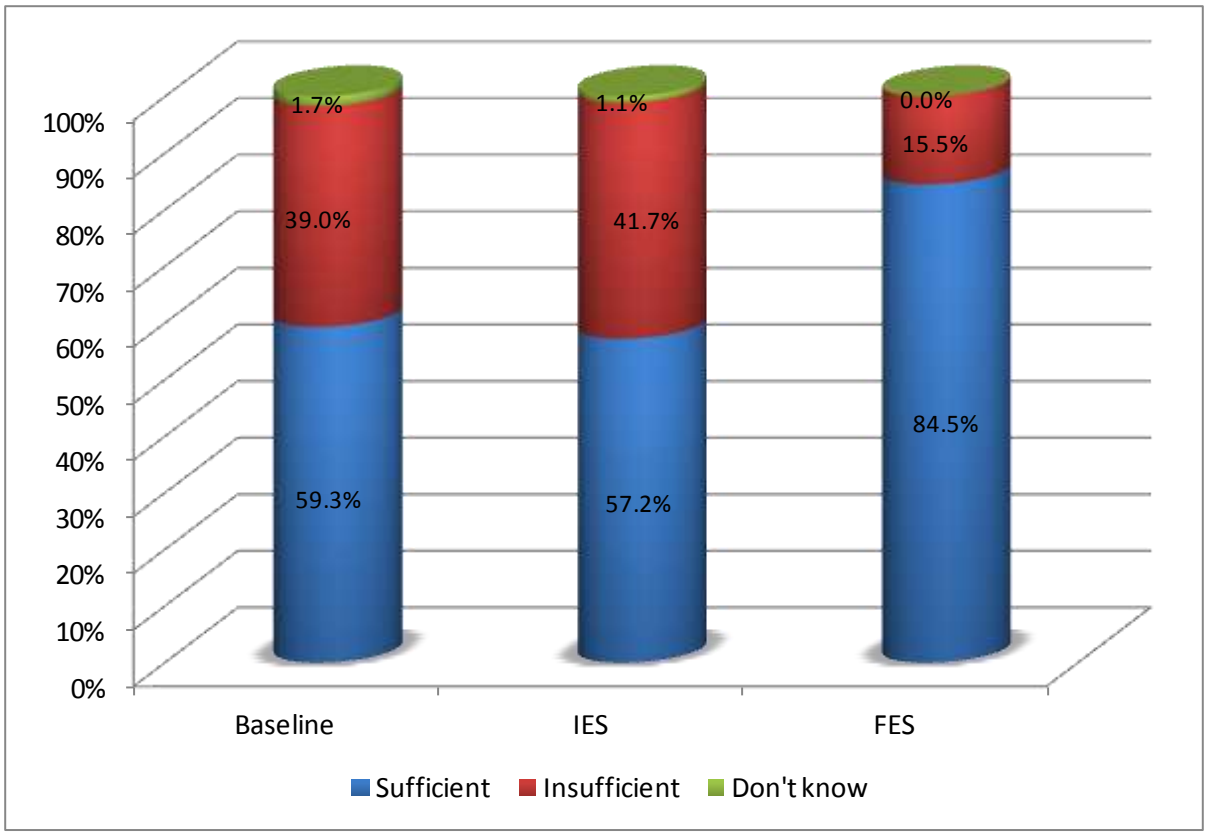
Source: Tribal Surveys

**Figure 5.3.2: Tribal Villages:Food sufficiency in Basic Income village, 2012-2013**




Source: Tribal Villages, all surveys 2012-13; n (Baseline) = 121, n(IES) = 220, n(FES) = 120.

**Figure 5.3.3: Tribal Villages: Food sufficiency in Control Village, 2012-13**




Source: Tribal Villages, all three surveys 2012-2013; n (Baseline) = 91, n(IES) = 187, n(FES) = 97

## 5.4. Eating Habits

One hypothesis set out at the outset of the pilot was that the basic income transfers would influence eating habits for the better, resulting in more regular meals and more nutritious food.

The normal diet in these villages, identified most clearly in the case studies, is for young children to eat dal and milk at home, while having more sustaining meals comprising cereals(such as rice and wheat) at the anganwadi.

Anganwadis are centres that operate under the Government's Integrated Child Development Services (ICDS) programme and are the main instrument used by Government to address malnourishment that is endemic in India. Madhya Pradesh has one of the highest levels of malnourishment, and the State Government has been especially conscious

to promote the ICDS programme in villages across the State. These anganwadis provide food to children under the age of five years and also maintain records of child weights. These records along with the survey teams own weight data has provided us with an insight into the impact of our experiment on malnutrition of small children.

Direct food transfers through the anganwadis and through schools surely do have beneficial effects, and are widely appreciated. A question we cannot answer in this study is whether or not they are cost effective relative to cash payments that would allow families to buy and prepare such food themselves.

We may speculate, however, that food channelled through institutions is quite expensive to administer and may not consistently result in high-quality food reaching the children. We certainly found reports of this in the case studies.

Leaving that issue aside, we may begin by noting that most households in all the villages covered by the pilot had very meagre diets, relying heavily and sometimes exclusively on rotis (wheat bread). Few were able to buy meat or fish; few were able to buy fresh fruit or vegetables very often if at all. Some households openly reported that they did not have enough food for everybody in the household.

### 5.5. Children's Weight-for-Age

A primary hypothesis of this project was that basic income payments in cash would lead to young children having improved diets and thus their weight for age would adjust to become more like the normal pattern. We use the WHO's methodology to test this hypothesis.

In the pilots, several alternative or complementary methods were used to determine whether or not children under the age of five years were "underweight" for their age, bearing in mind that malnourishment can also produce some "overweight" outcomes as well.[104]

In practice, obtaining reliable measures of children's weight-for-age was complicated by several factors. First, many mothers were uncertain about the exact month of their children's birth. Second, finding the children and measuring their weight are not easy in some of the villages.

[104] One argument used in favour of cash transfers in developed countries is that they could reduce the high incidence of obesity. See: "Low-income moms under stress may over-feed infants" http://www.eurekalert.org/pub_releases/2012-04/aaop-lmu042312.php
"Fear of not having enough food may lead to obesity"
http://www.eurekalert.org/pub_releases/2012-04/aaop-fon042312.php

*"Most respondents knew the age of their child/ren in years. They were not familiar with calendar months but we asked birth in Hindi months which are very popular in rural areas such as Saawan, Bhadon etc. If they were unable to recall the birth in Hindi months, we asked before or after any famous festival such as Diwali, Dussehra, Rakhi, Holi, Sankranti etc.. So the age in months of children was not so accurate but we tried to get estimated month from respondents."*

Field team reporting on fieldwork for TV-IES

In the MPUCT baseline, the field team did not weigh children. Instead, anganwadi records were relied on to obtain weights for all children (under the age of 6 years). In retrospect, this turned out to be a poor strategy, as anganwadi records often had incomplete and inaccurate information. For example, the field team found that the weights for children in anganwadi records tended to fluctuate from month to month. Also, some entries did not accord with the normal weight for a particular age (such as 25 kgs for a two-year-old child). Several of the anganwadi books showed weight recorded for a future month.

**Process of weighing children at anganwadis**

*The anganwadis collect information on not only weight for age and the arm circumference for children perceived as underweight, but also on what remedial treatment is given to malnourished children. They are also supposed to keep records on child daily attendance at their facilities.*

*However, interviews in the pilot villages suggested that the anganwadi registers recording attendance and weight, height and so on were often incomplete. Attendance was taken mainly to obtain food for children. The field team found charts on the walls of anganwadi centres with four colours for nutritional status, but there seemed to be a tendency to avoid showing extreme malnourishment. Absence of proper equipment also led to poor record keeping.*

For the FES, therefore, the research team took a decision to ask investigators to weigh children themselves. The UNICEF office in Madhya Pradesh provided the survey team with weighing machines, and imparted training to investigators on how to weigh children accurately. The weight measurement was not clubbed with the FES for the general villages, but was conducted three months after the FES data enumeration, in September 2012.

Weight was recorded for each child, along with the child's age in months (as of September 2012) as well as the date of birth wherever available. In a column next to that, the weight for that child according to the anganwadi records in June 2012 – which is when the FES was conducted – and in April, May 2012 and April 2011 were recorded. The anganwadi data from April 2011 served as the baseline, while that from April-June 2012 was used to check consistency of our own recording of weights with the data available for these children in the anganwadi records.

It should be noted here that the methodology varied slightly in tribal villages. Since the tribal pilot started later than the general village pilot, lessons from the latter were built into the tribal surveys. Thus, the recording of weight was initiated from the time of the tribal baseline itself. This section presents findings on children's weight-for-age as obtained from both the general and the tribal pilots. Both sets of results were compiled using WHO's Anthro, software that compares anthropometric outcomes according to WHO norms.

***a. Z-scores by gender***

First, to the extent that we can rely on the anganwadi data for 2011, before the basic income transfers started, and to the extent we could obtain data for children (anganwadi records were not available for all children), there was an improvement in weight-for-age for children in BI villages in the general village pilot *over time*.

The proportion of children with normal weight for age in those villages increased from 39.2% in April 2011 (as per anganwadi records) to 58.7% in September 2012,nearly a 20-percentage point improvement (Table 5.5.1 and Figure 5.5.1). In control villages, the increase was from 47.9% to 58.2%, a 10-percentage point improvement (Table 5.5.2 and Figure 5.5.3).

So whereas in September 2012, the proportion of normal weight for age children was more or less the same in BI and control villages (58.7% versus 58.2%), the improvements made in villages receiving the basic incomes were far more significant, so much so that while they had started behind the other villages, by the end of the intervention, their z-scores looked similar.

**Table 5.5.1: General Villages: Weight-for-age for children, z-scores in basic income villages**

| | April 2011 | | | September 2012 | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| Percentage below -3SD (severely underweight) | 16.1 | 18.3 | 17.1 | 10 | 4.8 | 7.6 |
| Percentage below -2SD (moderately underweight) | 44.8 | 42.3 | 43.7 | 36.3 | 30.5 | 33.7 |
| Normal | 39.1 | 39.4 | 39.2 | 53.7 | 64.7 | 58.7 |
| Number of children with data available | 87 | 71 | 158 | 201 | 167 | 368 |

Source: Anganwadi records for April 2011 and MPUCT FES data for September 2012

**Table 5.5.2: General Villages: Weight-for-age for children, z-scores in control villages**

| | April 2011 | | | September 2012 | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| Percentage below -3SD (severely underweight) | 14.4 | 14.6 | 14.5 | 8.9 | 8.9 | 8.9 |
| Percentage below -2SD (moderately underweight) | 37.8 | 37.4 | 37.6 | 34.4 | 31.4 | 32.9 |
| Normal | 47.8 | 48.0 | 47.9 | 56.7 | 59.7 | 58.2 |
| Number of children with data available | 111 | 123 | 234 | 259 | 236 | 495 |

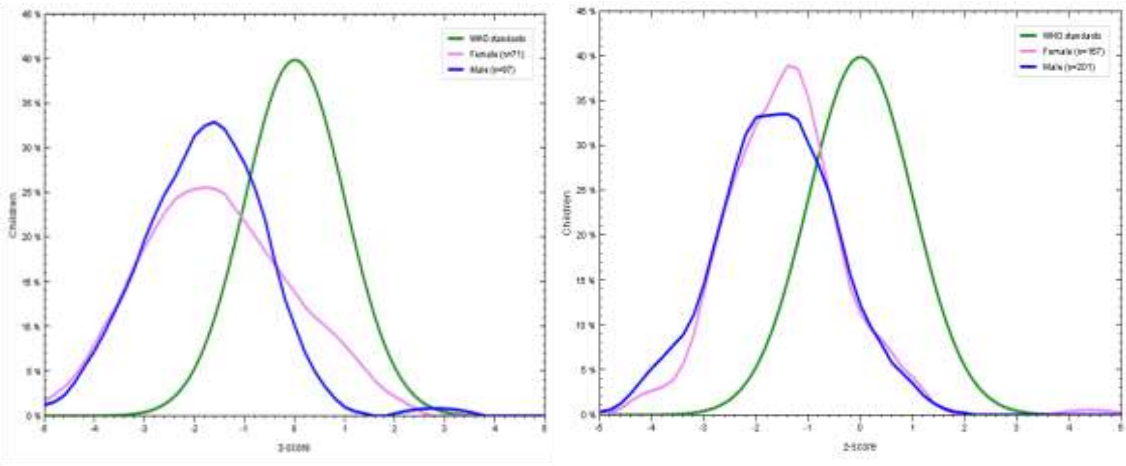
Source: Anganwadi records for April 2011 and MPUCT FES data for September 2012

Second, while the nutritional status for boys improved in both types of villages in the general village pilot, there was a significant shift in basic income villages for girls, compared to a very marginal shift in control villages. The proportion of girls with normal weight-for-age in villages receiving the basic income increased from 39.4% in April 2011 (anganwadi records) to 64.7% in September 2012, a 25-percentage point improvement.

In effect, as Figure 5.5.1 indicates, the weight-for-age distribution shifted towards the right, towards being a normal distribution. Anganwadi records in basic income villages reflected a similar shift (Figure 5.5.2). In contrast, in the control villages, the increase was from 48% to 59.7%,a 12-percentage point improvement (Figure 5.5.3).

**Figure 5.5.1: General Villages: Weight-for age distribution forbasic incomevillages, by gender (own recording)**

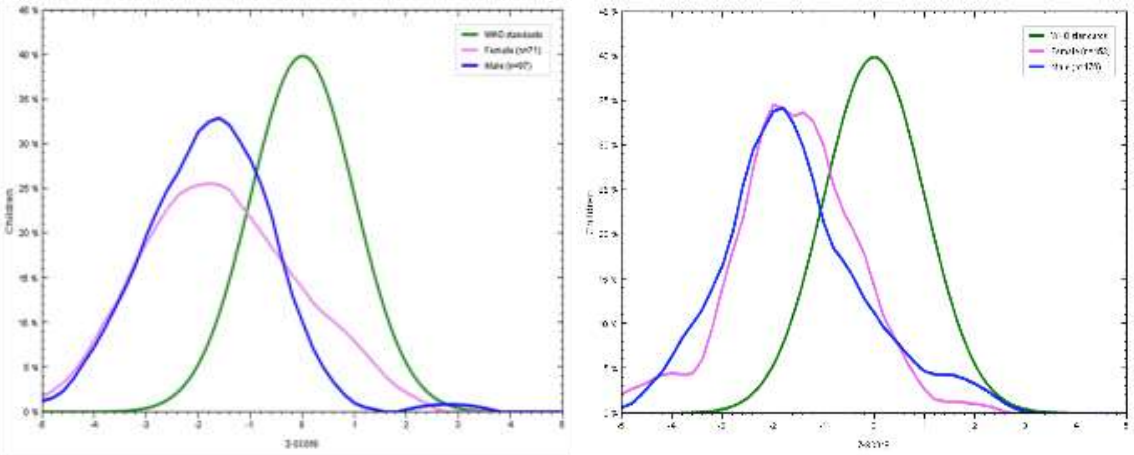
a. April 2011 b. September 2012



Source: Anganwadi records for April 2011 and MPUCT FES data for September 2012

**Figure 5.5.2: General Villages: Weight-for age distribution for basic income villages, by gender(anganwadi records)**

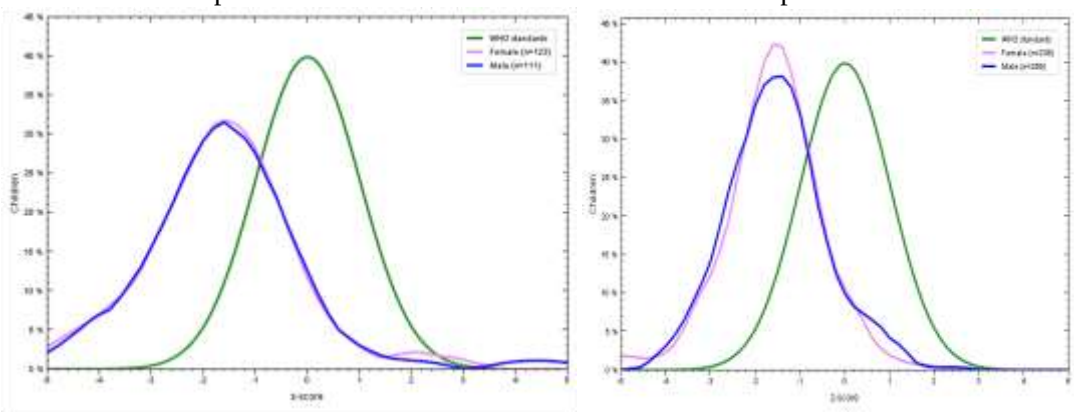
a. April 2011 b. June 2012



Source: Anganwadi records for April 2011 and June 2012

**Figure 5.5.3: General Villages: Weight-for age distribution for control villages, by gender**

a. April 2011 b. September 2012



Source: Anganwadi records for April 2011 and MPUCT FES data for September 2012

In sum, by the end of the general village pilot, about 65% of girls in basic income villages had a normal weight for their age while the comparative proportion in control villages was 60%. Whereas before the pilot began, more girls in the former set of villages were suffering from severe malnutrition than in control villages (18.3% compared to 14.6%), by the end of the pilot, in September 2012, the situation had been reversed. More girls in control villages were suffering from severe malnutrition than in BI villages (8.9% versus 4.8%).

Next, we looked at the impact the presence of a voice organization for women (in our case SEWA) can have on the nutrition outcomes for girls. Table5.5.3 presents the z-scores for girls in BI villages, disaggregated by whether or not they lived in villages where SEWA was active. While the proportion of girls with normal weight-for-age increased considerably in basic income villages (by nearly 25 percentage points), the improvement observed in SEWA villages was greater (from 34.1% to 61.1%, an increase of 27 percentage points) than in non-SEWA villages (from 46.7% to 66.6%, an increase of nearly 20 percentage points).

This strongly suggests that having a voice organization for women can heighten the impact the basic income transfer has on nutritional outcomes, particularly for girls.

**Table 5.5.3: General Villages: Weight-for-age for girls, z-scores in basic income villages**

| | April 2011 | | | September 2012 | | |
|---|---|---|---|---|---|---|
| | SEWA | Non-SEWA | Total | SEWA | Non-SEWA | Total |
| Percentage below -3SD (severely underweight) | 22.0 | 13.3 | 18.3 | 7.1 | 3.6 | 4.8 |
| Percentage below -2SD (moderately underweight) | 43.9 | 40.0 | 42.3 | 31.8 | 29.8 | 30.5 |
| Normal | 34.1 | 46.7 | 39.4 | 61.1 | 66.6 | 64.7 |
| Number of girls with data | 41 | 30 | 71 | 85 | 82 | 167 |

Source: Anganwadi records for April 2011 and MPUCT FES data for September 2012

However, in what way did the presence of SEWA make a difference? At seven months, most children shift to solid food and by the age of two years they begin receiving food from the anganwadi. This continues until they are five years old, after which they begin school. In many of the SEWA villages, complaints about the running of the anganwadi would be brought to the SEWA village leader, who in turn would talk to the anganwadi worker and the ICDS supervisor and try and solve the issue. In case she was unable to do so, she would contact the SEWA office in Indore. In one village, a SEWA Agewan, Jagmal pipliya, reported:

> *"In our village there is lot of casteism. The anganwadi teacher was a Brahmin and she did not allow scheduled caste children in the anganwadi, so children who needed it most were deprived. I went and met the teacher and tried to talk to her. But instead of listening to me she started threatening the families in the SC locality and told them not to complain, as she had connections with the higher-ups, she was not afraid of the SEWA workers. So in our next SEWA meeting in Indore, I brought this up and a written complaint went to the local supervisor of ICDS. Later, along with the SEWA organizer and some women from the village, I met the supervisor and we said that she should resolve the issue; otherwise a written complaint would be lodged to the Principal Secretary of the Department and the concerned minister. Hearing this, the supervisor was scared and immediately went to Jagmal Piplya and convinced the anganwadi teacher and on the next day we sent SC children to the anganwadi and then monitored the issue. The mid-day meal was also not cooked daily, less amount of food was being cooked and the food was not properly cooked either. With the help of the supervisor, this issue was also resolved and I was asked to supervise the cooking daily. I ensured that the children were having enough food every day."*

One cannot assert that every situation was resolved by SEWA intervention, but this case attests to the potential role a Voice organisation can make when a policy change opens up the opportunity for improvements.

***b. Z-scores by age***

In order to assess the differential impact of basic income on different age groups separately, we divided children below the age of 5 years in the 20 villages into three categories: those below the age of six months, those aged 7-36 months, and those aged 37-60 months. In basic income villages, there was a healthy increase in the proportion of children with normal weight-for-age for all age cohorts (Table 5.5.4).

The highest percentage point increase was for the infants below the age of six months (21.6 percentage points). But children from this cohort did better, and significantly so even in control villages.Whereas34.5% of them had a normal weight-for-age at the start of the intervention, 76.5% of children in this cohort reported normal weight-for-age at the end, a 42-percentage point improvement (Table 5.5.5). However, the number of children in this cohort in both sets of villages was too small to draw strong conclusions.

In contrast, considerable differences were observed among children in the age cohorts of7-36 months and 37-60 months in the two sets of villages.A 25-percentage point increase was observed in the proportion of children with normal weight for age, and between the ages of 37-60 months in basic income villages. In the control villages, the proportion of children in this cohort with normal weight-for-age also increased, but by a smaller margin (19 percentage points).

The maximum divergence by type of village was observed among children in the age cohort of 7-36 months. In villages that had received the BI transfers, the proportion of children in this cohort and with normal weight for age increased from 39.2% to 58.2% over the period of the pilot (a 19 percentage point improvement). In contrast, hardly any improvement (3.3 percentage points) was seen in control villages (Tables 5.5.4 and 5.5.5).

Since a majority of children (below the age of five years) belonged to this cohort in both types of villages, the significant increase in the proportion of "normal weight" children in basic income villages is striking, more so as this is the age when a child is taken off breastfeeding and is exposed to direct food at home.

**Table 5.5.4: General Villages: Weight-for-age for children, z-scores in basic income villages,by age group**

| | **April 2011** | | | **September 2012** | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| **Percentage below -3SD (severely underweight)** | | | | | | |
| Age 0-6 months | 10.0 | 20.0 | 13.3 | 0.0 | 0.0 | 0.0 |
| Age 7-36 months | 18.0 | 15.7 | 17.0 | 10.5 | 6.0 | 8.5 |
| Age 37-60 months | 12.5 | 26.7 | 19.4 | 10.3 | 4.2 | 7.5 |
| | | | | | | |
| **Percentage below -2SD (moderately underweight)** | | | | | | |
| Age 0-6 months | 30.0 | 40.0 | 33.3 | 11.1 | 36.4 | 25.0 |
| Age 7-36 months | 49.2 | 37.3 | 43.8 | 41.9 | 22.6 | 33.3 |
| Age 37-60 months | 37.5 | 60.0 | 48.4 | 32.2 | 38.9 | 35.2 |
| | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Normal** | | | | | | |
| Age 0-6 months | 60.0 | 40.0 | 53.4 | 88.9 | 63.6 | 75.0 |
| Age 7-36 months | 32.8 | 47.0 | 39.2 | 47.6 | 71.4 | 58.2 |
| Age 37-60 months | 50.0 | 13.3 | 32.2 | 57.5 | 56.9 | 57.3 |
| | | | | | | |
| **Number of children whose data were available** | | | | | | |
| Age 0-6 months | 10 | 5 | 15 | 9 | 11 | 20 |
| Age 7-36 months | 61 | 51 | 112 | 105 | 84 | 189 |
| Age 37-60 months | 16 | 15 | 31 | 87 | 72 | 159 |

Source: Anganwadi records for April 2011 and MPUCT FES data for September 2012

**Table 5.5.5: General Villages: Weight-for-age for children, z-scores in control villages, by age group**

| | April 2011 | | | September 2012 | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| Percentage below -3SD (severely underweight) | | | | | | |
| Age 0-6 months | 12.5 | 23.1 | 17.2 | 0.0 | 9.1 | 5.9 |
| Age 7-36 months | 15.1 | 12.6 | 13.8 | 10.2 | 8.9 | 9.6 |
| Age 37-60 months | 13.6 | 17.4 | 15.6 | 8.0 | 8.8 | 8.4 |
| | | | | | | |
| Percentage below -2SD (moderately underweight) | | | | | | |
| Age 0-6 months | 37.5 | 61.5 | 48.3 | 16.7 | 18.2 | 17.6 |
| Age 7-36 months | 41.1 | 28.7 | 34.4 | 36.5 | 33.9 | 35.3 |
| Age 37-60 months | 27.3 | 56.5 | 42.2 | 31.3 | 30.1 | 30.7 |
| | | | | | | |
| Normal | | | | | | |
| Age 0-6 months | 50.0 | 15.4 | 34.5 | 83.3 | 72.7 | 76.5 |
| Age 7-36 months | 43.8 | 58.7 | 51.8 | 53.3 | 57.2 | 55.1 |
| Age 37-60 months | 59.1 | 26.1 | 42.2 | 60.7 | 61.1 | 60.9 |
| | | | | | | |
| Number of children whose data were available | | | | | | |
| Age 0-6 months | 16 | 13 | 29 | 6 | 11 | 17 |
| Age 7-36 months | 73 | 87 | 160 | 139 | 112 | 251 |
| Age 37-60 months | 22 | 23 | 45 | 114 | 113 | 227 |

Source: Anganwadi records for April 2011 and MPUCT FES data for September 2012

As the age group of 7-36 months forms an important part of the analysis, it is worth noting that in BI villages a significant improvement was observed in the proportion of boys having normal weight for age in this cohort (from 32.8% to 47.6%, a 14.8 percentage points increase) as well as girls (from 47% to 71.4%, a 24.4 percentage points increase) over the period of the intervention. This is a significant improvement when compared to the control villages where boys in the same age group registered a slight improvement (from 43.8% to 53.3%) and data for girls showed a dip.

In sum, the data from the general village pilot seemed to suggest that basic income payments had a greater impact on the nutritional status of girls, particularly those between the ages of 7 and 36 months.

***c. Z-scores by social group***

What about vulnerable groups such as Scheduled Caste and Scheduled Tribe children? Disaggregating the z-scores obtained from the general village pilot by social groups, we find that by the end of the pilot, children in all social groups in the basic income villages had registered an improvement in their weight-for-age, with the greatest improvements being recorded by tribal children and the least by children from general category households.

While none of the tribal children in the basic income villages had normal weight-for-age in April 2011, nearly one-quarter of them recorded normal weight-for-age in September 2012.Meanwhile, the share of tribal children who were severely underweight for their age came down from 32% to 14.8%, and the share recorded as moderately underweight fell from 68% to 60.7% (Table 5.5.6).

In contrast, while an improvement in anthropometric indicators was observed for children in the control villages, the maximum gains were recorded by children from general category households. The proportion of children with normal weight for age in this category increased from 45.4% to 73.6%, an improvement of nearly 28 percentage points. Children from scheduled caste and tribe households, in comparison, did not record gains of such magnitude (Table 5.5.7).

To sum up, it seemed that not only did the basic income transfers help improve nutrition outcomes of children from vulnerable groups, but also they were progressive in benefiting more of children from such groups, than children from presumably better off households.

**Table 5.5.6: General Villages: Weight-for-age for children, z-scores in basic income villages, by social group**

| | April 2011 | | | | September 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Gen | OBC | SC | ST | Gen | OBC | SC | ST |
| Percentage below -3SD (severely underweight) | 15.4 | 12.2 | 20.0 | 32.0 | 7.4 | 4.0 | 14.5 | 14.8 |
| Percentage below -2SD (moderately underweight) | 23.1 | 38.9 | 46.7 | 68.0 | 29.6 | 23.7 | 47.3 | 60.7 |
| Normal | 61.5 | 48.9 | 33.3 | 0.0 | 63.0 | 72.3 | 38.2 | 24.5 |
| Number of children with data available | 13 | 90 | 30 | 25 | 27 | 224 | 55 | 61 |

Source: Anganwadi records for April 2011 and MPUCT FES data for September 2012

**Table 5.5.7: General Villages: Weight-for-age for children, z-scores in control villages, by social group**

| | April 2011 | | | | September 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Gen | OBC | SC | ST | Gen | OBC | SC | ST |
| Percentage below -3SD (severely underweight) | 18.2 | 11.0 | 15.5 | 18.8 | 3.9 | 7.2 | 11.7 | 13.3 |
| Percentage below -2SD (moderately underweight) | 36.4 | 31.0 | 46.6 | 43.8 | 22.5 | 27.3 | 45.3 | 40.0 |
| Normal | 45.4 | 58.0 | 37.9 | 37.4 | 73.6 | 65.5 | 43.0 | 46.7 |
| Number of children whose data were available | 44 | 100 | 58 | 32 | 102 | 194 | 137 | 60 |

Source: Anganwadi records for April 2011 and MPUCT FES data for September 2012

These results should be treated with caution, as we were unable to trace anganwadi records for April 2011 for all children whose weights we recorded in September 2012. In the basic income villages, for instance, anganwadi records were available only for 158 of the 367 children whom we weighed in September 2012. In other words, we could retrieve information on social group membership *and* weight for only 158 of these children for April 2011.

Similarly, in control villages, we could only retrieve records for 234 of the 493 children. The fact that we were unable to trace anganwadi records for nearly half the children below the age of five could be attributed to one of several reasons: the anganwadis' refusal to share records with the research team, incomplete registers and in some cases, even different names for children (a name in the anganwadi register compared to a family name used in the FES), making it almost impossible to retrieve institutional recording of weight (or even social group) for every child at a point back in time.

To test the robustness of our results, therefore, we looked at the social group affiliation of the sample of children obtained from our two sources: our weight measurement exercise undertaken in September 2012, and the sample obtained from the anganwadi records for April 2011. Our conjecture was that if the underlying social group distribution was similar from both sources, then it would be safe to assume that the April 2011 records, which really served as a baseline, were representative of the entire population of children weighed after the FES, and could be compared to analyse changes in anthropometric measures by social group.

Table 5.5.8 gives the social group composition of children below the age of five years in the two data sources. Among the children whom we weighed at the end of the pilot, nearly 22% were Scheduled Caste, 14% were Scheduled Tribe, 48% were OBC and 16% belonged to general category households. Similar group shares were observed in the anganwadi data as well, suggesting that the shifts observed in weight-for-age, particularly for tribal children in basic income villages, could be considered representative for our pilot villages.

**Table 5.5.8: General Villages: Social group composition of children under five years of age**

| | Anganwadi records (April 2011) | FES own measurement (September 2012) |
|---|---|---|
| Scheduled Caste | 22.8 | 22.5 |
| Scheduled Tribe | 14.4 | 14.1 |
| Other Backward Classes | 48.1 | 47.6 |
| General | 14.7 | 15.8 |

Source: Anganwadi records for April 2011 and MPUCT FES data for September 2012

### *d. Z-scores in tribal villages*

In the tribal villages, there was a modest increase in the proportion of normal weight-for-age children (of about 11.7 percentage points) among those that received the basic income payments, and a significantly higher increase in the control village (24.8 percentage points). This could be due to the fact that the basic income village had a higher proportion of severely underweight children at the outset (23.9% compared to 16.7% in the control village).

Gender differences were the opposite to those found in the general villages. In both villages, a significant share of the improvement in proportion of children with normal weight-for-age was explained by improvements among boys. While the share of boys with normal weight-for-age went up in the basic income village, from 16.2% to 55.8% (a 39.6 percentage point increase), boys in the control village registered an improvement from 31.1% to 56.5%, a 25.4 percentage point increase).

In contrast, the proportion of girls with normal weight-for-age in the control village registered a lower improvement (23.2 percentage point increase), and in the basic income village (12 percentage point increase).

But what was striking overall was the proportion of children severely underweight – while in the BI villages in the general pilot, about 17% children were severely underweight before the basic income payments started, in Ghodakhurd, this figure was higher, reducing from one-quarter of the children surveyed at the time of the baseline to one-fifth by the time of the TV-FES. This highlights the acute disadvantage that tribal children face, and the urgent need to focus attention of nutrition interventions on this group. Annex 2 presents the weight-for-age distribution for both the tribal villages where the pilot was undertaken.

**Table 5.5.9: Weight-for-age for children: z-scores in tribal villages, by gender**

| Particulars | TV-BASELINE | | | | | | TV-FES | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BI Village | | | Control Village | | | BI Village | | | Control Village | | |
| | M | F | T | M | F | T | M | F | T | M | F | T |
| Percentage below -3SD(severely underweight) | 24.3 | 23.5 | 23.9 | 17.2 | 15.8 | 16.7 | 11.8 | 15.6 | 19.7 | 8.7 | 10 | 9.3 |
| Percentage below -2SD (Underweight) | 59.5 | 51.0 | 54.5 | 51.7 | 47.4 | 50.0 | 32.4 | 46.9 | 47 | 34.8 | 30 | 32.6 |
| Normal | 16.2 | 25.5 | 21.6 | 31.1 | 36.8 | 33.3 | 55.8 | 37.5 | 33.3 | 56.5 | 60 | 58.1 |
| **Number of children whose data available** | **37** | **51** | **88** | **29** | **19** | **48** | **34** | **32** | **66** | **23** | **20** | **43** |

Source: Tribal Surveys; Note: M= Male, F=Female

## 5.6. Children'sDiet

A key hypothesis is that BI transfers result in better diets for children, resulting in better weight-for-age and other indicators of good health. This may apply particularly to very young children. Thus, in Brazil, the Bolsa Familia cash transfer scheme was found to have resulted in improved nutrition for children aged between six and eleven months, but not for children aged 12 to 36 months.[105]

In both tribal villages, we saw a clear link between improvements in nutrition of children and a shift in the food consumption basket, with an increase in consumption of more nutritious items like pulses, vegetables, eggs, fruits, and fish and meat being more evident in the basic income village (Table 5.6.1).

However, as suggested earlier, the relative and absolute improvement in the basic income village was perhaps not sufficient to lead to significant changes in anthropometric measures (weight-for-age), as there were many more children severely underweight initially.

**Table 5.6.1:Tribal Villages: Average household consumption of food items over the past four weeks**

| Particulars | BASELINE | | FES | | % change | |
|---|---|---|---|---|---|---|
| | BI Village | Control Village | BI Village | Control Village | BI Village | Control Village |
| Wheat (in kg) | 25.1 | 42.8 | 78.6 | 53.3 | 212.7% | 24.6% |
| Rice (in kg) | 2.4 | 3.3 | 4.5 | 4.6 | 90.3% | 40.5% |
| Sugar (in kg) | 2.1 | 3.5 | 4.0 | 3.4 | 87.5% | -2.2% |
| Kerosene (in ltr) | 1.9 | 5.1 | 2.3 | 3.1 | 16.7% | -39.3% |
| Pulses/lentils (in kg) | 0.3 | 1.2 | 3.6 | 3.3 | 1096.9% | 183.6% |
| Vegetables (in kg) | 0.6 | 2.8 | 5.5 | 5.8 | 888.8% | 105.3% |
| Eggs (number) | 1.7 | 3.6 | 9.7 | 6.0 | 467.5% | 67.0% |
| Fish and meat (in Rs) | 20.6 | 107.2 | 135.0 | 218.4 | 556.0% | 103.7% |
| Fruit (in Rs) | 6.1 | 32.6 | 68.3 | 84.0 | 1024.7% | 157.5% |

Source: Tribal Surveys=212; Note: Average quantities consumed were calculated by including quantities bought from ration shop, home grown and those purchased from other sources.

[105]F.V.Soares, R.P.Ribas and R.G.Osorio, "Cash transfer programs in comparative perspective: Evaluation the impact of Brazil's BolsaFamilia", *Latin American Research Review*, Vol.45, No.2, 2010, pp.173-90.

The substantial rise observed in consumption of wheat and fish in the basic income village could be partially explained by the increase in home grown consumption. The basic income facilitated more cultivation of wheat and the establishment of a fishing cooperative that encouraged fish farming. While basic income recipient households were only able to get six kilos on average from their production of wheat for home consumption before the pilot began, they reported consuming nearly 57 kilos of wheat from their own farms over four weeks prior to the final evaluation survey.

## 5.7. Food from Ration Shops and Market

It is hard to discuss the potential of basic income without appreciating the policy context, which is whether they are seen as an alternative to the PDS. In this section, we consider some findings on the use of the ration shops and attitudes to them.

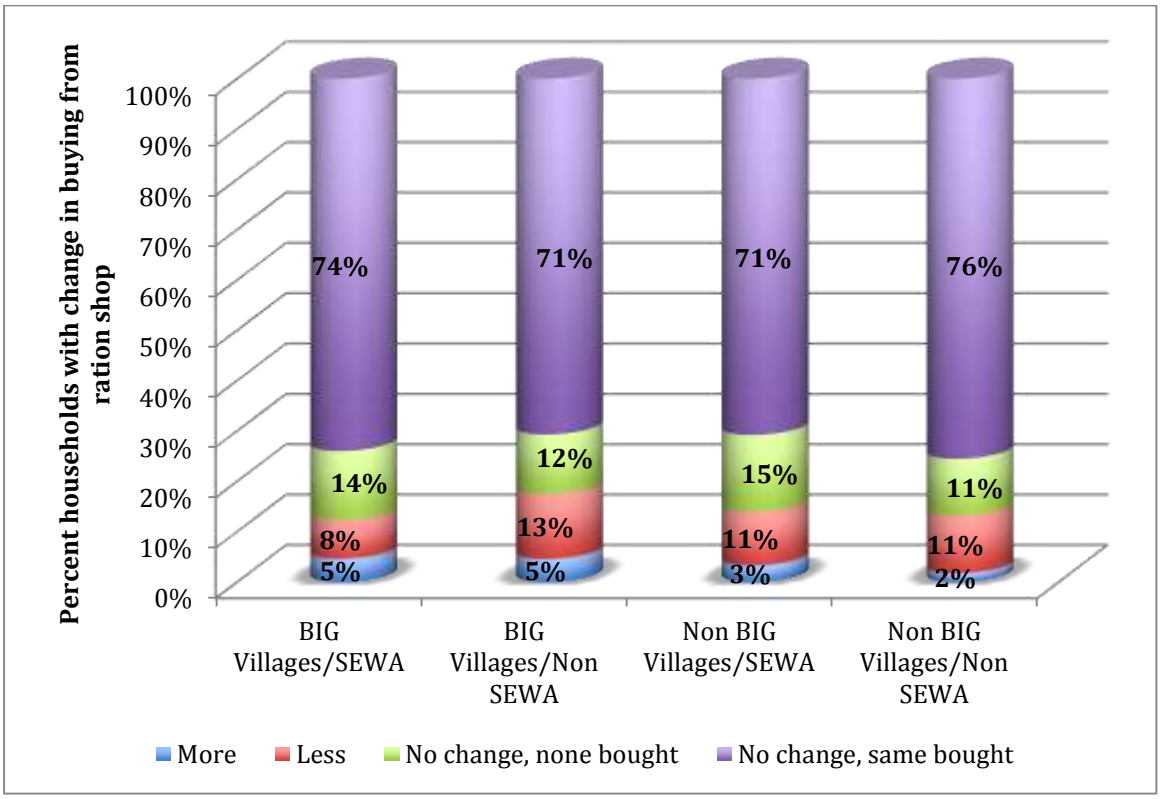
The main finding is that, in net terms, as a result of the basic income, people shifted more to the market (Table 5.7.1), with no major change in purchases from the ration shop (Figure 5.7.1).While 46.5% of basic income recipient households in the MPUCT FES reported that they were buying more from the market, only 35.4% of households in control villages said so (Table 5.7.1). The reasons were several, and many villagers included in the case studies were inclined to give rather critical assessments of the ration shops.

**Table 5.7.1: General Villages: Percent of households with change in buying from market, by village type**

| | | More | Less | No change, none bought | No change, same as earlier | Don't know | Total |
|---|---|---|---|---|---|---|---|
| BI Villages | N | 436 | 17 | 41 | 438 | 6 | 938 |
| | % | 46.5 | 1.8 | 4.4 | 46.7 | 0.6 | 100.0 |
| Control Villages | N | 388 | 41 | 42 | 619 | 5 | 1,095 |
| | % | 35.4 | 3.7 | 3.8 | 56.5 | 0.5 | 100.0 |
| Total | N | 824 | 58 | 83 | 1,057 | 11 | 2,033 |
| | % | 40.5 | 2.9 | 4.1 | 52.0 | 0.5 | 100.0 |

Source: MPUCT FES, 2012

**Figure 5.7.1: General Villages: Per cent of households with change in buying from ration shop, by village type**




Source: MPUCT FES, 2012, n = 2013

*"We go to the ration shop once a month to buy wheat, rice, sugar and kerosene. The shop keeper does not provide the items on time….The quality of wheat and rice we get from the ration shop is not good."*

Seema Bhil, aged 20

*"I have witnessed the benefits of the cash transfers. The sales at my shop had increased during the period of the cash transfers. People used to buy stuff on credit also, saying that they will pay after their money comes. The certainty of the monthly cash encouraged them to buy things when needed. Now since the money transfers have stopped, my sales have decreased – both cash and credit. People here don't have any income sources. When there was cash transfer, there weren't as many worries about their daily needs."*

Conversation with Bhawarsingh – Shopkeeper - Datoda

A majority (79%) of the basic income households that reported purchasing more from the market said they had been able to do so either partly or fully due to basic income payments. Interestingly, when questioned about the regularity of buying food, a majority of respondents from the two basic income villages surveyed for the post-final evaluation survey (PFES)said they were had become more likely to buy milk, pulses and fresh vegetables than a year

previously. A majority attributed the ability to do so to the basic income payments (Table 5.7.2).

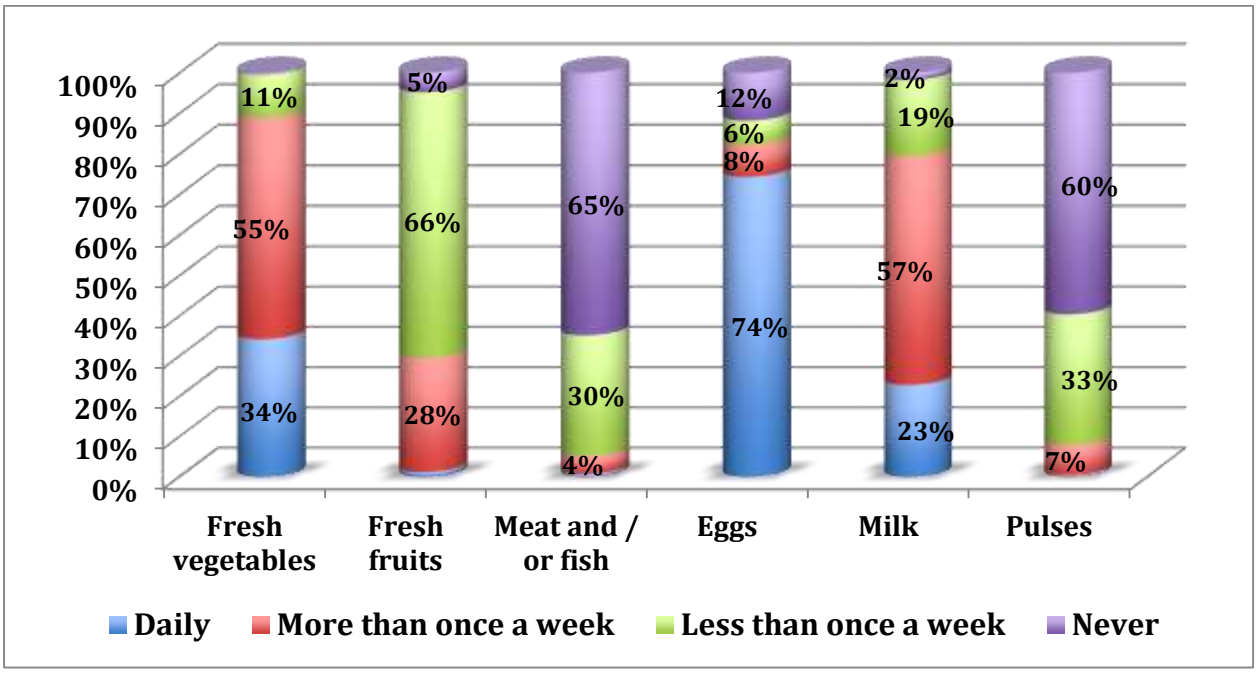
**Table 5.7.2: General Villages: Percent of households in basic income villages with specified regularity of buying food items, PFES**

| | Buying regularity | | | Due to basic income, if more |
|---|---|---|---|---|
| Food item | Less or None | Same as before | More | |
| Fresh vegetables | 16.6 | 30.9 | 52.6 | 90.7 |
| Fresh fruit | 37.4 | 35.0 | 27.7 | 86.0 |
| Meat, fish | 60.2 | 26.6 | 12.8 | 76.7 |
| Eggs | 37.4 | 25.2 | 28.6 | 74.3 |
| Milk | 19.2 | 29.5 | 63.9 | 78.5 |
| Pulses | 14.3 | 31.6 | 54.2 | 82.5 |

Source: MPUCT PFES, n= 470

When asked about regularity in consumption of certain food items, a majority of individuals in households surveyed for the PFES spoke about consuming (personally) fresh vegetables, eggs and milk either daily or more than once a week. Consumption of fruit also seemed high, but they were eaten either once a week or less. On the other hand, pulses, meat and fish seemed to be food items that were less frequently consumed (Figure 5.7.2).

**Figure 5.7.2: General Villages: Percent of individuals (head + spouse) in two basic income villages by specified regularity of consuming food items in the past 12 months**




Source: MPUCT PFES, n= 729

*"This year (2012) our family was receiving the cash transfers. With that money I bought four goats. These goats have five kids now. So now I have nine goats. I bought those four goats for 14,000 Rupees by pooling each family member's share of the cash transfer money. We bought these goats to increase our income. They also give milk that children drink and we use for making tea. Earlier we had to buy milk, but now the goat milk suffices. So we don't have to buy milk from outside. I'm thinking of paying off my debts by selling these goats now."*

Lakhandholi, Dholi (SC) caste, Datoda village

*"There is a vast change in our food habit over the last year. We used to eat roti with chutney before, but after getting this money we have been buying vegetables. Now we eat roti with sabji. Our food tastes better because we use masalas. I myself decide where and how to use the cash transfer money. All members of the family discuss about the money."*

Bhavarsingh, (SC) caste, wage labour, Malibadodia village

In sum, households that had been receiving the basic income seemed to have had a higher 'capacity' to buy more food from the market. They were also picking up slightly more from the ration shops than households in control villages (Figure 5.7.1). And there seemed to have been a shift in the food basket, with basic income beneficiaries reporting a higher propensity to purchase and consume fresh vegetables and milk.

That both the quantity and quality of food consumed had improved also seemed evident in perceptions of individuals interviewed in two basic income recipient villages for the PFES: 77% reported that the transfers had raised their personal status, primarily because of the higher quantity and improved quality of food that they could afford followed by their ability to seek medical aid. Among those who reported that their status had improved, nearly half attributed it to more and better food and 34% to more medical help (16% gave other reasons).

*"I keep unwell as I am alone and old. A few days back, I caught fever and was shivering. I went to nearby village Semalia to see a doctor and got an injection. Then I felt better. The cash transfer money, I use solely on food. This money is immensely helpful to me. I have biscuits also. I like biscuits. Since the time I am getting money, I am having whatever and whenever I want. I don't have to ask my sons for money for my ration. I bought my monthly ration and also managed to save some. Then I got some ulcers in my mouth so the Rs. 1,000 that I had saved had to be spent on the treatment."*

SurmaBai, Age- 70, unable to work on account of old age, lives alone, Kalauta, Jalodkeu

**Box 5.7.1. Are cash transfers spent on alcohol?**

One prominent claim made against unconditional cash transfers is that people would 'waste' the money on private 'bads' such as alcohol or tobacco. This is a patronizing presumption. We found no evidence of an increase in spending on alcohol, either in the general villages or in the tribal pilot. If anything, when asked whether they were buying more or less of specific food items, a slightly higher proportion of households in basic income villages said they were buying less alcohol and bhang than before.

In the tribal basic income village, nearly 12% of households said they were spending less on alcohol than before; in comparison only 1% of households in the control village said so (Table 5.7.3). Similarly, in the general village pilot, fewer households in basic income villages (both SEWA and non-SEWA) said they were purchasing more alcohol than households in control villages.

**Table 5.7.3 Tribal Villages: Change in spending on alcohol in past year**

| | BI Village | Control Village |
|---|---|---|
| Purchased More | 9.2 | 12.4 |
| Purchased Less | 11.7 | 1.0 |

Source: TV-FES, 2013; n = 217

**Table 5.7.4. General Villages: Change in spending on alcohol in past year**

| | BI Villages | | Control Villages | |
|---|---|---|---|---|
| | SEWA | Non SEWA | SEWA | Non SEWA |
| Purchased More | 2.9 | 2.4 | 6.9 | 8.0 |
| Purchased Less | 2.9 | 2.1 | 2.3 | 5.4 |

Source: MPUCT FES, 2012; n = 2034

A final issue that was explored for policy implications is whether or not households that had received the BI preferred it to buying food from the ration shop. Using perception data from the PFES, we found that of the households that received the basic income in the two BI villages surveyed for the PFES; nearly 44% had BPL or AAY cards, another 45% had APL cards, and 11% had no card. On average, those with cards had approached the ration shop 5-6 times in the six months prior to the PFES, to purchase wheat, sugar and kerosene.

However, 59% of those with BPL cards said they preferred an equivalent basic income transfer rather than collecting rations from the PDS shop, while 36% preferred the PDS and 5% did not mind either way.[106] Nearly half of those who gave a preference did not give a reason for choosing basic income rather than rations.

[106] In the MPUCT FES, when asked a similar question, about 44% of respondents in the eight basic income villages said they preferred the basic income, 32% said they preferred subsidies and about 20% were neutral (4%

Among those who preferred a basic income transfer and did give a reason for choosing it, a majority (69%) expressed that they wanted the basic income as it gave them the freedom to purchase what they liked; another 18% said that the basic income was more reliable than rations; 7% said they preferred the basic income because they had to visit the PDS shop several times to get their rations which meant losing their wages; and another 4% liked cash transfers as they thought that the rations were of poor quality.

### 5.8. Food and Credit

An interesting aspect of the basic income is that it seems to have helped households retain more of the food that they produced and smoothed their pattern of food consumption. Many households used the cash to buy food from the market instead of taking credit from moneylenders to do so, repayable in food output when their crop was harvested. This helped them reduce their "food debt".

A traditional pattern was for households to borrow to buy, say, a kilo of soybean and agree to pay back 1.5 kilo of soybean when their harvest came due. This clearly not only deprived some households of soybean in the slack season but also meant that they were effectively "mortgaging" their own food production. Cash benefits enabled them to break out of this peculiar debt cycle.

An example was a family in the basic income tribal village, Ghodakhurd. Dasrath, a landed farmer from a scheduled tribe, told our team:

> *"The cash transfer money has helped us a lot…..We saved every family member's money and we went to buy the groceries once for an entire month. Due to this, we saved on transport costs and the trouble of going to market again and again. Earlier, we had to go to the market three or four times a month and buy less each time, due to lack of cash….. Earlier, we had to buy soybean and wheat seed on credit as well….We had to buy the soybean and wheat seed from the Seth and had to pay back double the amount of soybean seed and 1.5 times that of wheat."*

To break out of such a situation is an important improvement in family welfare. Another case shows how the little makes a big difference. It was the story told us by Radha, another member of a scheduled tribe in Ghodakhurd:

> *"We buy ration for the whole month because going to the market again and again was too expensive. And if the ration ran out by the middle of the month, then we bought a little bit from the village shop, and if there were no oil and spices, we made do with salt and chilly. But we did not face that problem this year because of the cash transfers."*

said they didn't know). In contrast, in the control villages, a lower proportion of households expressed a preference for basic income (34%) compared to subsidies (40%).

## 5.9. Concluding Points

The basic income project was implemented in a context of limited diets (largely wheat-based), with malnutrition among children evident in the general villages and more so among tribal children. Most people relied on ration shops for food and fuel, and not many were happy with the quality of produce obtained from these shops. In fact, a common refrain we heard was that the uncertain availability of subsidised food at the PDS shops created pressure on households to purchase in bulk, often on credit.

Against this context, our findings suggest an overall favourable impact of basic income on food sufficiency (with bigger improvements for scheduled tribes and scheduled castes), eating habits and nutritional outcomes for children.

There is also evidence that basic income payments have beneficial effects on the composition of diets, with shifts towards more vegetables, milk, eggs, fruits and fish and meat. We also observed a shift to the market to purchase discretionary food items like vegetables and fruits, which are not available at the ration shop.

Furthermore, basic income recipient households spoke of higher production of wheat (due to increased acreage) and more livestock, translating into higher home-grown consumption of wheat, eggs and milk. That in itself should have longer-term positive effects on the health and mental capacities of children, and is a testimony to the impact a small basic income payment can have on a household's ability to choose a nutritious diet.

## Annex 1

### Table A1.1: Entitlements and Subsidies under BPL card, Madhya Pradesh, 2012[107]

| Food Item | Rate (Rs) | Average Market rate[108] (Rs) | Monthly entitlement | Monthly cost of rations (Rs.) | Annual entitlement | Annual cost at subsidised rates (Rs.) | Annual cost at Market rates (Rs.) | Net annual subsidy (Rs.) | % |
|---|---|---|---|---|---|---|---|---|---|
| Wheat | 3.0 | 14 | 30 kgs | 90.0 | 360 kgs | 1080.0 | 5040.0 | 3960.0 | 53.3 |
| Rice | 4.50 | 22 | 5 kgs | 22.5 | 60 kgs | 270.0 | 1320.0 | 1050.0 | 14.1 |
| Kerosene[109] | 15.0 | 45 | 5 litres | 75.0 | 60 litres | 900.0 | 2700.0 | 1800.0 | 24.2 |
| Sugar | 13.50 | 38 | 2.1 kgs | 28.35 | 25.2 kgs | 340.2 | 957.6 | 617.4 | 8.3 |
| **Total** | | | | **215.85** | | **2590.2** | **10017.6** | **7427.4** | **100** |

### Table A1.2: Entitlements and Subsidies under AAY card, Madhya Pradesh, 2012

| Food Item | Rate (Rs) | Average Market rate (Rs) | Monthly entitlement | Monthly cost of rations (Rs.) | Annual entitlement | Annual cost at subsidised rates (Rs.) | Annual cost at Market rates (Rs.) | Net annual subsidy (Rs.) | % |
|---|---|---|---|---|---|---|---|---|---|
| Wheat | 2.0 | 14 | 30 kgs | 60.0 | 360 kgs | 720.0 | 5040.0 | 4320.0 | 54.8 |
| Rice[110] | 3.0 | 22 | 5 kgs | 15.0 | 60 kgs | 180.0 | 1320.0 | 1140.0 | 14.5 |
| Kerosene | 15.0 | 45 | 5 litre | 75.0 | 60 litres | 900.0 | 2700.0 | 1800.0 | 22.9 |
| Sugar | 13.5 | 38 | 2.1 kgs | 28.35 | 25.2 | 340.2 | 957.6 | 617.4 | 7.8 |
| **Total** | | | | **178.35** | | **2140.2** | **10017.6** | **7877.4** | **100** |

[107]The rates given here are valid only till June 2013 when the state government began supplying wheat at one rupee per kg for BPL and Antyodaya households.

[108] The market rate is calculated on the basis of what the PDS quality goods cost in the market. The quality is slightly lower because the wheat is two –three years old, sugar is smaller grain than normal, and rice is mostly broken (choorivala chaval). In the case of rice, Basmati rice costs at least 60 rupees a kilo, and medium quality normal rice costs about 40 to 45 rupees a kilo. But the broken rice that is supplied by the PDS system usually is sold in the market at 26 -28 rupees.

[109] The rate of kerosene varies with the distance of the village from the depot.

[110]Available only sometimes, when quota comes to the ration shop.

**Table A1.3: Entitlements and Subsidies under APL card, Madhya Pradesh, 2012**

| Food Item | Rate (Rs.) | Average Market rate (Rs). | Monthly entitlement | Monthly cost of rations (Rs.) | Annual entitlement | Annual cost at subsidised rates (Rs.) | Annual cost at Market rates (Rs.) | Net annual subsidy(Rs.) |
|---|---|---|---|---|---|---|---|---|
| Wheat | 9 | 14 | 10 kgs | 90 | 120 kgs | 1080 | 1680 | 600 |
| Rice | -- | | 0 | | 0 | | | 0 |
| Kerosene | 15 | 45 | 5 litres | 75 | 60 litres | 900 | 2700 | 1800 |
| Sugar | -- | | 0 | | 0 | | | 0 |
| | | | | | | | 4380 | 2400 |

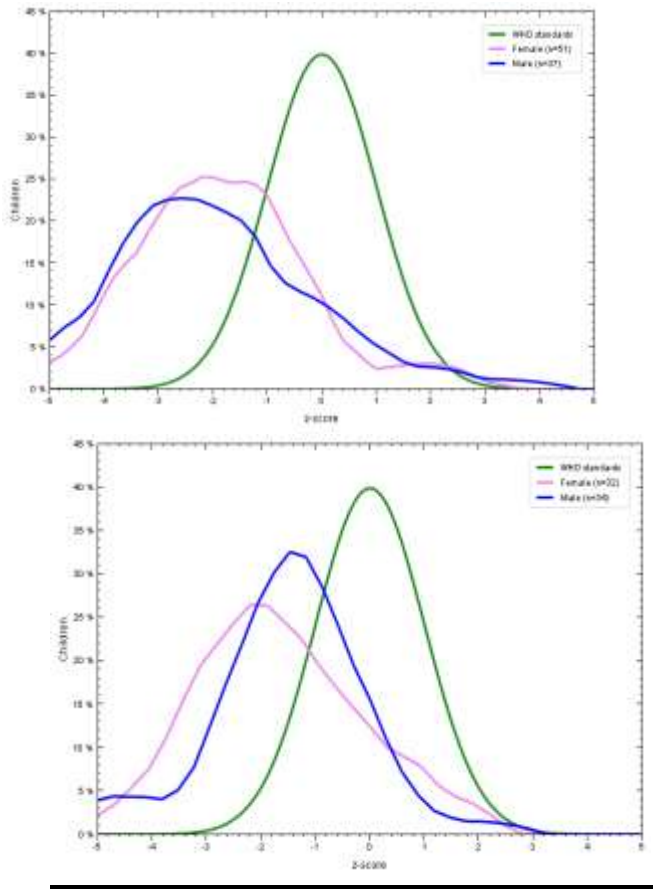
**Table A1.4:General Villages: Ownership of BPL card, by proxies for poverty**

| Own_land | BPL | Non BPL | Total | Type of roof | BPL | Non BPL | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| **Own land** | 262 | 906 | 1,168 | **Pucca** | 227 | 821 | 1,048 |
| **Row %** | 22.4 | 77.6 | 100.0 | **Row %** | 21.7 | 78.3 | 100.0 |
| **Column %** | 43.8 | 63.1 | 57.4 | **Column %** | 38.0 | 57.2 | 51.5 |
| | | | | | | | |
| **Does not own land** | 336 | 530 | 866 | **Kuccha** | 371 | 615 | 986 |
| **Row %** | 38.8 | 61.2 | 100.0 | **Row %** | 37.6 | 62.4 | 100.0 |
| **Column %** | 56.2 | 36.9 | 42.6 | **Column %** | 62.0 | 42.8 | 48.5 |
| | | | | | | | |
| **Total** | 598 | 1,436 | 2,034 | **Total** | 598 | 1,436 | 2,034 |
| | 100.0 | 100.0 | 100.0 | | 100.0 | 100.0 | 100.0 |

## Annex 2

### Figure A2.1: Weight-for-age distribution for tribal basic income village, by gender

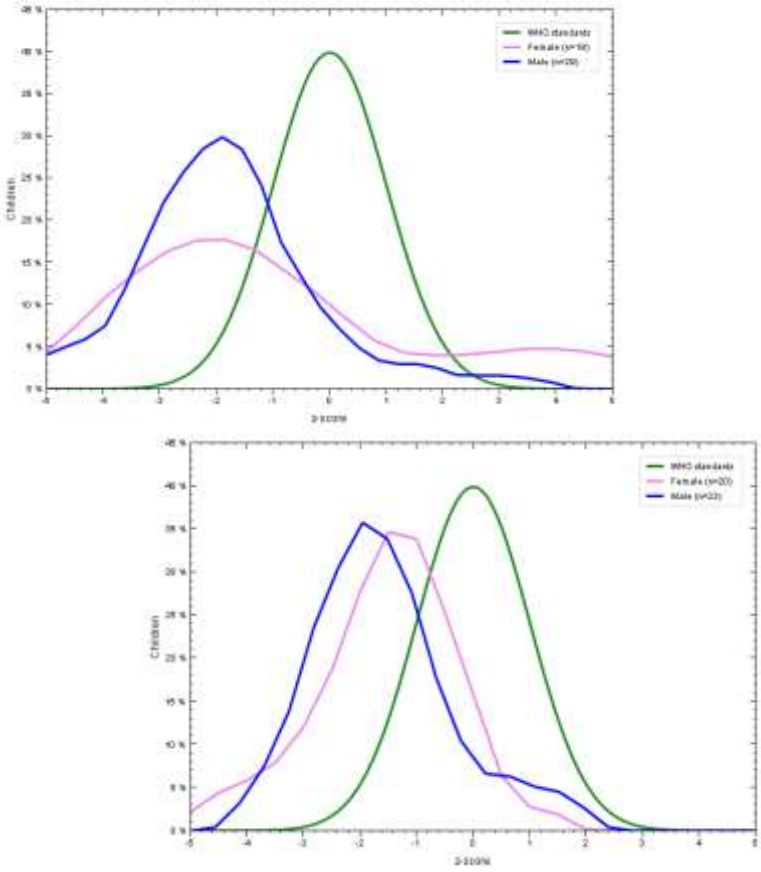
**a. TV-Baseline** **b. TV-FES**



Source: TV Baseline and TV-FES

### Figure A2.2: Weight-for-age distribution for tribal control village, by gender

**a. TV-Baseline** **b. TV-FES**



Source: TV Baseline and TV-FES

## Chapter 6: The Impact of Basic Income on Health

### 6.1. Introduction

The potential impact of basic income transfers on health is complex, given that a person's health fluctuates and that it is often difficult to separate out the determinants of particular developments. Nevertheless, we have tried to give this range of issues considerable attention in the evaluation of basic income payments, both in terms of the possible impact on the incidence and extent of illness and on the extent and type of treatment sought and obtained, including what should be described as "preventive" as well as "remedial" treatment[111].

[111] Included in what should be called preventive healthcare is the use of protection against mosquitoes.

The complexity of the likely relationships makes generalisations rather unhelpful. The well-known economist, Amartya Sen, in early 2013, dismissed cash transfers with the comment, "When you know that the health system is full of quacks and crooks, cash transfers will be a waste."

This observation over-simplifies the system and the potential links between basic income payments and health. Furthermore, it implies that all doctors, nurses and clinics are dishonest and corrupt, which is hardly the case. And having money could enable people to seek out better doctors, nurses and amenities.

That generalisation also ignores the possible effects of basic income payments on health *resilience*, enabling people to have greater resistance to sickness, through better diets, more regular medical treatment, improved sanitation in and around dwellings, diminished stress due to economic insecurity, and so on. It also ignores the potential impact on *preparedness*, or the ability of a household to respond in a timely manner to the onset of some illness or an accident of one of its members.

The conventional approach to healthcare in India has been dominated by the provision of public health services that are universal and subsidised healthcare, coupled recently by incentives to encourage resort to amenities and practices deemed by the government to be advisable. The data collected for this project, however, do not enable analysis of the effectiveness of public health delivery, and so no statements can be made regarding changes in provision of public healthcare services.

Further, and understandably so, much of the policy attention is devoted to maternal and child healthcare, which has led to declines in maternal mortality rates (MMR) and child mortality. But in addition to that, a striking feature of the villages covered by the main pilot is that a significant proportion of individuals covered by the study, 3.5%, had a long-term disability or chronic illness.

Also, in general, across all the villages there was a greater incidence of what should be called health poverty than food poverty, in that many of those who professed to have enough income for food were suffering from ill-health or disability, without easy access to affordable medical attention. That has important implications for the desirable priorities of government social policy schemes.

Although health poverty was widespread in the whole area, it was particularly so in the tribal villages. Distance to health outposts was a major issue. From Ghodakhurd, the tribal BI village, the nearest sub-centre was in Jam Bujurg, which had its own panchayat centre. But by the time of the pilot, the centre had closed.

Therefore, for their healthcare, the residents of Ghodakhurd mostly went to another sub-centre in Bargonda, 8 kilometres from the village. The available private clinics included one in Choral dam (5 kms away), one in Bassi Pipri (7 kms away) or one of two in Maind (12 kms away). The nearest Government Hospital was in the town of Mhow, 23 kms away.

For people in the control tribal village (Bhilami), distance, though considerable, was not so much of an issue. Three local doctors served the village, with their own private clinics. Residents also spoke of going to the nearest government Community Health Centre in Manpur (8 kms away). The Community Health Centre is the biggest institution of the three-tier primary health care system run by the government. The health sub-centres in both villages were mostly used for disease prevention services, notably child immunization. For other illnesses, residents in both villages relied on local private practitioners or the nearest government or private hospital.

This chapter focuses on the impact basic income payments can have on the incidence of illness, on healthcare practices (such as hospitalization and medical spending) and preventive practices such as taking out health insurance. Data come primarily from the MPUCT FES and PFES and the tribal surveys.

## 6.2. The medical system in rural Madhya Pradesh


For analysing the impact of basic income in areas covered by the pilots in Madhya Pradesh, several distinctive institutional features must be borne in mind. First, there is the government network of Primary Health Care Centres (PHCs), visiting Auxiliary Nurse Midwives (ANMs) and the Accredited Social Health Activists (ASHA workers). This system has concentrated mostly on maternal and child health (MCH), especially on child immunization and on reducing maternal mortality through giving monetary incentives to induce women to opt for institutional delivery.

The National Rural Health Mission (NRHM) has ASHAs and ANMs, whose main function is to implement these MCH and family planning programmes. In some States, they also implement DOTS to treat tuberculosis and help with the Rashtriya Swasthya Bima Yojana (RSBY). In this regard, as will be shown, data from the project indicated that the public service has been effective and fairly comprehensive, particularly with regard to child immunization.

The private system of primary health care consists of private doctors, most commonly local medical practitioners (LMPs), colloquially called “Bengali doctors” as many of them arenon-locals from West Bengal. They have been living and working in the villages for many years and have been providing a service that seems to be appreciated by villagers. As one such LMP told the research team, referring to one of the villages covered by the pilot:

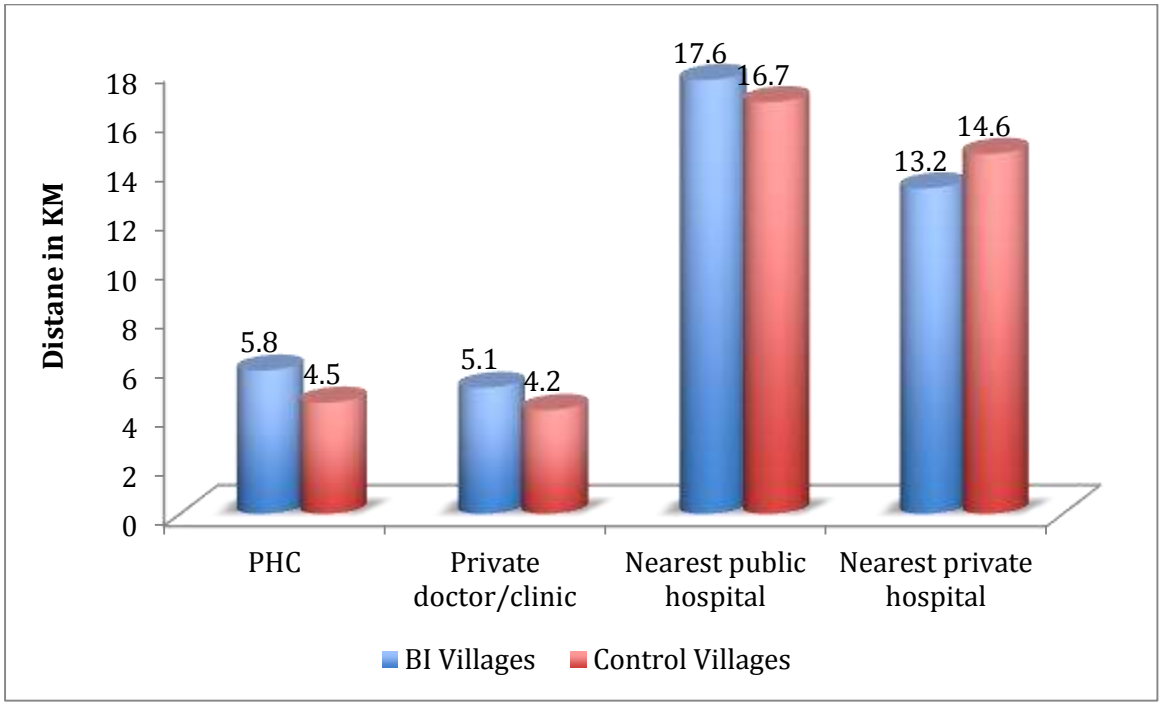
*"Many people from Sahavada come to me for treatment. If someone is seriously ill, they come to fetch me. During monsoon months, the only way to go to the village is by boat. I treat mainly seasonal illnesses. For more serious illnesses, I refer them to the hospital in Depalpur, which is 13 kilometres from here or to Indore, which is 55 kilometres from here."*

As we shall see, the Bengali doctor is often the first person to whom a sick person goes, particularly if there is an emergency or if there is only a very limited amount of money available.

The private and government hospitals are situated mainly in small towns, and are used by villagers not only for serious cases requiring hospitalization, but also often for diseases and ailments requiring outpatient treatment. Primary Health Centres within villages are used more as health outposts for first aid and immunization.

In general, the villages in the pilots were reasonably close to various healthcare institutions, with some variation. On average, the nearest public or government hospital was about 17 kilometres away, the nearest private hospital slightly less (Figure 6.2.1).

**Figure 6.2.1: General Villages: Average distance to nearest health institution**




Source: MPUCT Community Questionnaire

## 6.3. Basic income and ill-health

The possible impact of the BI on ill-health is among the more sensitive subjects in the project. And perhaps the results are among the most encouraging. After all, across India, ill-health and disability associated with deprivation and lack of access to preventive and remedial health-care are among the most serious social and economic challenges, leading to chronic poverty or falls into poverty.

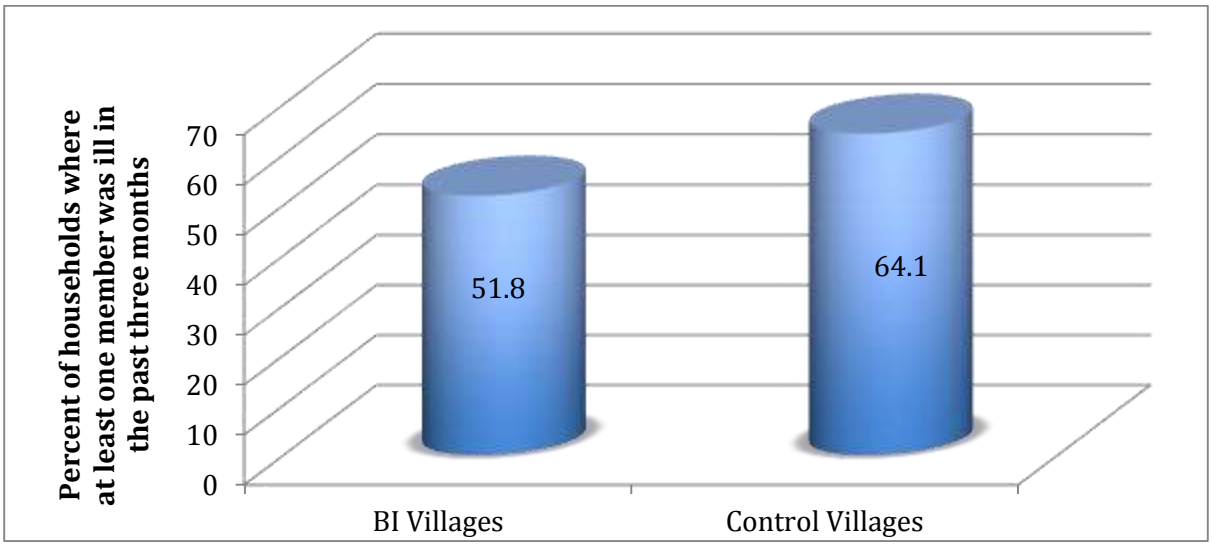
In this section, we consider the incidence of ill-health and the possible impact of basic income transfers. An important contextual factor was the creeping privatisation of health services, and the increasing resort to private services, seemingly not by design but as a result of failings in the public services.

### *a. Reducing incidence of illness and death*

In the general villages, all households were asked if any of their members had fallen ill in the past three months, where illness meant lasting for more than 24 hours, that is, needing treatment but not hospitalization. From the twenty villages, a total of 1,988 individuals had experienced some illness, 53% of whom were women.

Strikingly enough, households receiving the basic income were less likely to report an incidence of illness than those that had not been receiving them (Figure 6.3.1).[112]This pattern held for all social groups(Figure 6.3.2). And fewer basic income households had more than one person who had been ill (Figures 6.3.3).

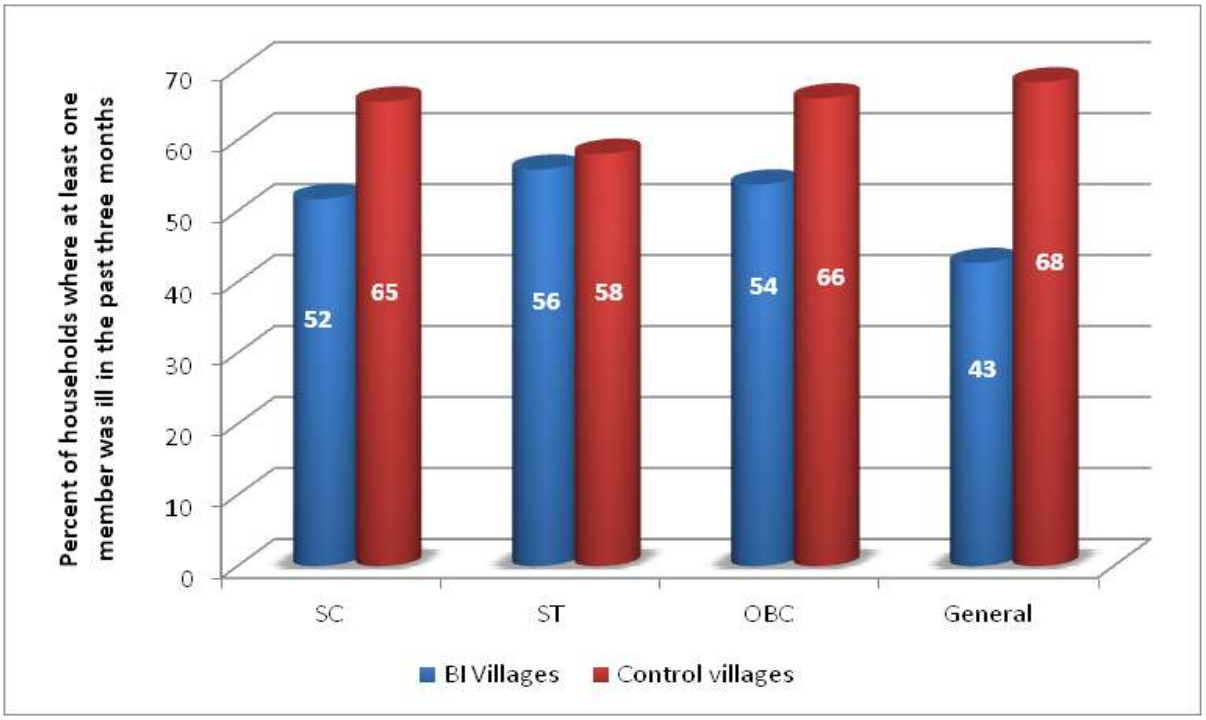
**Figure 6.3.1: General Villages: Percent of households where at least one member was ill in the past three months, by type of village**




Source: MPUCT FES 2012, n= 2034

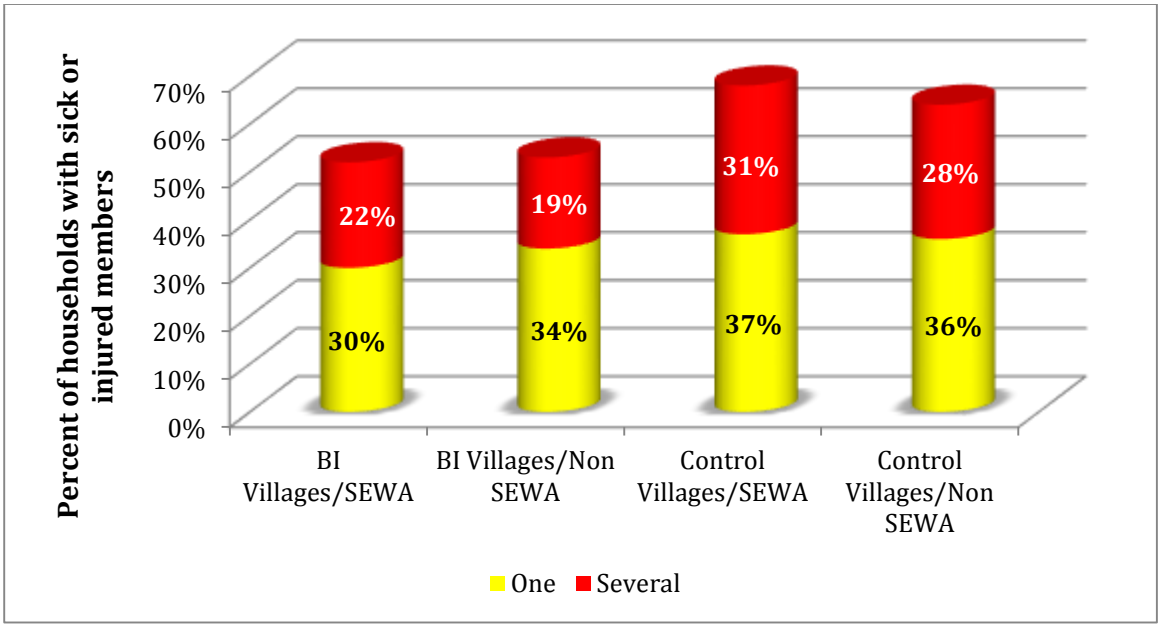
**Figure 6.3.2: General Villages: Percent of households in which at least one member was ill in the past three months, by social group and type of village**

[112]No significant differences were observed between SEWA and non SEWA villages.




Source: MPUCT FES 2012, n= 2034

**Figure 6.3.3: General Villages: Percent of households having sick or injured members in past 12 months, by type of village**




Source: MPUCT FES 2012, n= 2034

The most common illnesses and injuries in both types of village were fractures followed by gastroenteritis, body pain, physical disability, fever, blood pressure and breathing or respiratory tract problems. Whereas the ill in the basic income villages were mostly taken to private hospitals or private doctors, the share taken for private treatment was lower in the control

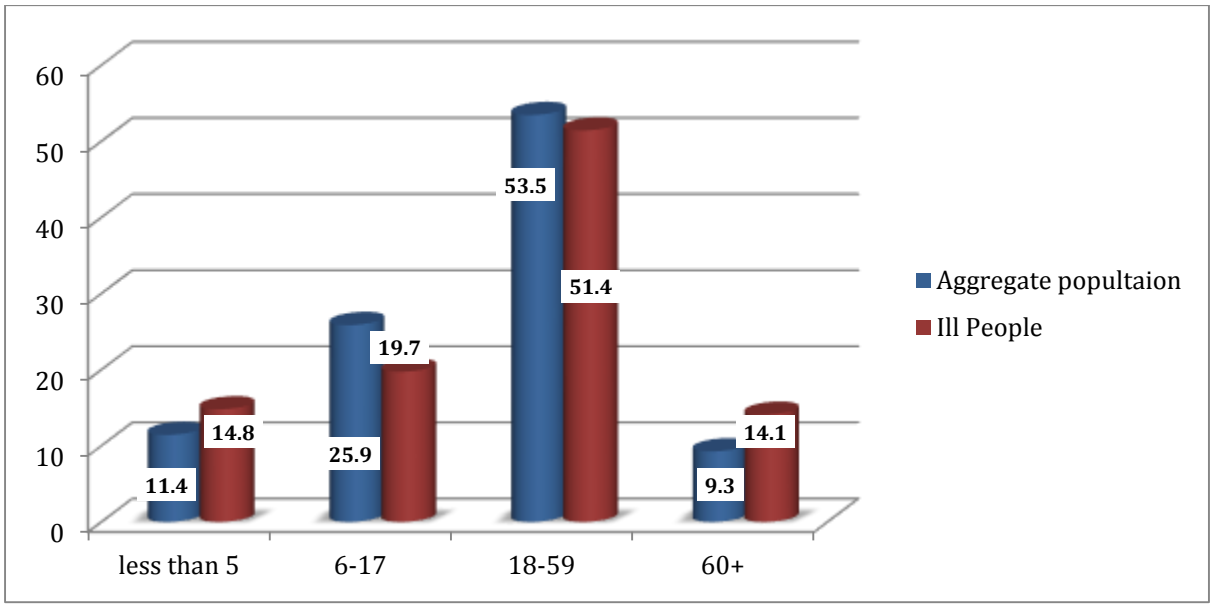
villages. Instead, government hospitals were more commonly used as the first form of medical treatment, an issue discussed in the next section.

Among those falling ill in all the general villages in the three months prior to the FES, 51.4% belonged to the prime-age or working-age group (18-59 years), 14% were elderly, and 5.1% had some kind of disability.

When compared to their shares in the total population, the elderly (those above age 60) and children (below the age of 5) had a relatively higher propensity to fall ill, compared to their share in the aggregate population (Figure 6.3.4), which conforms with the general view of these groups as having a higher vulnerability to disease or illness. This applied in both the BI and control villages.

However, all groups – men, women, the elderly, the disabled or those of working age – experienced a lower incidence of illness if they lived in BI villages than in the control villages (Table 6.3.1). Interestingly, the incidence of illness among the elderly was lower in SEWA villages, than in non-SEWA villages, (by nearly 3 percentage points), irrespective of whether or not the village received the basic income.

**Figure 6.3.4: General Villages: Percent of individuals falling ill, by age group and by share in population**




Source: MPUCT FES, 2012

**Table 6.3.1: General Villages: Percent of individuals falling ill, by individual characteristics and type of village**

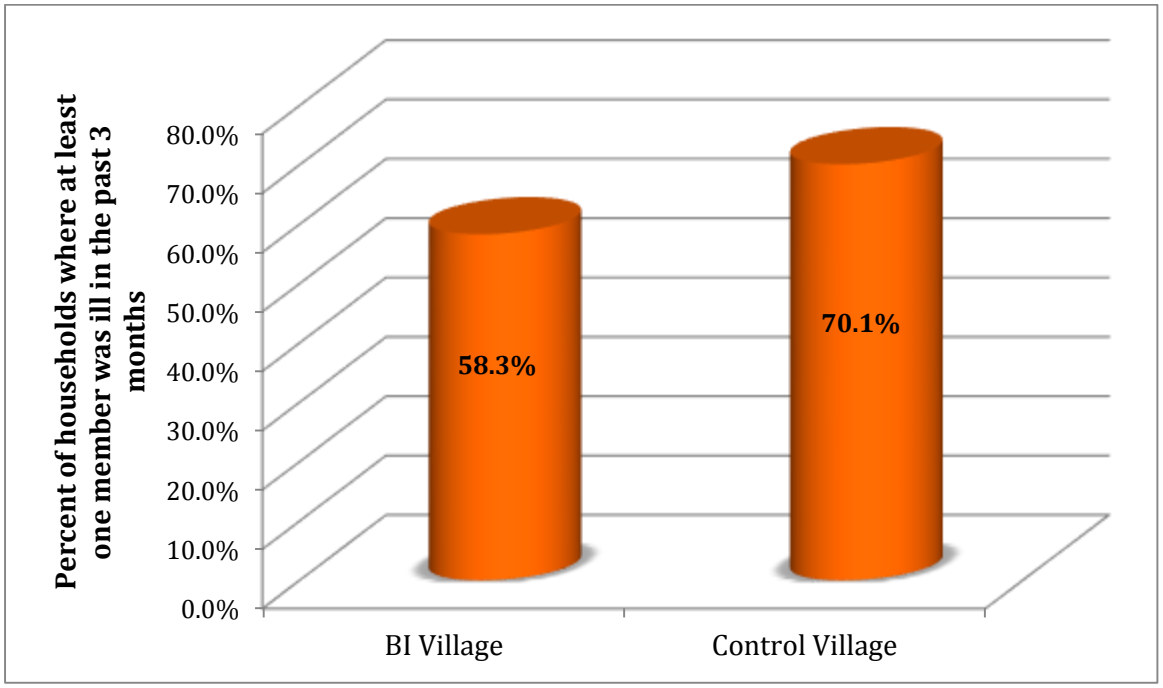
| | Men | Women | 0-5 years | 6-17 years | Working age (18-59 years) | Elderly | Disabled |
|---|---|---|---|---|---|---|---|
| BI Villages | 13.1 | 15.5 | 18.0 | 10.1 | 13.8 | 23.7 | 19.0 |
| Control Villages | 18.5 | 20.0 | 25.1 | 15.3 | 18.5 | 27.9 | 29.0 |

Source: MPUCT FES, 2012; n=1988

As in the case of the general villages, in the tribal village the BI seemed to affect the health condition of beneficiaries. While households in the control village of Bhilami were more likely to report an incidence of illness(70% had at least one person with an illness in the three months before the Tribal FES), a lower proportion (about 58% of households) in the BI village (Ghodakhurd) reported an illness in that period (Figure 6.3.5).

In particular, a 15-percentage point difference was observed between women in the BI village and the control village in the incidence of illness, with women in the former observing a lower incidence (in comparison, an 11 percentage point difference was seen for men).

**Figure 6.3.5: Tribal Villages: Incidence of Illness, by receipt of basic income, TV-FES, 2013**




Source: TV-FES, 2013; n=217

The duration of the pilot was surely too short to expect any observable effect of the extra income on mortality. However, for the record, the incidence of death in the 12 months covered by the FES was marginally lower in the basic income villages. In the general BI villages, according to the FES, 29 individuals died in the past 12 months, in control villages, the number was 32. While a high proportion of those who died in both villages were elderly, the share of children and women dying was higher in control villages than in BI villages.

### *b. Improvement in health condition*

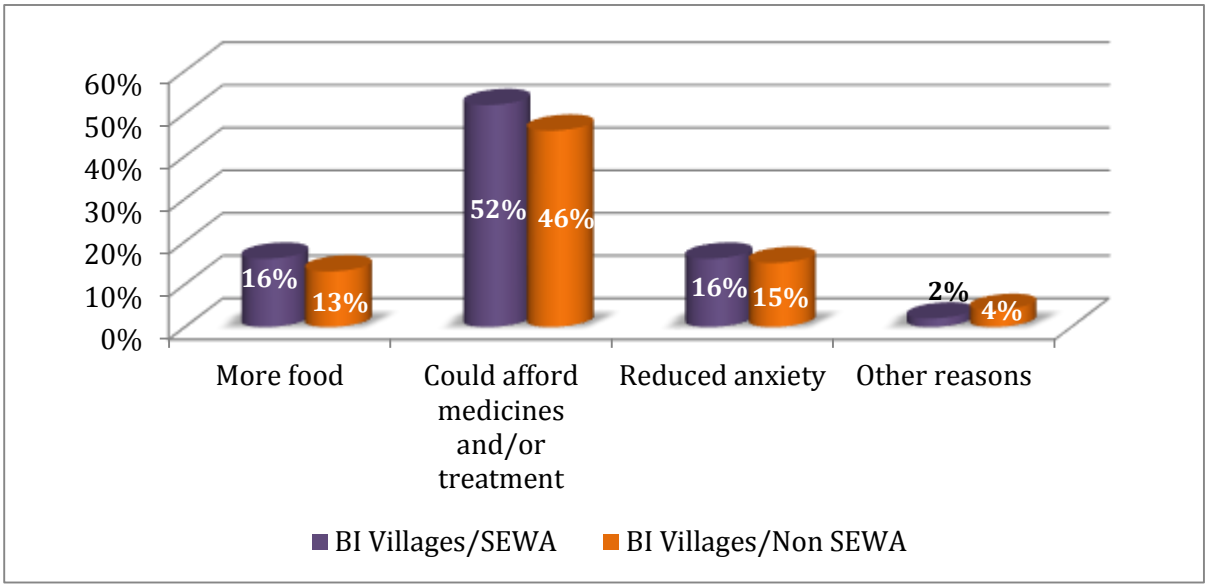
Even in the initial period of the pilot in the general villages, when we conducted the Interim Evaluation Survey, the basic income payments seemed to have been associated with an improvement in health, with the main reason being households could afford medicines or treatment (Table 6.3.2). A slightly higher proportion of households in SEWA villages spoke of an improvement in their health condition on account of being able to afford medicines/treatment (Figure 6.3.6).

**Table 6.3.2: General Villages: Percent of BI households with health improvement, by perceived main reason (IES)**

| Main reason for health improvement | Percent of households with health improvement |
|---|---|
| No change | 22.7 |
| More food | 13.8 |
| Could afford medicines and/or treatment | 48.8 |
| Reduced anxiety | 13.4 |
| Other reasons | 1.3 |

Source: MPUCT IES, 2012, n=471

**Figure6.3.6: General Villages: Percent of BI households with health improvement, by perceived main reason and type of village (IES)**

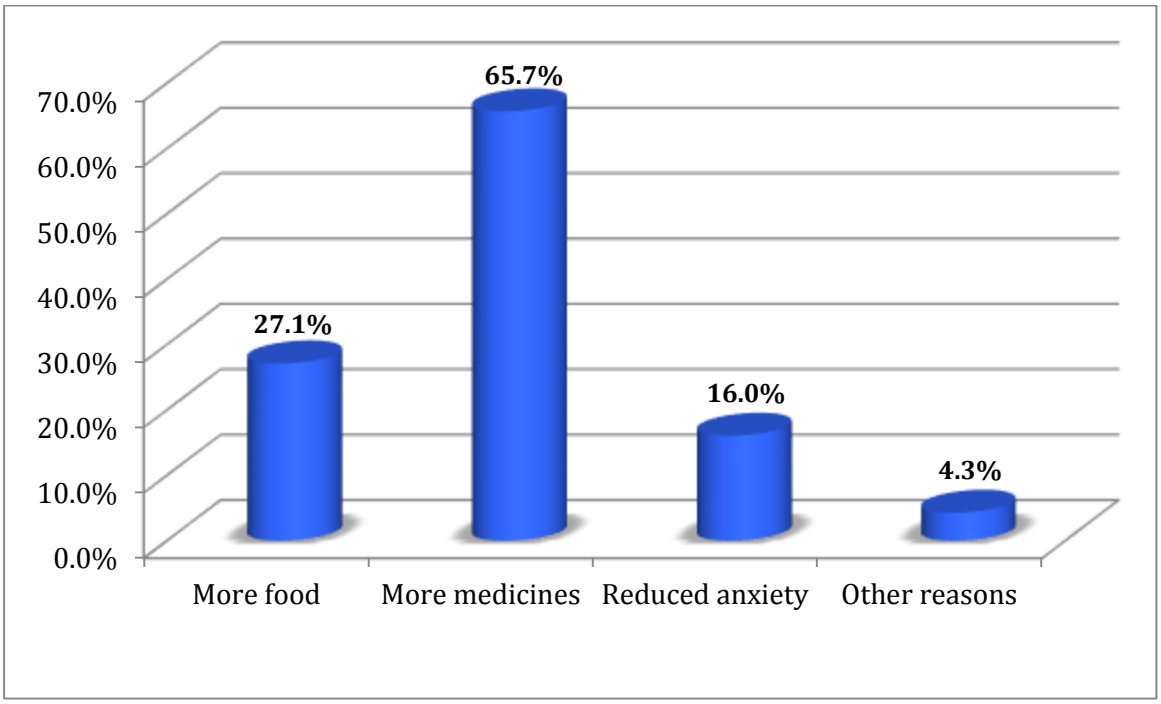



Source: MPUCT IES, 2012, n=471

This trend persisted until the FES wherein three-quarters of BI beneficiary households (75.4 percent) in the general villages attributed the improvement in their health partly or fully to the basic income payments.

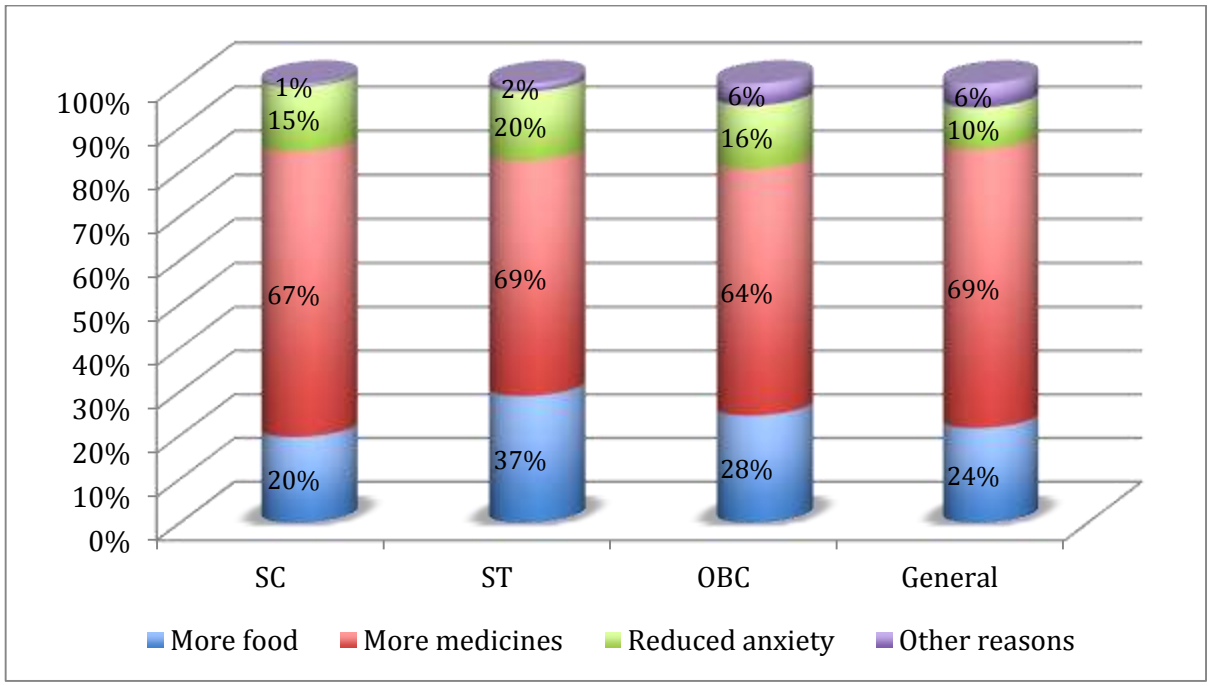
When asked what they thought was the main reason or channel through which an improvement in health had been obtained, a majority of BI recipients (65.7%) interviewed for the FES said that the basic income had enabled them to afford medicines and/or treatment (Figure 6.3.7).Some households (around 27%) also spoke of having food more regularly and how the cash had helped reduce anxiety levels (16%), leading to a perceived improvement in their health. Interestingly, scheduled tribe respondents put more weight on regular food intake as a reason for improvement in their health, relative to other groups, emphasizing the importance of food sufficiency for this vulnerable group (Figure 6.3.8).

**Figure6.3.7: General Villages: Percent of BI households with health improvement, by perceived main reason (FES)**




Source: MPUCT FES, 2012; n=705; multiple responses possible

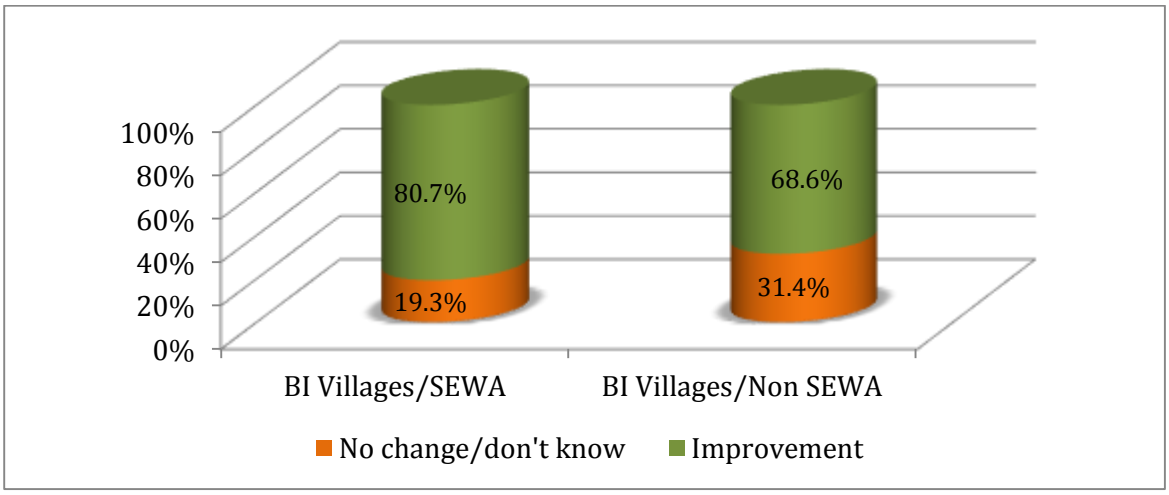
**Figure6.3.8: General Villages: Percent of BI households with health improvement, by perceived main reason and social group (FES)**




Source: MPUCT FES, 2012; n=705; multiple responses possible

More households in SEWA villages spoke of improvement in their health (80.7 %) compared to those in non-SEWA villages (68.6%) (Figure 6.3.9).It is not clear why there seemed to be a SEWA effect in this respect. Higher food consumption could be a potential reason. For example, when asked what had led to an improvement in their health, 29% of households in SEWA BI villages spoke of being able to afford more food compared to 24% of households in non-SEWA villages that had received the BI (Table 6.3.3).

**Figure6.3.9: General Villages: Perceptions of basic income recipient households about changes in their health, by type of village**




Source: MPUCT FES, 2012; n=705

**Table 6.3.3: General Villages: Perceptions of BI households who reported improvement in household health, by type of village and perceived main reason**

| Reason | BI Villages/SEWA | BI Villages/Non SEWA |
|---|---|---|
| More food | 29% | 24% |
| More medicines | 66% | 65% |
| Reduced anxiety | 15% | 18% |
| Other reasons | 3% | 6% |

Source: MPUCT FES, 2012; n=705; multiple responses possible

The major implication of the findings in this section is that the basic income payments had seemed to facilitate a more rational response to illness, largely through acquiring medicines and taking them regularly. A higher intake of food explained potential improvement in health condition for ST households and households in SEWA villages.

This is an aspect of healthcare that is well-known but under-appreciated. Lack of money induces people to curtail treatment when they start to think they are feeling better. Medical expertise shows that courses of treatment must be completed to be effective. Basic income can have an unanticipated positive effect in that regard.

## 6.4. The impact of basic income on healthcare practices

One of the justifications for implementing an unconditional basic income scheme is the proposition that there is no need to require recipients to undertake medical care or preventive measures because they will be able to work out that they are desirable anyhow. It would be sufficient to make facilities available and to provide public education on the reasons people should take the actions that would be advantageous.[113] This implies that they would act rationally.

### *a. Preventive practices: Immunization*

Let us take this step-by-step. We found that the basic preventative measure of immunisation was well covered in all our pilot villages. Levels of child immunization were over 90% in both the 20 general villages and the two tribal villages covered for the pilot (Table 6.4.1 and Figure 6.4.1 respectively), except for the MMR where that rate was slightly below 90%.Aslightly higher proportion of children received immunization in BI villages as compared to control villages. Moreover, more boys as compared to girls received immunization in BI villages, a trend that was the opposite to what happened in the control villages where more girls received immunization. However, the overall rates were so high that none of these differences could be regarded as significant.

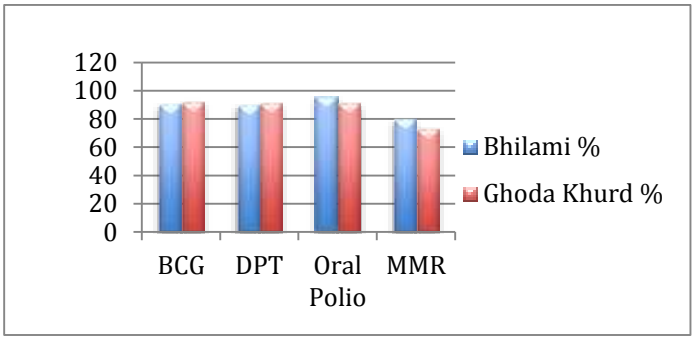
[113]In Brazil, with the mildly conditional BolsaFamilia, it was found that the condition that families had to take designated actions if they wanted the cash had no impact on the frequency of health check-ups or child immunisation Soares et al, 2010, op. cit..

**Table 6.4.1: General Villages: Percentage of children that had received the following immunizations, by gender and type of village**

| | Boys | | Girls | | |
|---|---|---|---|---|---|
| | **No.** | **Percent** | **No.** | **Percent** | **Total** |
| **BCG- BI** | 286 | 97.9 | 241 | 96.0 | 527 |
| **BCG- Control** | 347 | 96.9 | 322 | 97.6 | 669 |
| **DPT-BI** | 282 | 96.6 | 236 | 94.0 | 518 |
| **DPT- Control** | 343 | 95.8 | 323 | 97.9 | 666 |
| **Polio- BI** | 290 | 99.3 | 242 | 96.4 | 532 |
| **Polio – Control** | 348 | 97.2 | 327 | 99.1 | 675 |
| **MMR-BI** | 266 | 91.1 | 217 | 86.5 | 483 |
| **MMR- Control** | 316 | 88.3 | 292 | 88.5 | 608 |

Source: MPUCT FES, 2012

**Figure6.4.1: Tribal Villages: Immunization Rates**




Source: Tribal FES survey

### *b. Who do you go to when ill? First point of contact*

Beyond the immunisation process, consider what happens when somebody shows signs of having an illness or disease. To whom if anybody do they go first? Data from the MPUCT FES indicated that the most common practice in the larger 20 village sample was to go to a "private hospital" (41%), followed by private doctors or local medical practitioners (34.3%) and then government hospitals (18.1%).

One may presume that the first and second categories include some families that resorted to the so-called 'Bengali' doctors. Only just over 1% said they went to a primary health centre, ANM nurse or ASHA organiser. This is remarkable, since it suggests that very few households were using a public health facility as a first point of contact.

Discussions in the villages revealed that public health facilities were used by residents primarily for preventive care, particularly for the immunization of children, the levels ofwhich were very high, as shown in the previous section. However, when it came to illnesses that did not necessarily require hospitalization and that could be addressed through outpatient care,

most respondents in both types of villages (BI and control) reported using private hospitals, local doctors and government hospitals.

Over the period of the pilot, use of government hospitals as a first port of call in the case of illnesses declined in the general villages (down from 20% to 18%). More private hospitals and primary doctors were being used at the time of the FES – private hospitals up from 39.8% to 41%, and primary doctors and local healthcare practitioners up from 32.9% to 34.3%.

But was the shift from public to private healthcare more in the Basic Income villages? At the time of the FES, 50% of households in basic income villages said that in cases of illness their first point of contact was a private hospital, followed by a private doctor or local medical care practitioner/chemist/medical shop (35%). Only 12% went to government hospitals (Figure 6.4.2).

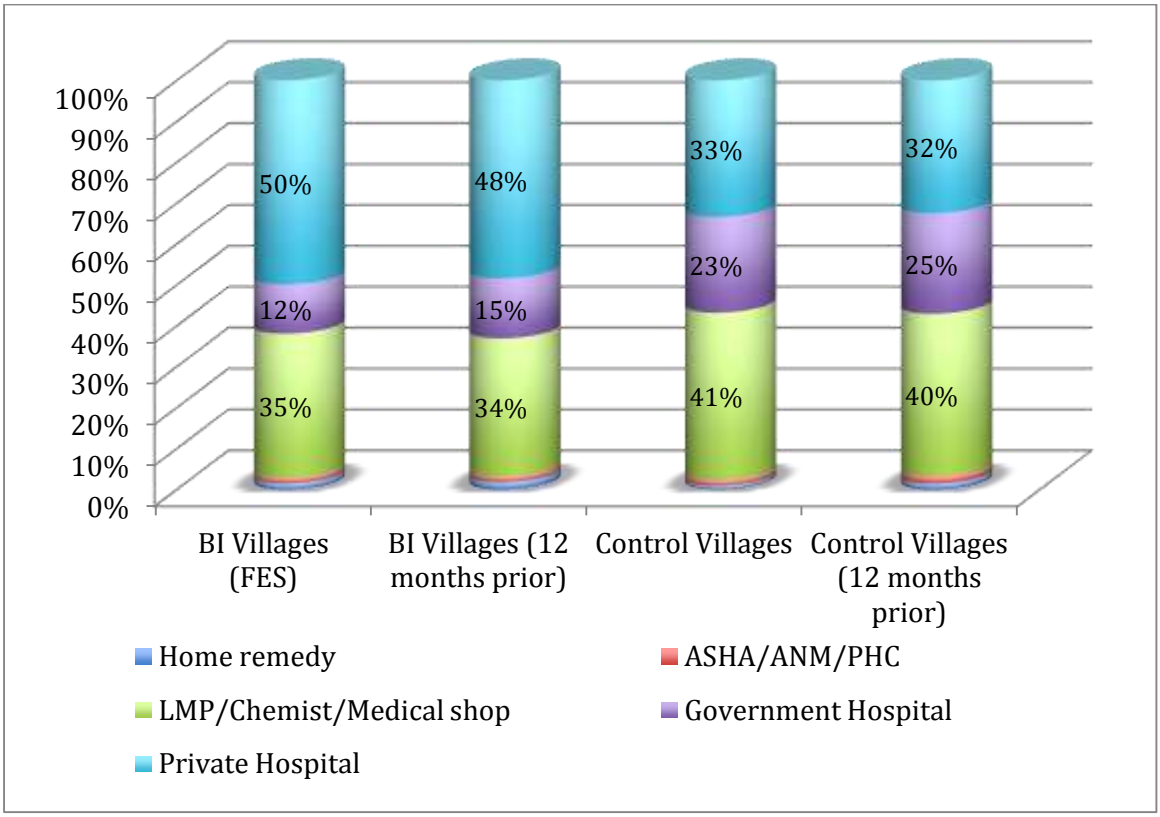
However, it was not that the BI had induced them to shift to private health care. While there was indeed a shift from government hospitals to private health services in BI villages – a slightly higher share of beneficiary households went to private hospitals than they did a year ago (50% compared to 48%) – that shift was modest. The main reason was that more households in BI villages were already using private health care services, and the basic income payments over the year only increased an already strong tendency to rely on private healthcare.

By comparison, in the control villages, 33% of households opted for a private hospital as a first point of contact at the time of the FES (up only marginally from 32% 12-months prior) and 41% went to local doctors/chemists/medical shops, the same as 12 months before. There was a modest decline observed in the use of government hospitals, from 25% to 23%.

In sum, by the end of the pilot, about 85% of patients were being taken to a private practitioner/doctor/hospital as a first point of contact in BI villages as compared to 74% in control villages.

The shift was also seen in the Post-Final Evaluation Survey (PFES), the short survey aimed at gathering perceptions from respondents in two BI villages regarding the impact of the benefits on various aspects of their life. Respondents confirmed the shift to private hospitals with 35.8% reporting that they had started using more private health care services than earlier, 49.7% saying that there had been no change, another 11.8% saying that they had started using more of both public and private health care, and only 2.7% saying that they had been using more government medical services than 12 months before.

**Figure6.4.2: General Villages: Percentage of households using different types of health facilities as first point of contact**




Source: MPUCT FES, 2012; n=2035

However, the pattern of shift to private health care was slightly different in SEWA and non-SEWA villages. Over the 12-month pilot period, while households in SEWA villages receiving basic income moved away from government hospitals to private doctors, those in non-SEWA villages seemed to move to private hospitals. Basic income payments also led people, across all social groups to shift to private doctors (Table 6.4.3).

**Table 6.4.2: General Villages: Shifts in usage of different health facilities as first point of contact, by type of village**

| | BI/SEWA | BI/Non SEWA | Control/SEWA | Control/Non SEWA |
|---|---|---|---|---|
| Home remedy | 0.0% | -0.7% | -0.8% | -0.4% |
| ASHA/ANM/PHC | -0.2% | 0.2% | 0.2% | -0.9% |
| LMP/Chemist/Medical shop | 2.5% | 0.2% | 1.9% | 0.5% |
| Government Hospital | -3.1% | -2.2% | -2.3% | -0.2% |
| Private Hospital | 0.8% | 2.4% | 1.0% | 0.9% |

Source: MPUCT FES, 2012; n=2031

**Table 6.4.3: General Villages: Shifts in usage of different health facilities as first point of contact in BI villages, by social group**

| | SC | ST | OBC | General |
|---|---|---|---|---|
| Home remedy | -0.01 | -0.01 | 0.00 | 0.00 |
| PHC/ANM/ASHA | 0.03 | 0.01 | 0.00 | 0.01 |
| LMP/Chemist/Medical Shop | 0.24 | 0.25 | 0.31 | 0.19 |
| Government hospital | -0.12 | -0.09 | -0.05 | 0.01 |
| Private hospital | -0.13 | -0.19 | -0.27 | -0.21 |
| Other | 0.00 | 0.03 | 0.00 | 0.00 |

Source: MPUCT FES, 2012; n=938

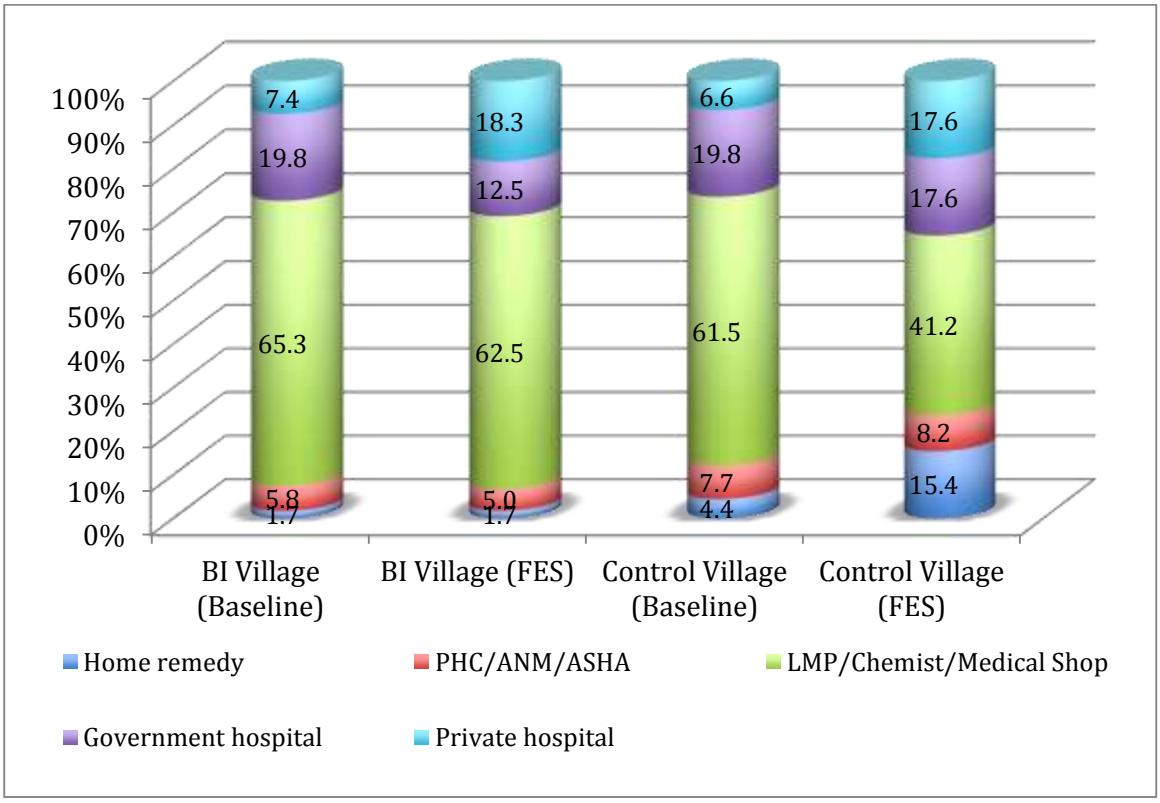
In the tribal villages, when people fell ill, if not by enough to require hospitalization, their first port of call tended to be the local medical practitioner or local chemist shop, while their second preference was the outpatient department of the nearest hospital. This pattern could have been because of not having functional PHCs in the vicinity of their respective areas.

For residents of the control village, Bhilami, there was no PHC nearby, so that they had to rely on a CHC in Manpur (8 kms away), which they referred to as a hospital. In the case of the basic income village, Ghodakhurd, as the local sub-centre was not functioning, their first port of call was the LMP in Choral Dam or Bassi Pipri or Maind. However, villagers who had bikes preferred to go to Mhow and combined a doctor's visit with trips to the market in Mhow, which they used to obtain provisions.

The evaluation surveys in the tribal villages were conducted in January 2012, July 2012 and January 2013. During this period, many households in both villages changed their health care practices. The shifts may have been due in part to supply changes or to changing perceptions of villagers. However, the main first method of treatment in both villages remained local practitioners or chemists (53%), followed by outpatient departments of private hospitals (18%), government hospitals (15%) and home remedies (8%).

Interestingly though – as in the case of the general villages – the BI beneficiaries were more likely to have shifted to private hospitals, while in the control village, even though LMPs remained the main first preference, there was a shift to home remedies (Figure 6.4.3).

**Figure 6.4.3: Tribal villages' first point of contact when ill: Shifts over time**




Source: Tribal Surveys

### *c. Regularity of medicines*

Returning to the larger pilot, a related finding was that there was considerable growth in the regularity of taking medicine in BI villages. This was supported by the case studies, as well as by the FES data.

It is fairly clear that the BI induced people to take medicine more regularly. When asked whether there had been any changes in the type of medical treatment accessed in the past 12 months, nearly 15% of recipients reported taking medicines more regularly (17% in SEWA villages, 12% in non-SEWA villages) (Figure 6.4.4).

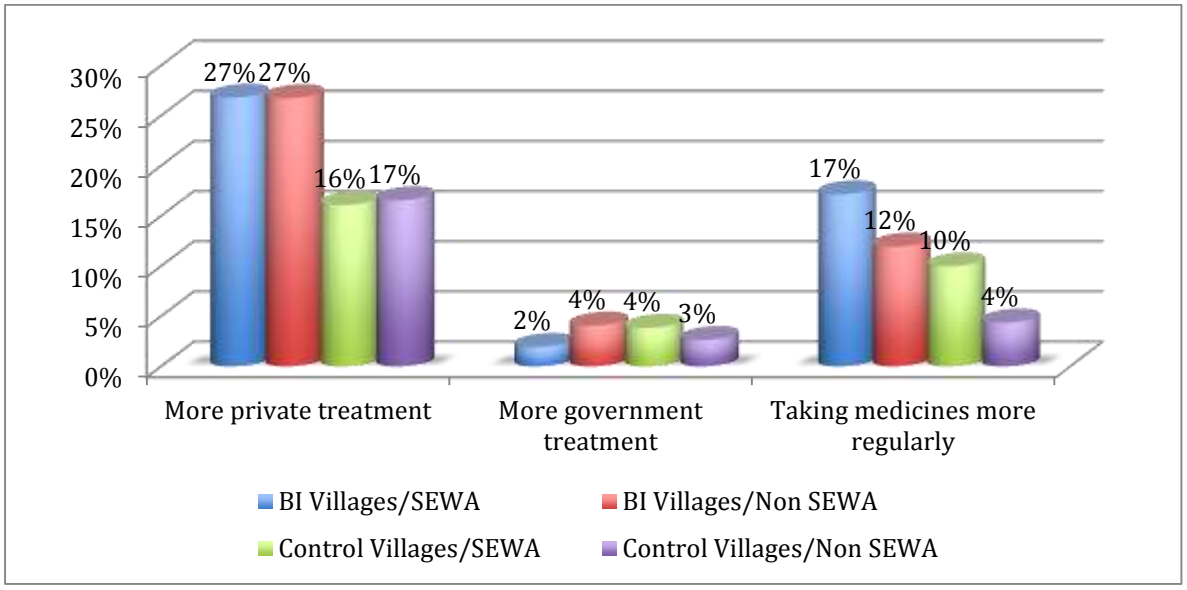
In this case, the SEWA effect was quite clear. It is our contention that the combination of women getting some cash and being a member of SEWA resulted in some important changes in healthcare behaviour. Households belonging to BI and SEWA villages said that their health had improved, some of them had increased their private care but the SEWA effect was especially visible in the regular intake of medicines.

During the course of the pilot, women often expressed concern about the health of their families and their own health, and felt they did not know what to do in many circumstances. Here, SEWA's actions were three pronged. First, women wanted to know more on how they can take care of their health, more about preventive actions. Second, they complained about not receiving health care they were entitled to from the Government and finally, they worried about whether It was right to spend money on their own health care. On all these aspects, SEWA

agewans guided women. So that they could do so effectively, information about health care facilities was imparted to all SEWA leaders through training. They were taught practically as to how to monitor the work of an ANM or an ASHA worker and where to file complaints in case they were found to be not performing their duties properly. During the regular meetings and visits also, SEWA workers monitored these activities.

Households in BI villages also associated regular medication with improvement in their health as seen earlier in section 6.3. Fewer households in control villages spoke of a shift in their medical treatment. Among those who did, the primary shift seemed to be that of opting for private treatment, not taking medicines more regularly.

**Figure 6.4.4: General Villages: Percentage of households with change in type of medical treatment**




Source: MPUCT FES, 2012; n=2035

Among the basic income recipients who reported having made a change in their medical treatment, about three in every four said the change was partly or fully due to the basic income transfers.

In the tribal villages, there was also a set of changes in medical practices that were similar to what was going on in the other villages. Table 6.4.4. shows that in the basic income village more private treatment was taken and also medicines were taken regularly.

**Table 6.4.4: Tribal Villages: Change in Medical Treatment**

| Change in treatment | BI Village | Control Village |
|---|---|---|
| More private treatment | 36.0 | 24.0 |
| More government treatment | 1.8 | 1.1 |
| Taking medicines more regularly | 22.3 | 3.6 |
| No changes or don't know | 40.9 | 70.6 |

Source: Tribal IES Survey

### *d. Medical spending*

The amount of basic income was very modest in comparison to healthcare costs faced by most villagers. Yet it appears that one of the most important findings in the project could be that households receiving basic income payments were more likely to have increased spending on all aspects of medical care.

For some reason, the IES showed this more than the FES. Table 6.4.5 shows that at the time of the IES, the differences were statistically highly significant for spending on medicines, doctor's treatment and hospital treatments, with households receiving the basic income being more likely to have increased spending in each case.

**Table 6.4.5: General Villages: Percent of households with increase in medical spending, by whether receiving cash transfer**

| | Receiving Basic Income | | |
|---|---|---|---|
| **Area of spending** | **Yes** | **No** | **Chi Square** |
| **Medicines** | 77.3% | 63.1% | 21.971*** |
| **Doctor fees** | 68.4% | 57.4% | 21.683*** |
| **Hospitalization** | 65.9% | 53.1% | 15.227*** |

Source: MPUCT IES, 2012; n=893

Table 6.4.6 shows that this pattern was reproduced at the time of the FES, but, possibly due to sampling differences, the strength of the relationship was weaker. Households receiving the basic income were more likely (if only slightly so) to have increased spending in each case.

**Table 6.4.6: General Villages: Percent of households with increase in medical spending, by whether receiving cash transfer**

| | Receiving cash transfer | |
|---|---|---|
| **Area of spending** | Yes | No |
| **Medicines** | 57.1 | 55.3 |
| **Doctor fees** | 56.3 | 54.2 |

Source: MPUCT FES, 2012

No major differences were observed between SEWA and non-SEWA villages by the time of the FES except that households receiving basic income in non-SEWA villages were slightly more likely to have increased their spending on doctors and medicines viz. counterparts in control villages (Table 6.4.7).

**Table 6.4.7: General Villages: Percent of households with increase in medical spending, by whether receiving cash transfer and type of village**

| **Area of spending** | **IES** | | | | **FES** | | | |
|---|---|---|---|---|---|---|---|---|
| | BI/SEWA | Control/ SEWA | BI/ Non SEWA | Control/ Non SEWA | BI/SEWA | Control/ SEWA | BI/ Non SEWA | Control/ Non SEWA |
| **Medicines** | 79 | 63 | 77 | 64 | 59 | 59 | 56 | 52 |
| **Doctor fees** | 68 | 55 | 70 | 59 | 58 | 58 | 54 | 50 |

Sources: MPUCT Surveys

Among those who reported increased spending in BI villages on both these items, a majority (64.6%) attributed the increase partly or fully to the BI transfers, with a greater proportion of households in SEWA villages saying they were able to increase their medical spending on account of the BI transfers (72%), than in non SEWA villages (60%).

Further, disaggregating the data by social groups, it seemed the Scheduled Caste households particularly in SEWA villages were the ones mainly benefiting in this respect, significantly increasing their spending, both on medicines and doctors, compared to counterparts in control villages (Tables 6.4.8 and 6.4.9). A majority (nearly 63%) attributed this increased spending partly or fully to basic income payments.

**Table 6.4.8: General Villages: Percent of households with increase in spending on medicines, by type of village and by social group**

| | BI Villages | | Control Villages | |
|---|---|---|---|---|
| **Spending on medicines** | SEWA | Non-SEWA | SEWA | Non-SEWA |
| **SC** | 65.1 | 59.8 | 58.0 | 51.8 |
| **ST** | 52.1 | 52.4 | 52.5 | 52.1 |
| **OBC** | 57.5 | 54.4 | 63.2 | 52.4 |
| **General** | 52.8 | 62.3 | 60.2 | 49.0 |

Source: MPUCT FES, 2012

**Table 6.4.9: General Villages: Percent of households with increase in spending on doctors, by type of villages and by social group**

| | BI Villages | | Control Villages | |
|---|---|---|---|---|
| **Spending on doctors** | SEWA | Non-SEWA | SEWA | Non-SEWA |
| **SC** | 66.3 | 59.8 | 54.7 | 51.3 |
| **ST** | 55.0 | 47.6 | 52.5 | 52.2 |
| **OBC** | 57.5 | 51.5 | 63.3 | 51.5 |
| **General** | 50.0 | 60.4 | 58.5 | 47.0 |

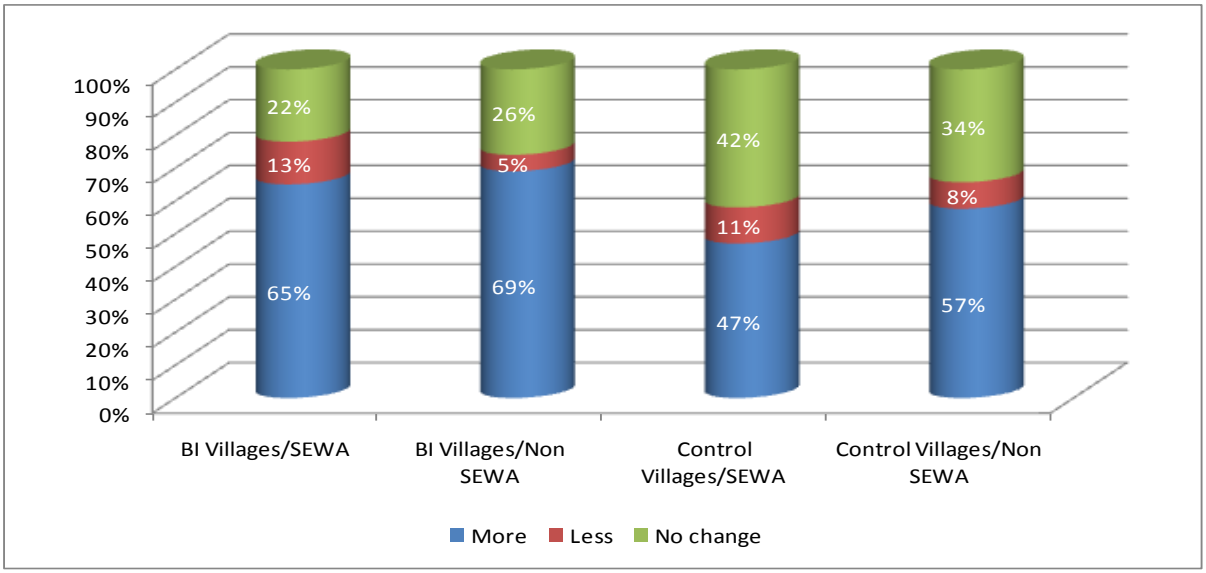
Source: MPUCT FES, 2012

### *e. Hospitalization*

Hospitalization is the outcome of three factors, not just the obvious one of needing to go to a hospital due to an illness, chronic condition or accident. It is also affected by the availability of a hospital or clinic and the ability of the sick or injured person to go to and afford a hospital treatment. It is well known that many people, particularly those with low incomes and lack of education, who should ideally go to hospital, do not do so.

Spending on hospitalization seemed to have increased more in households receiving the basic income, according to the IES (Figure 6.4.5). This question was not asked in the FES.

**Figure 6.4.5: General Villages: Percent of households with change in spending on hospitalization, by village type**




Source: MPUCT IES, 2012; n=891

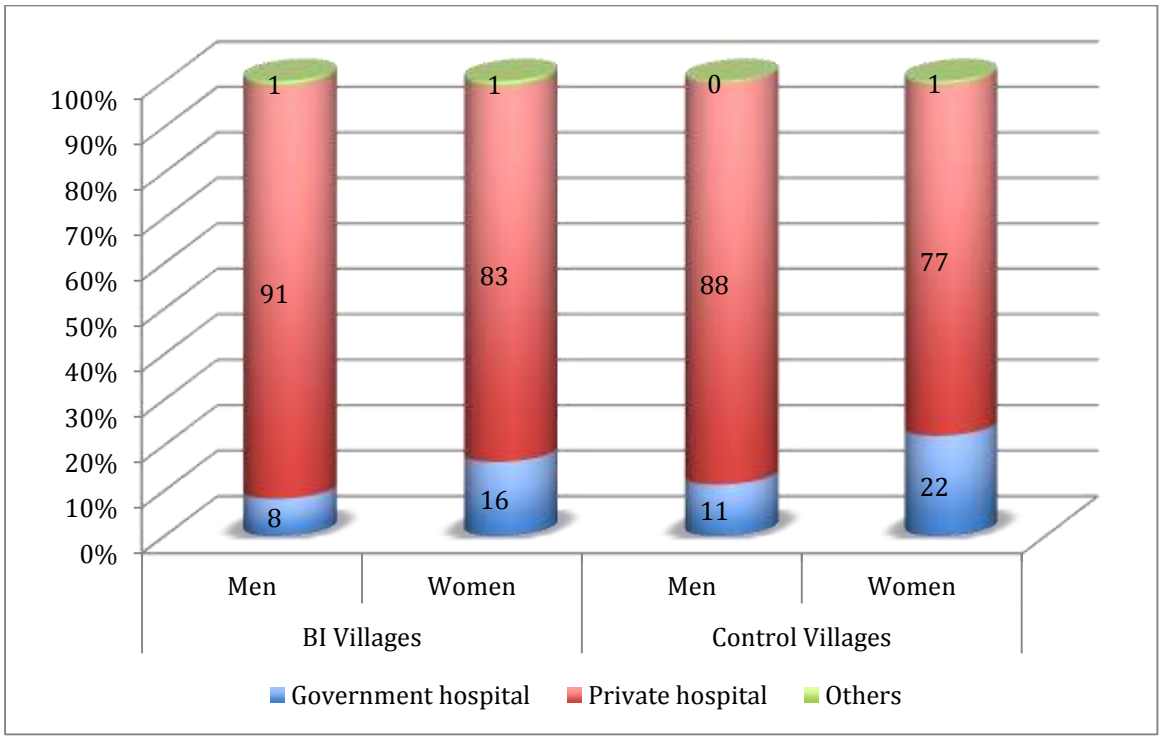
Levels of actual hospitalization in the 12 months prior to the FES were similar in both types of villages, with about 40% of households having at least one member hospitalized (a total of 955 individuals in the 20 villages). Among those hospitalized, 54.5% were women. This raises several interesting stylized facts.

First, although the proportion of men and women in the population was similar in both types of villages, more women were taken to the hospital in the basic income villages (56.3%) than in the control villages (52.9%). In other words, it may be that the individualized basic income payments led to an improved propensity to have women treated in hospital.

Second, private hospitals were the first choice for hospitalizing both men and women – a trend that persisted from the baseline, and strengthened by the time our pilot came to an end (Figure 6.4.6). While at the time of the MPUCT baseline, nearly 84% of households in our BI villages and 81% in control villages chose private hospitals in case they needed to hospitalize an ill member, these numbers increased to 86% and 83% respectively towards the end of the pilot.

Third, disaggregating the number of ill *hospitalized* by gender and type of village, it seemed that a slightly higher proportion of men were taken to private hospitals in both types of villages. Women were twice as likely as men to use government hospitals. No significant differences were observed between women in SEWA and non SEWA villages (Table 6.4.10).

**Figure 6.4.6: General Villages: Percent of individuals hospitalized in different types of health facility, by gender and type of village**




Source: MPUCT FES 2012, n=955

**Table 6.4.10: General Villages: Percent of women hospitalized in different types of health facility, by type of village**

| Type of hospital | BI Villages | | Control Villages | |
|---|---|---|---|---|
| | SEWA | Non-SEWA | SEWA | Non-SEWA |
| Government | 14.4 | 18.6 | 21.3 | 22.6 |
| Private | 83.4 | 81.4 | 77.9 | 76.7 |
| Other | 2.2 | 0.0 | 0.8 | 0.7 |
| Total | 139 | 113 | 122 | 146 |

Source: MPUCT FES, 2012; n=520

A final and intriguing point is that the ill or injured seemed to be taken earlier to a hospital in the basic income villages. More households in the control villages said they took their ill to the hospital only after seven days (16.1% compared to 14.5% in BI villages). However this difference was statistically insignificant.

### *f. Borrowing to fund hospitalization*

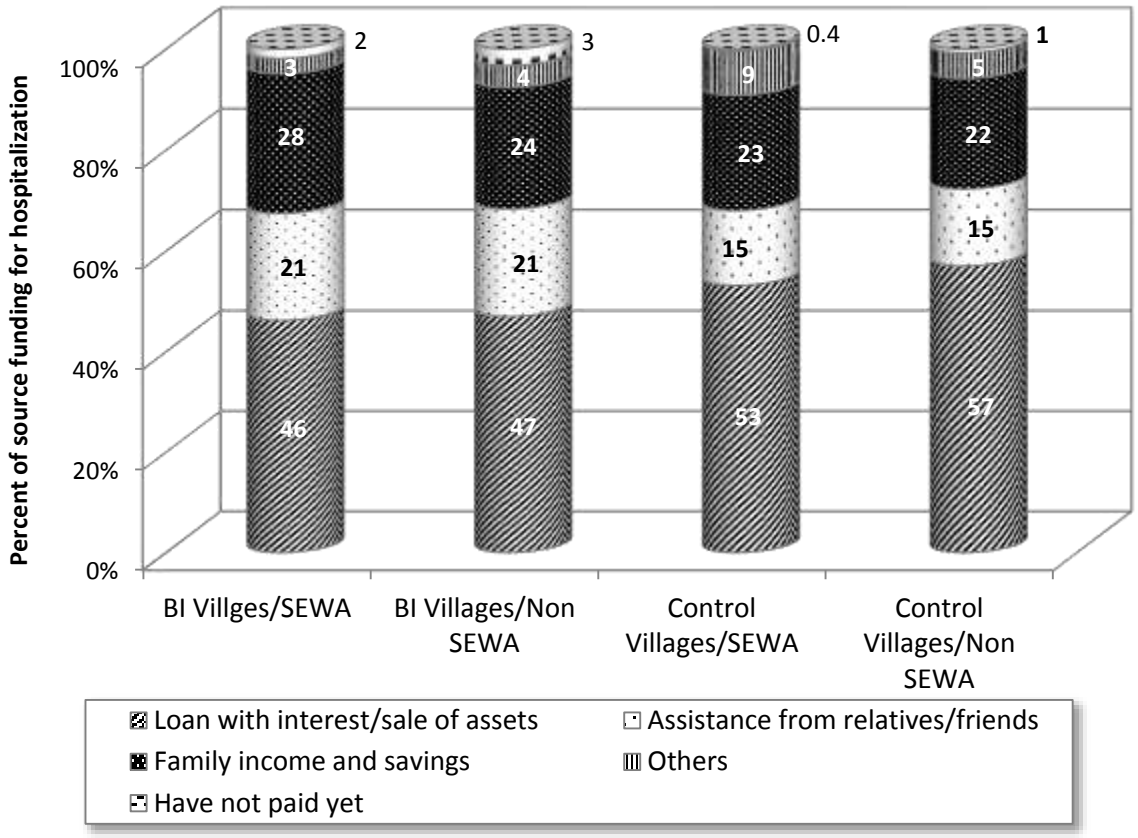
It is a well-documented fact that one of the major sources of debt for low-income families, and the one most likely to push them into a cycle of worsening poverty, is the cost of a serious illness.

Borrowing for hospitalization expenses was lower in basic income villages by the end of the pilot (at 46%)compared to control villages (at 55%).More households in BI villages than in control villages said they had used their own income/savings to pay for hospitalization. Reliance on own income and savings for funding hospitalization expenses was slightly higher in SEWA villages receiving the basic income payments (Figure 6.4.7). The case of Jitmal, an elderly person from Jagmal Pipliya, epitomizes the shift.

> *"In case of any illness we go to the Kanadiya private hospital where 100 to 200 Rupees are spent on medicine in each visit. Some time back I got sick because of diarrhea. Some 2,000 Rupees were spent on the treatment. I was able to pay the money from the money I had been saving from the BI scheme. If this money had not been there, I would have had to borrow from people and would have fallen into debt with an interest rate of 3 to 5%."*

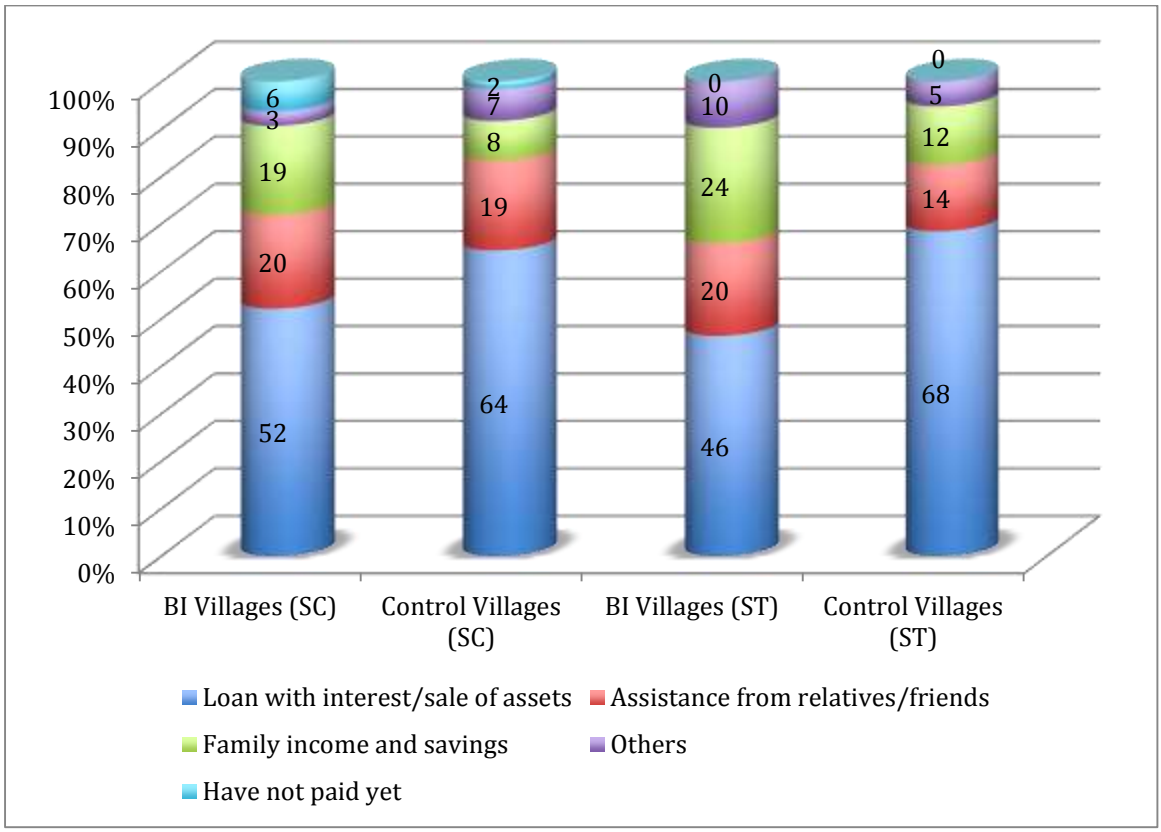
What was encouraging was that Scheduled Caste and Scheduled Tribe households in basic income villages tended to rely less on loans than counterparts in control villages. So while around 64% of SC respondents and 68% of ST respondents in control villages had used loans or had sold/mortgaged their assets to fund hospitalization expenses, in BI villages only 52% of SC respondents and 46% of ST respondents did so. They relied more on their income and savings to fund the expenses (Figure 6.4.8).

**Figure 6.4.7: General Villages: Source of funding for hospitalisation by type of village**




Source: MPUCT FES, 2012; n=954

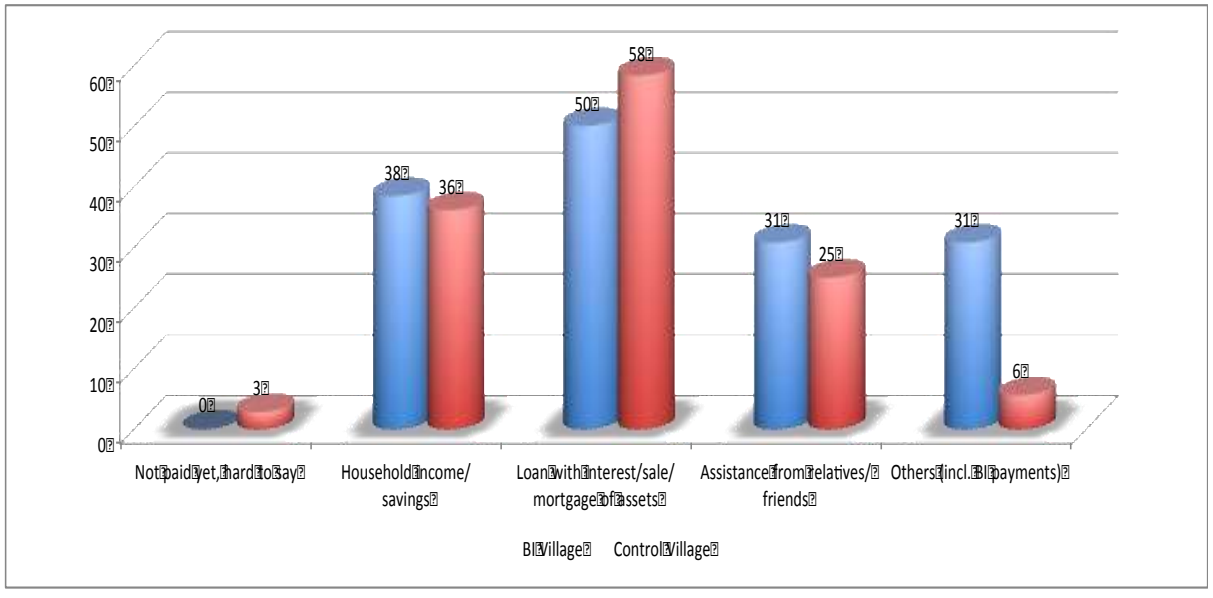
**Figure 6.4.8: General Villages: Source of funding for hospitalisation by type of village and social group**




Source: MPUCT FES, 2012; n=954

Consistent with the findings from the general villages, BI recipients in the tribal village borrowed lesson interest than households in the control village. Some 50% borrowed to fund hospital treatment in the former, compared to 58% in the latter (Figure 6.4.9).

**Figure 6.4.9: Tribal villages: Main Source of Finance for Hospitalisation TV FES, 2013**




Source: TV-FES, 2013; n=62; respondents cited multiple sources of finance.

## 6.5. Privatisation of health care

A feature of contemporary rural India is that use of private rather than government health services is widespread and growing. The main reasons for this have nothing to do with basic income payments. So, any claim that such transfers would lead to greater use of private commercial healthcare has to be considered in the context of that general trend.

The reasons for resort to commercial medical services seem to be mainly about convenience and quality of service. Typical sentiments are those stated by respondents in our case studies, as shown in the box below. Many villagers expressed a preference for private doctors, often adding that this was due to their greater availability or accessibility (e.g., Reshambai below). Going private may end up as less expensive, because of the costs of attaining public services.

It is evident that when households received cash, a majority opted for private health care services, in private hospitals or through treatment by private doctors/LMPs/chemists or medical shops. But was this treatment necessarily better than the treatment available at government hospitals or PHCs? The medical literature on rural India indicates the creeping privatization of medical care in the absence of the 'flailing state'.

We do not claim that private is necessarily better. One cannot be sure that with cash the poor would make a better choice by accessing better 'quality' services. But the data suggest that while private health care was primarily a reserve of the rich before the pilot, it was the poor who shifted. These were dependent on the 'flailing public services' and given an option decided to emulate, for better or for worse, the norm in their community by moving to private doctors, LMPs and private hospitals.

*"We go to a private doctor regularly because we do not get government doctors on time and he does not cure illness."*

Kalabai, aged 52, agricultural worker and wife of a small-scale farmer and agricultural worker

*"I have been suffering from asthma for the past four years. I need treatment twice a month, for which I spend 700-800 Rupees. For any illness, we go to a private doctor. The government hospital is far away and does not provide good treatment. So we don't go to government hospitals, and rather visit private doctors. Actually, we spend the cash transfer money mostly on health."*

Devi Singh, a small-scale Bhil caste farmer

*"There is a government doctor in Bavlia [4 kilometres away]. But we generally go to a private one. The Government doctor also takes fees, but he does not provide treatment properly."*

Gumaan Singh, former naukar, agricultural worker

*"We go to private doctors because the government doctors are not available all the time, and the treatment is not good. Private doctors are always available. They take 200 Rupees as consultation fee. But the medicine they give works."*

Reshambai, a landless backward caste householder

*"We fall ill a lot during summer. We go to the nearby village for treatment. There is no doctor in our village. There is private doctor at Jamburi who does not take fee. He charges only the cost of the medicine. There is a government doctor 8 km away from our village but we always go to the private one because private doctor cures quickly and properly. The government doctor does not listen to us.*"

Kesar Singh, Bhil, wage labourer, age 65, Malibadodia

We used four proxies for poverty to test the hypothesis for the shift: literacy of head of household, whether the household owned any land, whether it possessed a BPL or AAY card and type of roof (pucca or kuccha). Low-income families were identified as those with illiterate heads, no land, a kuccha roof, or a BPL/AAY card.

Using the first point of medical contact (at the time of the FES and 12 months prior) as the variable of interest, we found that the poor (as defined by those proxies) in BI villages shifted more to private health care services than the rich, who were mostly already relying on private health care 12 months before the start of the pilot.

There was a small percentage point (48.9% to 51.7%) increase in the proportion of households with illiterate heads accessing private hospitals in BI villages as compared to no increase in control villages (28%). Similarly, the proportion of those using private hospitals increased from 41.6% to 43.9% for households with a kuccha roof, from 44.2% to 46.5% for landless households and from 32.7% to 34.6% for BPL households in BI villages with no change in control villages (Table 6.5.1 and Table 6.5.2).

**Table 6.5.1. General Villages: Percent of households using different types of health facility as first contact (BI villages) by proxies for poverty**

| First point of contact last year | Literate | Illiterate | Pucca house | Kuccha house | Own land | Rented/ No land | BPL/AAY | APL |
|---|---|---|---|---|---|---|---|---|
| Home remedy | 1.3 | 1.2 | 1.5 | 1.0 | 1.3 | 1.2 | 0.0 | 1.8 |
| ASHA/ANM/PHC | 1.3 | 2.3 | 0.5 | 2.4 | 2.2 | 0.6 | 3.9 | 0.6 |
| LMP/Chemist/Medical shop | 37.9 | 34.5 | 33.5 | 38.9 | 36.5 | 37.2 | 43.1 | 33.8 |
| Government Hospital | 12.9 | 10.3 | 9.1 | 13.9 | 10.6 | 14.5 | 18.3 | 9.1 |
| Private Hospital | 46.7 | 51.7 | 55.3 | 43.9 | 49.5 | 46.5 | 34.6 | 54.7 |

| First point of contact year previous to last year | Literate | Illiterate | Pucca house | Kuccha house | Own land | Rented/ No land | BPL/AAY | APL |
|---|---|---|---|---|---|---|---|---|
| Home remedy | 1.6 | 1.2 | 1.5 | 1.4 | 1.6 | 1.2 | 0.7 | 1.8 |
| ASHA/ANM/PHC | 1.3 | 2.9 | 0.5 | 2.7 | 2.2 | 1.2 | 3.9 | 0.9 |
| LMP/Chemist/Medical shop | 36.1 | 33.9 | 32.0 | 37.5 | 35.5 | 34.9 | 41.2 | 32.7 |
| Government Hospital | 15.4 | 13.2 | 11.2 | 16.9 | 12.5 | 18.6 | 21.6 | 11.5 |
| Private Hospital | 45.8 | 48.9 | 54.8 | 41.6 | 48.3 | 44.2 | 32.7 | 53.2 |

Source: MPUCT FES, 2012

**Table 6.5.2. General Villages: Percent of households using different types of health facility as first contact (Control villages) by proxies for poverty**

| First point of contact last year | Literate | Illiterate | Pucca house | Kuccha house | Own land | Rented/ No land | BPL/AAY | APL |
|---|---|---|---|---|---|---|---|---|
| Home remedy | 0.4 | 1.3 | 0.4 | 0.8 | 0.5 | 0.9 | 0.5 | 0.8 |
| ASHA/ANM/PHC | 1.5 | 1.7 | 0.4 | 2.0 | 1.0 | 2.1 | 1.9 | 1.4 |
| LMP/Chemist/Medical shop | 39.7 | 38.6 | 38.2 | 39.9 | 40.4 | 38.1 | 36.6 | 40.5 |
| Government Hospital | 18.9 | 30.5 | 21.1 | 23.5 | 16.2 | 30.3 | 31.9 | 18.9 |
| Private Hospital | 39.5 | 28.0 | 39.9 | 33.7 | 41.9 | 28.5 | 29.1 | 38.5 |

| First point of contact year previous to last year | Literate | Illiterate | Pucca house | Kuccha house | Own land | Rented/ No land | BPL/AAY | APL |
|---|---|---|---|---|---|---|---|---|
| Home remedy | 1.0 | 2.1 | 0.9 | 1.6 | 0.5 | 2.4 | 1.9 | 1.2 |
| ASHA/ANM/PHC | 1.3 | 1.3 | 0.9 | 1.4 | 1.0 | 1.5 | 0.9 | 1.4 |
| LMP/Chemist/Medical shop | 39.1 | 37.7 | 37.3 | 39.3 | 39.8 | 37.2 | 35.2 | 40.1 |
| Government Hospital | 19.8 | 30.9 | 21.9 | 24.1 | 18.2 | 29.4 | 32.9 | 19.4 |
| Private Hospital | 38.9 | 28.0 | 39.0 | 33.5 | 40.4 | 29.4 | 29.1 | 37.9 |

Source: MPUCT FES

Similarly, the gap between the proportions of rich and poor using private hospitals in the past 12 months was much smaller in BI villages as compared to control villages, reconfirming that the poor opt out of public health care services when given an option.

## 6.6. Basic Income and health insurance

All respondents in the pilot were asked whether or not they had taken out any health insurance. Very few had; merely 4.8% in the general villages said they had taken a health cover in the six months prior to the FES. However, there was a difference between BI and control villages. While 7.6% of BI recipients (71 households) said they had taken out a health insurance in the previous six months, only 2.5% of households in control villages (27 households) reported having done so.

Among those who had taken a health insurance in BI villages, nearly three in every four reported that they were able to take the insurance cover either partly or fully on account of the BI transfer. The insurance cover was mostly from a private insurance provider.

However, when asked about their main reason for saving, among those who claimed to be saving BI money, quite a few reported that they saved in case they suddenly needed money for medical expenses. So, they were saving as a form of informal health insurance. The liquidity provided cover in case some other contingencies became their priority, an issue to be covered in a later chapter.

## 6.7. Healthcare and the elderly

The elderly suffer from ill-health and disabilities more than others. Historically, in almost every society, their healthcare needs tend to be given lower priority than those of the young, particularly those expected to bring in the income and food. This is just how households have operated. This global tendency is likely to be strong in low-income households.

The big question is whether individualised cash grants could change that dynamic just a little, and thereby result in older people receiving more medical treatment, with them asserting a greater sense of worth.

Elderly people tend to suffer relatively less from food poverty and much more from 'health poverty'. This is one reason why a food-subsidy orientation to social policy effectively acts to discriminate against older people. However, individualised cash benefits may limit the tendency for utilitarian practices within households of diverting scarce funds to finance medical care of income earners or, even more narrowly, to prime-aged men.

The case studies revealed that more old people were taking treatment for their illnesses which they could not afford before the basic income transfers. Surjibai, a 70-year-old widow from the BI village of Malibadodia was one such person. Married in her childhood and with a tumultuous life that involved abandonment by her husband, a reunion and eventually his death, Surjibai has scabies or eczema all over her body. She has no asset and earns a little by working in other people's houses. She gleans the leftover wheat from the fields during the harvest season in order to eat. Surjibai used the basic income transfer primarily for treatment of her illness. When our team met her, she said:

> *"I was helped by this money (BI money) immeasurably. I could buy monthly ration from the village shop and use the money for my treatment. I have relatives who come to help me when my sickness becomes severe. But otherwise nobody cares. Since the coming of the BI money, women of our village have started saving money through small units. I feel SEWA is doing good work by trying to make women self-dependent. Rs 200 may not be enough, but it helps a lot when put together".*

The BI money was also used by the elderly to take injections (called pichkaris in the local language) and undergo cataract operations. Anandibai, an SC wage labourer Malibadodia described how her mother-in-law Sorambai, an asthma patient, was able to afford injections and medicines which cost her 150-200 rupees every month. Another old person when being asked what he did with the BI transfer had this to say:

> *"On account of my old age the money was utilized for my injections (pichkari). Rs. 20 would be spent just on transportation to Semalya and Kanadia. The rest of the money was given to the doctor."*

Finally, old people spoke about being less reliant now on their relatives or family for financial assistance. The testimony of Surmabai, an old widow from Jalodkeu, eloquently summarizes how the basic income transfer can act as crucial assurance for this vulnerable group:

> *"This (BI) money is immensely helpful to me. I have biscuits. I like biscuits. Since the time I am getting the money, I am having whatever and whenever I want. I don't have to ask my sons for money for my ration. I bought my monthly ration and also managed to save some. Then I got some ulcers in my mouth so the Rs. 1,000 that I had saved had to be spent on the treatment. Now that the money has stopped coming, I have to again be dependent on my sons. Whatever they bring to me, I have to do with that".*

## 6.8. Healthcare and the disabled

It is insufficiently appreciated that a very high proportion of Indians go through life with one or more physical or mental impairments that act as disabilities. Even more than with the elderly, they easily slip into lower-priority statuses in households and families. They need affordable and accessible medical attention, and often household budgets are diverted elsewhere. Can individualised cash grants change the dynamic?

In the Madhya Pradesh villages covered by the pilots, nearly 3.5% of all individuals had a disability or chronic illness. Many households had several members with disabilities.

Among those hospitalized in the general BI villages (448 individuals), reasons for hospitalization varied from blood pressure to heart disease to TB. But a common reason for hospitalization was physical disability. About 48 physically disabled individuals had been hospitalized in BI villages. In comparison, only two physically disabled individuals had been hospitalized in the control villages in the six months prior to the FES. Instead the primary reasons for hospitalization, in control villages, seemed to be fever, and waterborne diseases (stomach ailments, gastroenteritis, in fact they say waterborne ailments).

This difference emerged even though the proportion of disabled was similar in both types of village. Furthermore, while the number of individuals hospitalized due to disability in both villages were roughly the same at the time of the MPUCT baseline (one disabled person in all BI villages and two in the control villages), the rise in hospitalization for disabled in BI villages suggested that basic income payments had helped households take a decision to hospitalize the disabled.

Kamlabai, a 70-year old disabled woman in Datoda village was one of disabled persons to have benefited from the basic income payment. Recounting how the money had helped her, she said:

> "*All my money (BI money) was spent on my treatment itself, because I have such physical weakness that every month I have to spend 100-200 rupees. We go to Ghata-Billod for medical treatment because it is nearer. We go to a private doctor. He takes 200-300 rupees. Our village comes under Indore district so if we wish to go to a government hospital then we shall have to go to Betma. The doctors at Ghata-Billod government hospital refuse to treat us.*"

Like Kamlabai, a majority of the disabled within the BI households perceived their situation to have improved. At the time of the post final evaluation survey, a census exercise in two BI

villages in the general pilot, 120 individuals said they had a disability or chronic illness that affected their ability to work or study, of whom 95% said they needed regular treatment or medicine or aids or prosthetics for their condition.

Among the 120, a majority (87%) believed that the cash transfer had improved their personal living conditions, 80% believed that it had helped them take medicines more regularly, 73% said it had helped them to go to a doctor or clinic more regularly, 81% said it had given them a sense of independence, and 76% said that it had helped them pay attention to their health problems more than a year ago. A more detailed break up, by gender, is provided in Table 6.8.1.

About 88% of these individuals were above school-going age and hence said that the basic income payments had had no impact on their ability to study more or go to school more easily. Also, opinion was nearly equally divided between whether the disabled persons in question had felt healthier (50% said so) or about the same as they did 12 months prior to when the intervention started (46% said they felt the same).

Although this was expected, since chronic illnesses and disabilities take time to heal, but the fact that half of those with any disability said they felt healthier shows the impact even basic income payments may have for this group.

**Table 6.8.1: General Villages: Percent reporting improvement due to Basic Income by main reason, PFES, 2012**

| | Disability | | Chronic illness | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| Improved personal living conditions | 91% | 100% | 86% | 88% |
| Helped taking medicines more regularly | 73% | 100% | 69% | 86% |
| Helped visiting doctor/clinic more regularly | 73% | 85% | 69% | 78% |

Source: MPUCT PFES, 2012, n = 120

## 6.9. Pooling and medical treatment

There was evidence, both from the case studies and from the MPUCT FES data obtained for the general villages, that families pooled some of their basic income money to finance healthcare for one or more members needing treatment (see Table 6.9.1). The testimony of Rajmal, an SC farmer from the village of Gogakhedi is illustrative of the manner in which such pooling was done:

"*There are five members in our family who are getting cash. The elder son's account is separate and his money is not yet withdrawn as he stays away from home. The other four of*

*us get 800 Rupees collectively in a month. I have been saving the last 3-4 months' money. My daughter came home six months back for her first delivery. Her delivery took place at MISCA Hospital and it cost 12,000 Rupees. We used some of the money there providing my daughter some good food, fruits and health drinks*."

**Table 6.9.1. General Villages: Main purposefor pooling (BI villages)**

| | BI SEWA Villages | BI Non-SEWA Villages | Total |
|---|---|---|---|
| Pay off debt | 9.5 | 7.8 | 8.7 |
| Food | 17.6 | 16.4 | 17.0 |
| Ceremony | 2.0 | 7.8 | 4.5 |
| Schooling | 19.6 | 22.4 | 20.8 |
| Income generation (purchasing seeds, animals etc.) | 15.5 | 6.9 | 11.7 |
| For repairing house | 4.7 | 5.2 | 4.9 |
| Household appliances/vehicles | 11.5 | 8.6 | 10.2 |
| Health/treatment | 2.7 | 1.7 | 2.3 |
| Savings | 2.0. | 0.9 | 1.5 |
| Cash/gold | 2.7 | 0.0 | 1.5 |
| For security | 4.7 | 9.5 | 6.8 |
| Clothes | 0.0 | 0.9 | 0.4 |
| Transportation | 0.7 | 0.0 | 0.4 |
| Other/not given exact reason | 2.1 | 0.0 | 1.2 |
| None | 3.4 | 11.2 | 6.8 |
| Don't know | 1.4 | 0.9 | 1.1 |
| Total | 148 | 116 | 264 |

Source: MPUCT FES, 2012; n= 264

## 6.10. Health shocks and basic income

It is well documented that health costs are rising all over India, and that the cost of a serious illness is a major source of debt for poor families, the one most likely to impoverish them. It comes as a major shock.

As described in an earlier section, borrowing for hospitalization expenses was significantly lower in BI villages than in the control villages. Indeed, and interestingly, in the control villages a majority (55%) of households spoke of financing hospitalization through loans (on interest) from money lenders and employers.

In BI villages, reliance on loans was less. About 46% households said they had taken a loan and sold or mortgaged assets to pay for hospital expenses. Instead, more households in BI villages than in control villages said they had used their own income/savings to pay for hospitalization (27% compared to 23%).

*"The basic income payments helped us during Ajmal's operation also. We paid at least 3000 rupees from the money. Ajmal was admitted in the hospital for 8 days and the household expenditure during this time was dependent on the transfers only. If we weren't getting this money, then I don't know how much more loan we would have had to take."*

Dasrath, Age 60, Bhil Caste, Farmer, Ghodakhurd

*"We spend all the BI money in food and health. The BI money was a great relief for my family as I was not working for the last 10 months due to an accident. There is change neither in food habit nor in expense pattern during last one year. Yes, there is some difference in expense on health because most of the money was spent on health."*

Rajendra Prasad, Age 32, Carpenter, Vishwakarma (SC), Gogakhedi

*"We spent the BI money on the day-to-day expenses and my treatment. This money helped us quite a lot in my treatment; otherwise we would have had to take more loans."*

Mamtabai, Age 35, household work, Bhil (ST), Panthbadodia

*"My son had fallen ill. So I took out all my cash transfer money together and spent it on his treatment. I had admitted him in the Cloth Market Hospital in Indore. I don't know exactly how much was spent. My son knows. But the cash transfer money was of immense help to us during this time. If we keep getting this money, then we won't have to beg anyone for loans."*

Kamlabai, Age 55, labourer and agriculture, Maankar caste, Panthbadodia

## 6.11. Concluding Reflections

The key implications of the findings on health are several. First, there seems to have been a generally positive effect on health. Second, the basic income payments seem to have facilitated a more rational or considered response to illness, through more regular medication and for some households, more intake of food.

This is an aspect of healthcare that is well-known but under-appreciated. Lack of money induces households to curtail treatment when they 'think' an individual is feeling better. Medical expertise shows that courses of treatment must be completed to be effective. In this regard, BI payments appear to have a positive effect that had not been anticipated at the outset of the project.

The other outstanding fact is that the basic incomes gave families more choice in the type of health service to use and in the timing of seeking healthcare. Clearly, there is an institutional crisis in healthcare in India, and there is no point in concealing the fact that the public healthcare services are inadequate.

They may or may not be worse than what people think is on offer by opting for private treatment. However, what is clear is that when given the choice more people opt to pay for the private services. Perhaps this is a switch from government to private. Perhaps it is also a tendency to opt for treatment rather than forego any. All we can say is that the shift to private healthcare is a reality and that basic income payments do appear to enable more families to seek and obtain treatment.

Fourth, basic income payments appreciably reduce the burden of households to fund their health expenses through a vicious cycle of debt. Rather they give them a choice to pool their money to fund health shocks and finance serious illnesses requiring hospitalization through their own (now higher) income and savings. They also afford them a chance to invest in preventive practices like buying health insurance.

Finally, the basic income seems to have the most positive impact on the healthcare of vulnerable groups. Our findings indicate that they increase the probability of women and disabled being hospitalized, of the elderly being self-sufficient and not relying on their children for their healthcare needs, and groups such as the scheduled tribes improving their health condition simply through more intake of food.

## Chapter 7: Schooling: Loosening constraints, Improving Opportunity

### 7.1. Introduction

Without a doubt, the most widespread, conditionality in conditional cash transfer (CCT) schemes in Latin America has been that recipients should send their children to school. The trouble is, as noted in chapter 1, that the costs of enforcement of this condition are always high, while the likelihood of having much permanent effect on parental or even child behaviour is low.

Above all, the moral implications of penalising parents and children if they do not meet the conditions are unpleasant at best. And why should parents desperate for financial help, be forced to do something when other groups are not?

These pilots do not apply any condition. One question we wish to try to answer in this chapter is whether or not it is even necessary to apply such conditionality. Are parents merely constrained by lack of money, so that if that constraint is loosened they will behave rationally, without being obliged to do so? In considering this issue, we also consider what other aspects of schooling are affected by the receipt of basic income transfers in the form of cash.

There are also several other possible effects of cash transfers on education. First, they may enable some families to spend on essential or useful items that enable the children to go to school more easily or more cheaply. Second, they may facilitate better eating habits – having breakfasts, most notably – giving children more energy and health, and thus making it more likely they will go to school and be able to learn properly while there.

Third, they may induce families to shift their children from public to private schools, or from a low-quality local school to a better one further away. They may also facilitate payment for private tuition outside the formal school. Fourth, they may lessen the pressure on families to put their children to work or to labour on farms or do other labour.

Of course, all these aspects are linked. What we will try to do in this chapter is identify the direct relationships and the more important contextual trends that have been taking place in the villages.

## 7.2.Educational Institutions in Rural Madhya Pradesh and the Village Context

There are numerous selective, targeted government schemes for schooling in India and at state level, and one presumes that at least some of them must have had positive effects. The Madhya Pradesh Government has been focusing on improving literacy and enrolment in schools for over a decade, most notably through establishing more primary schools under the District Primary Education Programme (DPEP), the Education Guarantee Scheme for primary education in the tribal areas since 1997 and the Sarva Shikhsha Abhiyan since the 11th Five Year Plan.

The Samridhi Yojana, a scholarship program, similar to a CCT, also started in 1997, aims at creating an environment that supports the birth of a girl child and her education so that she can become an educated and healthy adult. The scheme begins at the time of birth when a post delivery grant of Rs.500 is given to the mother. This is followed by annual scholarships at various stages of the girl's schooling up to Grade XII. The scholarship is available for the girl child as long as she is unmarried and attends school regularly.

Initiatives such as the Akshay Patra, or Mid-Day Meal scheme, have been targeted at ensuring high school attendance, low dropout rates and a greater incentive for the parents of children to send their wards to school. But the performance of many of these schemes is patchy due to administrative failure, lack of infrastructure, and the constant wrangling between bureaucracies due to the unclear sharing of responsibility for education, which is both a State and National subject in India. Several studies have shown the depth of problems that arise due to administrative failures[114].

The mid-day meal scheme was launched to achieve the same purposes but for a long time has faced issues of mismanagement. The absence of barefoot functionaries for several public services, such as census enumeration, places an enormous burden on teachers, because they are expected to help out, thus compromising the quality of primary education, which already is not at a very high level.

Irrespective of performance issues, the very presence of these schemes makes it harder to isolate any effect of the basic income payments per se, although they apply in all the villages equally. Our primary hypothesis is that the basic incomes can improve the *effectiveness* of schooling and complement the government schemes in several respects.

But before we address the impact of basic income, it may be useful to look at the rubric of the education system in MP in which the basic income payments were initiated.

At the time of the baseline survey, it was clear that the Government's many interventions had helped in increasing the presence of government schools, which had come to cover all parts of the State, including rural and tribal areas, thereby addressing to a considerable extent the problem of low enrolment at primary school level. However, the quality of education and the high drop-out rate (more so for girls) remained critical challenges. Further, the spread of public

[114] For a summary of the studies that review performance of the mid day meal scheme, see Government of India, Ministry of Human Resource Development, Working Group Report on Elementary Education and Literacy, 12th Five Year Plan (2012-2017) (New Delhi, GOI, October 2011).

schools in Madhya Pradesh had been matched by an increase in the growth and enrolment of students in private commercial schools, unfunded by government.[115]

In the 1990s, State government policies liberalised registration guidelines for private schools, which led to their rapid proliferation.[116] The justification given at the time for such liberalisation was that regulations if strict, would be bypassed any way, and that privatisation would reduce the burden falling on the public sector, which could then focus on students who could not afford private schooling.[117]

This was somewhat checked by the implementation of the Indian Government's Right of Children to Free and Compulsory Education Act (RTE), which prescribes basic minimum requirements from private schools, but which has not reversed the trend. The ASER Report of 2012 estimated that 19% of students in rural primary schools in Madhya Pradesh were registered in private schools in 2012, a 3% increase from 2009. The report also documents an increase in private tuition.

Hence, a mixed public-private schooling system has emerged in rural MP, with a few religious schools as well. Government schools are mostly used at the primary level by low-income families, and coexist with a growing number of fee-paying and competing private schools, the latter being used not just by affluent families but a growing number of lower-income families as well.

Government primary schools have been established in many villages, but schools above grade X or high schools are still located farther away. For instance, the local Government school was up to Class 8 in the tribal villages of Ghodakhurd and Bhilami. For further education, students have to travel to other nearby villages. In the general village pilot too, a similar picture emerges (see Table 7.2.1 for average distance to schools/colleges).

**Table 7.2.1: General Villages: Average distance to schools (in kms)**

| Type of Village | School up to grade | | | |
|---|---|---|---|---|
| | 8th | 10th | 12th | college |
| BI | 1.6 | 8.6 | 9.8 | 28.4 |
| NCT | 1.8 | 5.4 | 8.5 | 19 |

Source: MPUCT Community Survey, 2012 n=20

Households in the pilot areas also reported high levels of teacher absenteeism and apathy, two

[115]Manju Narula, *Emerging issues at Secondary level: Focus on private schools in Madhya Pradesh*. National University of Education Planning and Administration, Occasional Paper No.42, 2012.

[116] Legislation in 1994 meant that no permission was required to open private schools up to Class IV, and subsequent regulations liberalised secondary schooling, and taxes were made the same for government and private schools.

[117] F. Leclercq, "Education Guarantee Scheme and Primary Schooling in Madhya Pradesh", *Economic and Political Weekly*, Vol.XXXVIII, No. 19, May 10, 2003.

reasons for a widespread preference for private schools, where possible. In reality, in every village case studies conducted during the pilots showed that almost all families wished to send their children to private schools if they could afford to do so, as they perceived the quality of education to be superior and teacher absenteeism to be lower in these schools. In some areas of rural MP near the pilot areas, there had also been closures of a few government primary schools.

There were a total of 3,061 children of school-going age (6-18 years) in the twenty general villages covered by the larger pilot. Nearly 45% of them lived in BI villages; 51% were boys; nearly 36% belonged to SC/ST households, while the rest were from OBC or general category households. Some 42% of the children belonged to the primary school going age (6-10 years), another 27% were from the age cohort of 11-13 years, and the remaining 31% were of secondary school-going age (14-18 years) (for the distribution of school going age children by gender, age cohort, social group and type of village, see Tables A.1, A.2 and A.3 in the annex).

### 7.3.Spending on schooling

Although government primary schools are free in terms of fees, schooling always costs money, and normally many rural families cannot afford either the direct or indirect costs associated with sending children to school without considerable difficulty. But it seems the basic income payments may have helped to unblock some of the constraints for many of those households.

Obviously, all the findings reported in this chapter refer only to families with resident children. Questions about schooling and school-related spending were addressed to the mothers or surrogate mothers in all households in both basic income and control villages in both the larger non-tribal pilot and in the tribal villages. In addition, data were gathered from a Teacher Perception Survey conducted in a sample of villages, with teachers interviewed about their perceptions of their students' attendance and performance.

The first set of findings came from the Interim Evaluation Survey. The IES data showed that in BI villages, families with children were far more likely to have increased spending on schooling than families in control villages, as shown in Table 7.3.1. And many of those in the BI villages attributed the increased spending on schooling directly to the basic income payments.

**Table 7.3.1: General Villages: Percent of households with increase in spending on school objects, by whether or not receiving basic income, IES 2011-12**

| | Receiving basic income | | | |
|---|---|---|---|---|
| Area of spending | Yes | No | Chi-square | |
| School uniforms | 47.7% | 28.6% | 34.025 | *** |
| School fees | 44.6% | 29.3% | 21.936 | *** |
| Shoes for going to school | 52.2% | 42.1% | 8.944 | *** |
| School books, pens | 58.5% | 45.3% | 15.474 | *** |
| Private tuition | 19.7% | 7.1% | 29.059 | *** |

Source: MPUCT IES, 2012, n = 893

This increase in spending was also reported in some of the case studies. Thus, one scheduled tribe landholding family told the enumeration team:

*"All the four children of my Jeth (elder brother-in-law) go to school. The elder son Yashvant stays in a government hostel near Mahu while he is studying. Everything including food and lodging is free of cost there. And the education is good. Yashvant is in 6$^{th}$ grade. The other three children go to private school at Choral-Dam. We only put them in private school this year, thanks to the cash transfer money."*

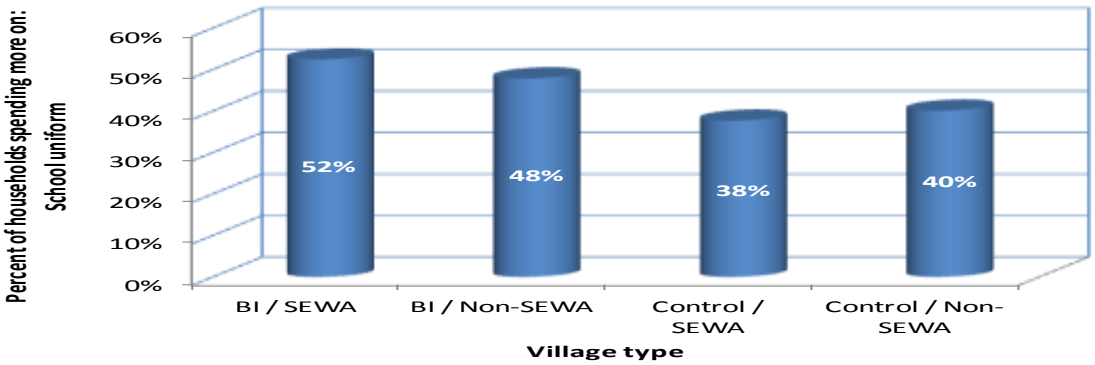
The FES supported the findings of increased spending, as indicated in Table 7.3.2 and Figures 7.3.1 to 7.3.4. In most respects, there were no marked differences by whether or not SEWA was operative. But there did seem to be a greater increase in spending on private tuition in SEWA villages.

**Table 7.3.2: General Villages: Percent of households with increase in spending on school objects, by village type, 2012**

| Specific School Items | No. of households with children/responded | BI/SEWA | BI/Non-SEWA | Control/SEWA | Control/Non-SEWA |
|---|---|---|---|---|---|
| School Uniform | 1337 | 52% | 48% | 38% | 40% |
| School Fees | 1330 | 53% | 49% | 38% | 41% |
| School books, pens | 1364 | 63% | 63% | 54% | 54% |
| Shoes | 1362 | 54% | 49% | 47% | 49% |
| Private tuition | 333 | 57% | 50% | 50% | 44% |

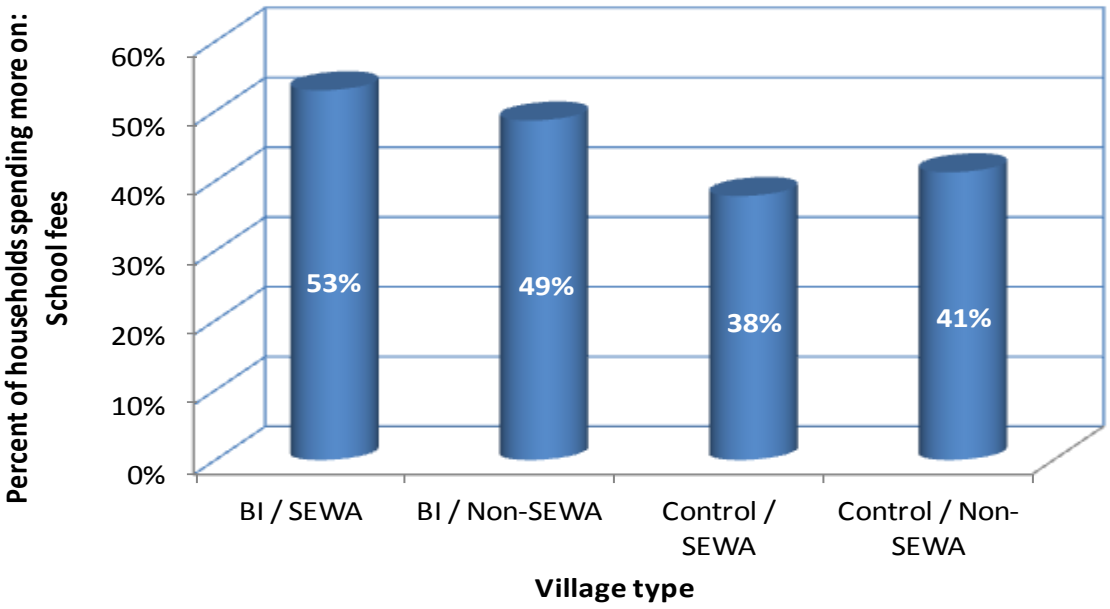
Source: MPUCT FES, 2012

**Figure 7.3.1: General Villages: Percent of households spending more on school uniforms, by village type, FES 2012**



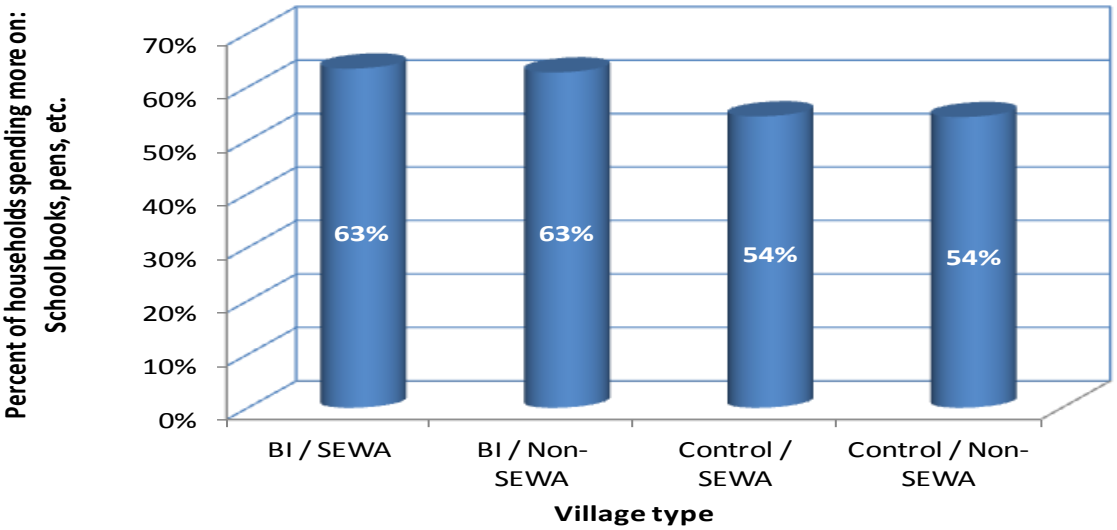

Source: MPUCT FES, 2012, n = 1337

**Figure 7.3.2: General Villages: Households spending more on school fees, by village type, FES 2012**



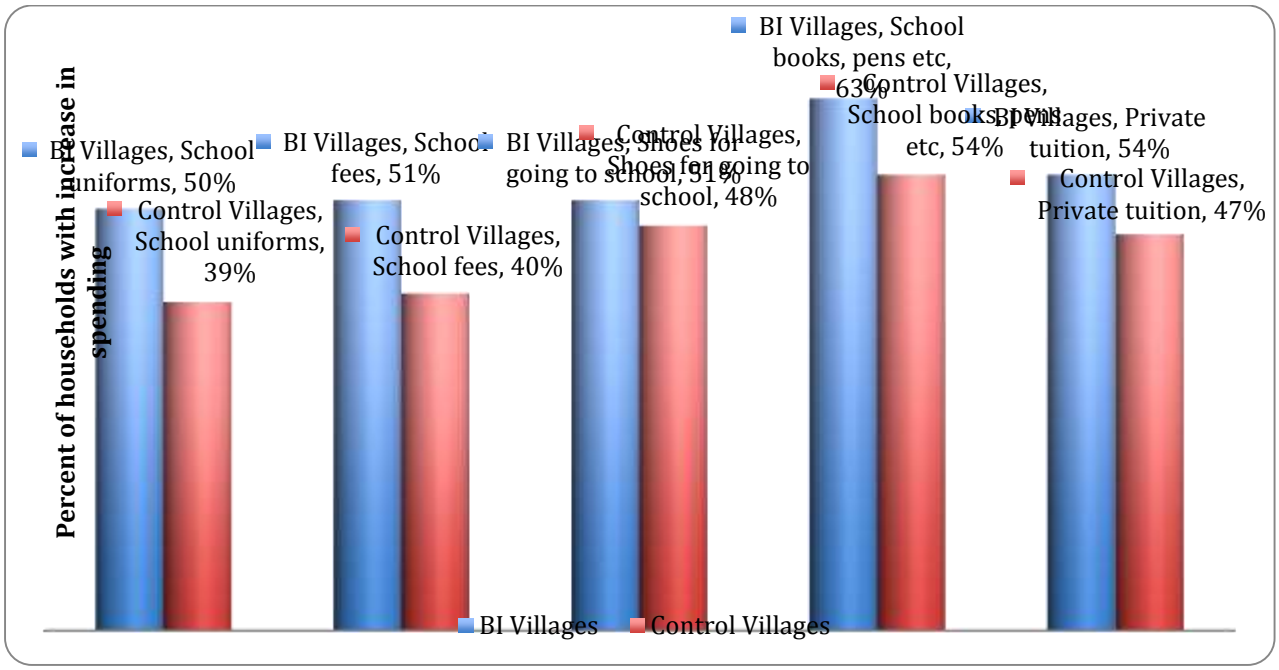

Source: MPUCT FES, 2012, n = 1330

**Figure 7.3.3: General Villages: Percent of households spending more on school books, pens, etc., by village type, FES 2012**




Source: MPUCT FES, 2012, n = 1364

**Figure 7.3.4: General Villages: Percent of households with increase in spending on specific school items, by village type, FES 2012**




Source: MPUCT FES 2012, n= 1337

Total expenditure by families on schooling as well as on different school objects was higher in BI villages by the end of the pilot. While no significant differences in spending were seen in non-SEWA villages, households residing in SEWA villages and receiving the basic income spent nearly 82% more on sending their children to school compared to households in control SEWA villages (Table 7.3.3).

Further, and in what was a heartening trend, expenditure on schooling of girls was decidedly higher among households receiving the basic income, more so among households in SEWA villages (Table 7.3.4). However, it was still lower than the amount spent on sending boys to school.

A similar development was observed among households belonging to the relatively vulnerable Scheduled Caste and Scheduled Tribe families. While still not spending as much on sending their children to school as those from other groups, SC/ST households receiving the basic income in SEWA villages spent more than their counterparts who did not receive the payment (Table 7.3.5).

**Table 7.3.3: General Villages: Average annual expenditure on schooling, by village type, FES 2012**

| | Spending in Rs. | SEWA | Non SEWA |
|---|---|---|---|
| **BI Villages** | Total expenditure | 4609 | 4717 |
| | School fee | 2715 | 2507 |
| | School transport | 560 | 880 |
| | School uniform | 528 | 511 |
| | Others | 771 | 818 |
| | | | |
| **Control Villages** | Total expenditure | 2526 | 4017 |
| | School fee | 1226 | 2166 |
| | School transport | 209 | 593 |
| | School uniform | 270 | 387 |
| | Others | 806 | 706 |

Source: MPUCT FES, 2012

**Table 7.3.4: General Villages: Average annual expenditure on schooling, by type of village and gender, FES, 2012**

| | Spending in Rs. | BOYS | | GIRLS | |
|---|---|---|---|---|---|
| | | SEWA | Non SEWA | SEWA | Non SEWA |
| **BI Villages** | Total expenditure | 5144 | 5243 | 3956 | 4104 |
| | School fee | 2997 | 2860 | 2372 | 2097 |
| | School transport | 701 | 977 | 387 | 767 |
| | School uniform | 596 | 571 | 445 | 442 |
| | Others | 791 | 836 | 747 | 797 |
| | | | | | |
| **Control Villages** | Total expenditure | 3102 | 5244 | 1848 | 2711 |
| | School fee | 1590 | 2933 | 798 | 1350 |
| | School transport | 249 | 818 | 162 | 353 |
| | School uniform | 331 | 497 | 198 | 270 |
| | Others | 898 | 832 | 697 | 572 |

Source: MPUCT FES, 2012

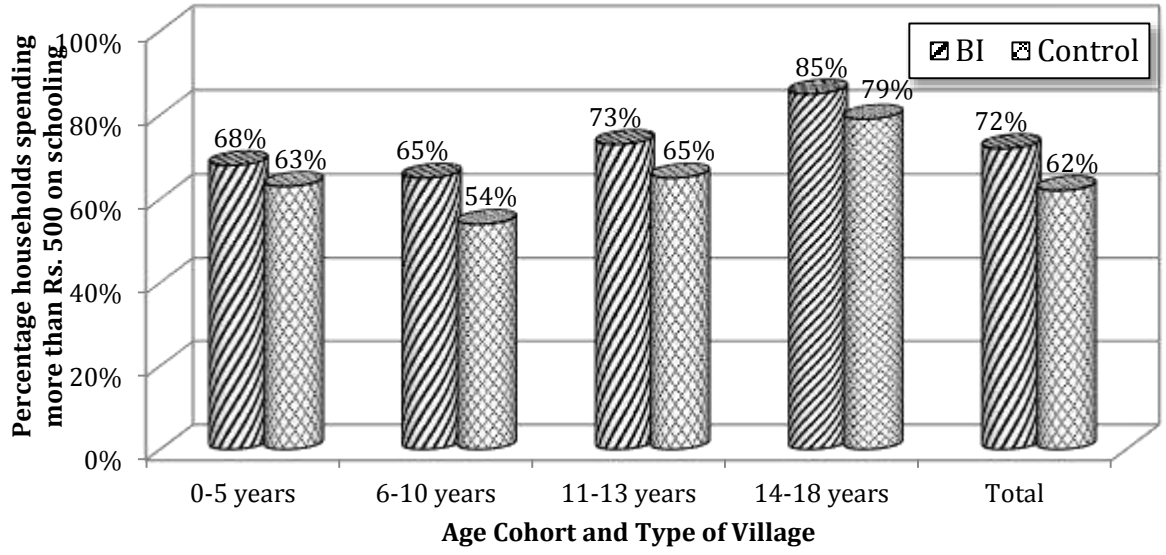
**Table 7.3.5: General Villages: Average annual expenditure on schooling, by type of village and social group, FES 2012**

| | | SC/ST | | OTHER GROUPS | |
|---|---|---|---|---|---|
| | | SEWA | Non SEWA | SEWA | Non SEWA |
| **BI Villages** | Total expenditure | 2484 | 1491 | 5559 | 6260 |
| | School fee | 1153 | 510 | 3414 | 3463 |
| | School transport | 360 | 301 | 649 | 1157 |
| | School uniform | 344 | 303 | 610 | 611 |
| | Others | 621 | 375 | 838 | 1029 |
| | | | | | |
| **Control Villages** | Total expenditure | 1479 | 1563 | 3138 | 5768 |
| | School fee | 663 | 640 | 1555 | 3255 |
| | School transport | 61 | 299 | 295 | 803 |
| | School uniform | 193 | 190 | 314 | 528 |
| | Others | 583 | 417 | 935 | 913 |

Source: MPUCT FES, 2012

Finally, and as expected, expenditure on schooling was significantly higher for older age groups For example, for the 14-18-year-old age cohort, the expenditure on fees, clothing and transport put together was significantly greater than that incurred for age cohort 6-10 years. Further, the percentage of students spending relatively large amounts (above Rs.500) on education was higher in BI villages for all age groups (Figure 7.3.5).

**Figure 7.3.5: General Villages: Percent of households spending more than Rs. 500 per month on schooling, by age cohort and type of village, FES 2012**




Source: MPUCT FES, 2012;

Note: For 0-5 years, N(CT)=106, N(Non-CT)=103; For 6-10 years, N(CT)=542, N(Non-CT)=691; For 11-13 years, N(CT)=378, N(Non-CT)=391; For 14-18 years, N(CT)=317, N(Non-CT)=268; For total, N(CT)=1343, N(Non-CT)=1453

In the tribal villages, while total expenditure incurred on schooling was not significantly different between the BI village and the control village at the time of the baseline survey, it contracted slightly in the control village and increased in Ghodakhurd by the time of the FES, suggesting that the basic income acted as an income support (Table 7.3.6).

Specifically, expenditure on clothing and transport to school, as well as that incurred for other school items, increased for households in Ghodakhurd. The only exception was expenditure on school fees. In contrast, in the control village, the mean expenditure incurred on schooling fell for all school items (except miscellaneous items like books and pens) between the baseline and the FES. The sharpest drop was observed in expenditure on clothes and transport. While households in the control village were spending significantly more on transport and clothing than their counterparts in Ghodakhurd at the time of the baseline, this difference came down and was not significant by the FES.

The other striking change was higher expenditure on schooling of tribal girls. Like their counterparts in the general villages, BI recipients in Ghodakhurd spent more on educating their girls than before the BI payments started. Afterwards, the total mean expenditure on educating girls increased by nearly 88% in Ghodakhurd. This was mostly due to increased spending on school fees, attributable to new enrolments i.e. girls who were not in school and were enrolled during the period of the pilot. Expenditure on other school items for girls also increased, suggesting that cash transfers had a salutary impact on the schooling of tribal girls.

In contrast, and interestingly so, spending on educating boys by an average family in Ghodakhurd fell. This could be on account of families sending their boys to a government run hostel for tribal children or a higher secondary school or college for further studies which could be a government school /college, and hence subsidized.

**Table 7.3.6: Tribal villages: Average annual expenditure on schooling, by school items (in Rs)**

| | **Mean Expenditure (Baseline)** | | **Mean Expenditure (FES)** | |
|---|---|---|---|---|
| | **Ghodakhurd (BI Village)** | **Bhilami (Control Village)** | **Ghodakhurd (BI Village)** | **Bhilami (Control Village)** |
| **Mean total expenditure** | | | | |
| Male | 2,796 | 1,906 | 2,334 | 1,682 |
| Female | 768 | 1,824 | 1,442 | 1,529 |
| Total | 1,873 | 1,875 | 1,886 | 1,610 |
| **Mean expenditure on fees** | | | | |

| | Mean Expenditure (Baseline) | | Mean Expenditure (FES) | |
|---|---|---|---|---|
| | **Ghodakhurd (BI Village)** | **Bhilami (Control Village)** | **Ghodakhurd (BI Village)** | **Bhilami (Control Village)** |
| Male | 2,058 | 515 | 1,136 | 590 |
| Female | 347 | 668 | 724 | 493 |
| Total | 1,279 | 574 | 929 | 544 |
| **Mean expenditure on transport** | | | | |
| Male | 146 | 380 | 287 | 175 |
| Female | 66 | 413 | 128 | 256 |
| Total | 110 | 393 | 207 | 213 |
| **Mean expenditure on uniform/clothes** | | | | |
| Male | 231 | 446 | 309 | 382 |
| Female | 137 | 317 | 203 | 244 |
| Total | 189 | 397 | 256 | 317 |
| **Mean expenditure on other items** | | | | |
| Male | 361 | 564 | 438 | 546 |
| Female | 218 | 425 | 384 | 523 |
| Total | 296 | 511 | 411 | 535 |

Source: Tribal villages survey, TV-Baseline (n =421) and TV FES (n=462)

## 7.4.Pooling of Basic Incomes for Schooling

As an aside, some families pooled some of their BI transfer money in order to pay for school expenses. When asked what was the main purpose for pooling money, among the families that adopted the practice, the most important reason cited was that of schooling (nearly one out of every five families pooling in the BI villages – both SEWA and non SEWA – said they were doing so to pay for their children's school expenses – see Table 6.9.1. in Chapter 6). This was followed by other reasons, such as pooling for food (17% of the responses on reasons for pooling), for investing in income generation activities like buying seeds and animals (12%), buying household appliances and vehicles (10%) and paying off debt (9%).

In addition to the overall statistical data, there was anecdotal evidence from the case studies that teenage girls were the primary beneficiary of pooling to fund school expenses, simply

because priority had been given to teenage boys earlier, i.e., before the basic income transfers were initiated.

In some cases, implicit pooling of money took place, in that families allowed their offspring to use their basic incomes for school-related spending while using their own to pay for other expenses. Another common practice was more coordinated pooling, and this was often to enable girl teenagers to gain what they were otherwise denied. One mother covered by the case studies told the enumeration team:

> *"I have two daughters who are studying in Indore; they live in my brother's house where my father also lives. Until the cash transfer money came, my father used to bear all their expenses. But now, since cash transfers started I have been contributing to their upkeep, and also paying their monthly school fees from the cash transfers. The annual expenditure is 15,000 rupees for stay and food."*

This is not to say that only teenage girls benefited from families pooling the basic incomes. Another typical case was that of sending children out of the village to gain schooling. A mother described her family's decision-making process as follows:

> *"My daughter's son, who stays with us, studies in Choral-Dam school, where the school fee is 4,000 Rupees. This year we paid his fees by saving up the cash transfer money. Last year we had to sell wheat to pay the fees."*

Note one other point about the aforementioned family's behaviour, which will be highlighted in chapter 9 and which shows what we will describe as the emancipatory value of the basic income. This is that it helped them to avoid having to sell their one marketable commodity at a time that might not have been convenient or that did not generate a good price. The basic income had given them greater control over their decision-making, lessening the strain of having to decide between food, in the form of the wheat, and extra schooling for their children.

## 7.5. School registration, attendance and performance

The big question concerned the impact on actual schooling indicators like enrolment, attendance and performance. In this regard, we expected that the effect would be greater on school attendance than on school performance, since the latter takes time to adjust. And we were unsure about the effects on registration or enrolment, since the villagers knew that the pilot was to last for only a limited period.

Recall that in general across Madhya Pradesh, school registration or enrolment is high now at primary level, attesting to the general success of the government's sustained efforts to achieve universal primary school enrolment. We could anticipate much more differentiation at secondary school level. And this is actually what was found in the FES.

### *(a) School registration*

It is generally recognised that primary school enrolment or registration has reached close to universal in most of India, and thus we could not expect any effect of the basic incomes on

primary school registration.[118] Among the most striking developments is that the extent of secondary school enrolment differed significantly between the basic income and control villages, as shown by Table 7.5.1.

Clearly, a major difference is that teenage girls were taken out of school much more than boys. [119] However, the FES data suggest that the basic income payments checked the tendency of dropping out among girls and did so quite strongly. While only 36% of girls of secondary school going age in control villages were enrolled in schools, nearly 66% of girls of the same age cohort were going to school in BI villages at the time of FES (Table 7.5.1). We regard this as a very beneficial effect of basic income, and a testament to the rationality of village families.

**Table 7.5.1: General Villages: School Enrolment by type of village, age and gender, FES 2012**

| Age (in years) | Boys | | Girls | | Total | |
|---|---|---|---|---|---|---|
| | BI Villages | Control Villages | BI Villages | Control Villages | BI Villages | Control Villages |
| **6-10** | 98.0 | 93.5 | 97.3 | 94.3 | 97.6 | 93.9 |
| **11-13** | 94.8 | 96.7 | 96.5 | 83.6 | 95.7 | 90.1 |
| **14-18** | 84.4 | 65.6 | 65.0 | 36.1 | 76.0 | 51.3 |

Source: MPUCT FES, 2012; n=3061

Interestingly, enrolment levels, more so for girls, were highest in SEWA Basic Income villages, compared to non-SEWA villages that received the BI payment and the control villages (Table 7.5.2)..

**Table 7.5.2: General Villages: Girls' School Enrolment by type of village and age, FES 2012**

| Age in years | SEWA | | Non SEWA | |
|---|---|---|---|---|
| | BI Villages | Control Villages | BI Villages | Control Villages |
| **6-10** | 95.2 | 95.4 | 100.0 | 93.1 |

[118] The Ministry of Human Resource Development estimated that across India in general, the non-enrolment rate of young children aged 6 to 10 years was 3.7% in 2008 and was 5.2% for those aged 11 to 13 years. Non-registration was greater in rural areas.

[119] Bear in mind that drop-out rates for teenage girls have traditionally been very high, due to early marriage, distance to schools, lack of separate toilets in schools, lack of female teachers, concerns about safety and demands for their time in household chores, including tending after younger siblings. According to research, across India about one third of teenage girls drop out for those reasons. UNICEF, The Situation of Children in India: A Profile (New Delhi, UNICEF, May 2011), p.22.

| | | | | |
|---|---|---|---|---|
| **11-13** | 95.0 | 81.2 | 98.0 | 85.7 |
| **14-18** | 66.7 | 31.8 | 63.1 | 40.6 |

Source: MPUCT FES, 2012; n=1498; Notes: Pearson chi 2(2) = 49.3768 Pr = 0.000 for all age groups

There were modest differences by social groups. The basic income transfer seemed to have aided enrolment of teenagers in all social groups, with those belonging to SC/ST households benefiting slightly less than those from other category households. While secondary school enrolment levels were higher by nearly 25 percentage points for children from Other category households in BI villages (77% compared with 51% in control villages), the difference for SC/ST teenagers was about 22 percentage points (73% secondary school enrolment in BI villages compared to 51% in control villages) (Table 7.5.3). But again, the major underlying trend seemed to be that of the basic income payment stopping the tendency of children to drop out of school.

**Table 7.5.3: General Villages: School Enrolment by type of village, age and social group, FES 2012**

| **Age in years** | **SC/ST** | | **Other Groups** | |
|---|---|---|---|---|
| | BI Villages | Control Villages | BI Villages | Control Villages |
| **6-10** | 97.7 | 91.4 | 97.6 | 95.4 |
| **11-13** | 95.6 | 88.4 | 95.7 | 91.4 |
| **14-18** | 73.3 | 51.4 | 77.1 | 51.2 |

Source: MPUCT FES, 2012; n=3061

These correlations are encouraging in that they testify to a positive effect, which importantly arises without any bureaucratic conditionality. In due course, further analysis of the dynamics should be conducted with the statistical data generated during the pilot. Nevertheless, they do accord with a number of the case studies, where families reported that the basic incomes had helped them overcome circumstances that would otherwise have ruled out continued schooling by their offspring.

The case of Chandaben, a 45-year old widow and a wage labourer from the SEWA village of Jagmal Pipaliya was illustrative of how the cash transfers had helped.

*"My husband passed away two months ago due to a kidney failure, and because of that our condition has become very bad. My only source of income is casual labour, which also is not available regularly. Our main expenditure is on food. I buy food items for only five to ten days because I have very little money. My eldest son is twenty years old. He and I are the only two people who go to work in my family. My three other sons go to school. They get lunch in the school, and they recently got money for their uniform. After my husband's demise, my son Narendra and I increased our hours of labour, but one of my sons is mentally*

*challenged, so he is not able to do much labour. Employers easily exploit him. Three of my boys are studying and we have to bear the expenditure for their education. This (BI) money has helped us a lot. If it were not for this money, we would have had to send our children for labour work. But because of this money we were able to send them to school."*

However, not everyone was able to use the basic income payment to tide over. The research team also came across cases of children dropping out of the school system, despite the cash transfers. In the case of Mamatabai of Panthbadodia, her youngest child who goes to school was on the verge of dropping out of school when the BI payments started. From interviews with Mamatabai, it was noticed that despite the payments, she was likely to take him off the school system next year. In the case of Ramkanya in Panthbadodia, her daughter had to drop out of school because of the terminal illness of her husband. The BI payments helped the family improve their food intake, and also helped her two sons live by themselves, study and work in Indore. However, they were unable to stop the daughter from dropping out from studies. It is an irony that in Mamatabai's case, she was thinking of taking her youngest son off the school, but when we met her, had not decided to take away her daughter Anita from school. Anita was 15 and studied in seventh grade in the government school in the neighbouring village Rolai, three kilometres away. Through the government scheme, Anita also received a school uniform and a bicycle.

As in the general villages, in both the tribal villages overall enrolment levels were high, at around 80% (Table 7.5.4). Although enrolment levels dropped in both villages in the year of the pilot[120], a 17-percentage point decline was observed in the control village as against a 3-percentage point drop in the basic income village.[121]

**Table 7.5.4: Tribal Villages: School Enrolment Rates, 2011-13**

| | BI Village | Control Village |
|---|---|---|
| Baseline | 84.4 | 88.8 |
| FES | 81.4 | 71.8 |

Source: Tribal villages survey, TV-Baseline (491) and TV-FES (596)

To test the effect of the basic income payments on school enrolment, we also ran logistic regressions using household self-reported enrolment data of their children as a binary outcome variable. According to Baird et al (2013),

*"the standard practice to do so is to calculate odds ratios (OR) using follow-up means of success (p, or enrolment rate) and failure rates (1-p, or share not enrolled) and its standard error using sample sizes. Thus, under ideal circumstances, that is, for a randomized*

[120] This may have had something to do with a relative shift in the numbers of teenagers compared to younger children in both these villages.

[121] Bear in mind that over a year some children move from primary to secondary school age and depending on the relative numbers of children of various ages a small decline in overall enrolment may not indicate a declining propensity to register in school.

*controlled trial (RCT) conducted at the individual (and not cluster) level that reports unadjusted means at baseline and follow-up (or just at follow-up if baseline balance is not an issue), enrolment rates and the sample sizes in the treatment (T) and control (C) groups are sufficient to be able to calculate effect sizes (ES) in the form of ORs and their standard errors (SE).''*[122]

However, in the pilot, everybody within the villages received the basic income payment. This implies that there exists a possibility of intra-cluster correlation in the outcome variable, which may lead to smaller standard errors and may overstate the precision of the estimate.

With this caveat in mind, and acknowledging that we cannot trace causality, we estimated several logit functions. The first was to assess the determinants of the probability of enrolment. The vast literature on schooling suggests that the key determinants to be taken into account, as control variables, are age, gender, land ownership (as a proxy for poverty), household size, gender and education of the household head.

So, the variables used in all the functions to be reported are as follows:

Basic Income = Dummy; 1 if receiving basic income payments, 0 otherwise;

Land = Dummy; 1 if owning any land, 0 otherwise.

HH size = Number of persons in the household as usual residents;

Gender = Dummy; 1 if female, 0 if male;

10-13 years and 14-18 years age cohort = Dummies defined in relation to the age cohort (6-9 years).

Female headed hh= Dummy; 1 if household is headed by a female, 0 otherwise;

HH head education = Increasing function of the education of the household head;

Tables 7.5.5 reports the odds ratio of being enrolled in school, with the first column being for the whole sample, the second and third reporting the results for girls and boys separately. The results show that the basic income had a significant positive effect on enrolment. Indeed, the basic income seemed to more than *double* the odds of a child being enrolled in school.

The effect was significant particularly for girls above the age of 10. If receiving the basic income, girls between the ages of 10 and 13 had better odds of being enrolled in a school or not dropping after the primary level. In contrast, the odds that boys of that age group stayed in school were not significantly different.

Land ownership, a proxy for wealth, was a greater predictor of the odds of children being in school than household size, particularly for boys. Separate regressions were run for SEWA and

[122] S.Baird, F.H.G. Ferreira, B.Özler, M.Woolcock, "Relative Effectiveness of Conditional and Unconditional Cash Transfers for Schooling Outcomes in Developing Countries: A Systematic Review". Campbell Systematic Reviews, 2013, p.24.

non-SEWA villages, to test for the effect of Voice. The results were mostly similar, except that in the SEWA villages, the probability of a child in a female-headed household going to school was higher. Also, girls of the age group of 10-13 were significantly more likely to be enrolled in schools after completing the primary level. For boys, there was no significant difference between the odds of being in primary and secondary school.

**Table 7.5.5: General Villages: Odds ratios of children being enrolled in school, by whether household received basic income**

| Variable | Coefficients | | |
|---|---|---|---|
| | Overall | Girls | Boys |
| Constant | 9.3927*** | 5.8317*** | 4.818*** |
| Basic income | 2.7675*** | 3.3868*** | 2.3469*** |
| Land ownership | 1.7345*** | 1.0930 | 2.9634*** |
| Household size | 1.0749*** | 1.0750** | 1.0838* |
| Gender | 0.3845*** | | |
| 10-13 years | 0.5491*** | 0.3690*** | 1.0363 |
| 14-18 years | 0.0600*** | 0.0365*** | 0.1137*** |
| Female-headed household | 1.2576 | 1.6188 | 0.9865 |
| Household head's education | 1.7199*** | 1.9220*** | 1.4697* |

Source: MPUCT FES, 2012; n= 3061

### *(b) School attendance*

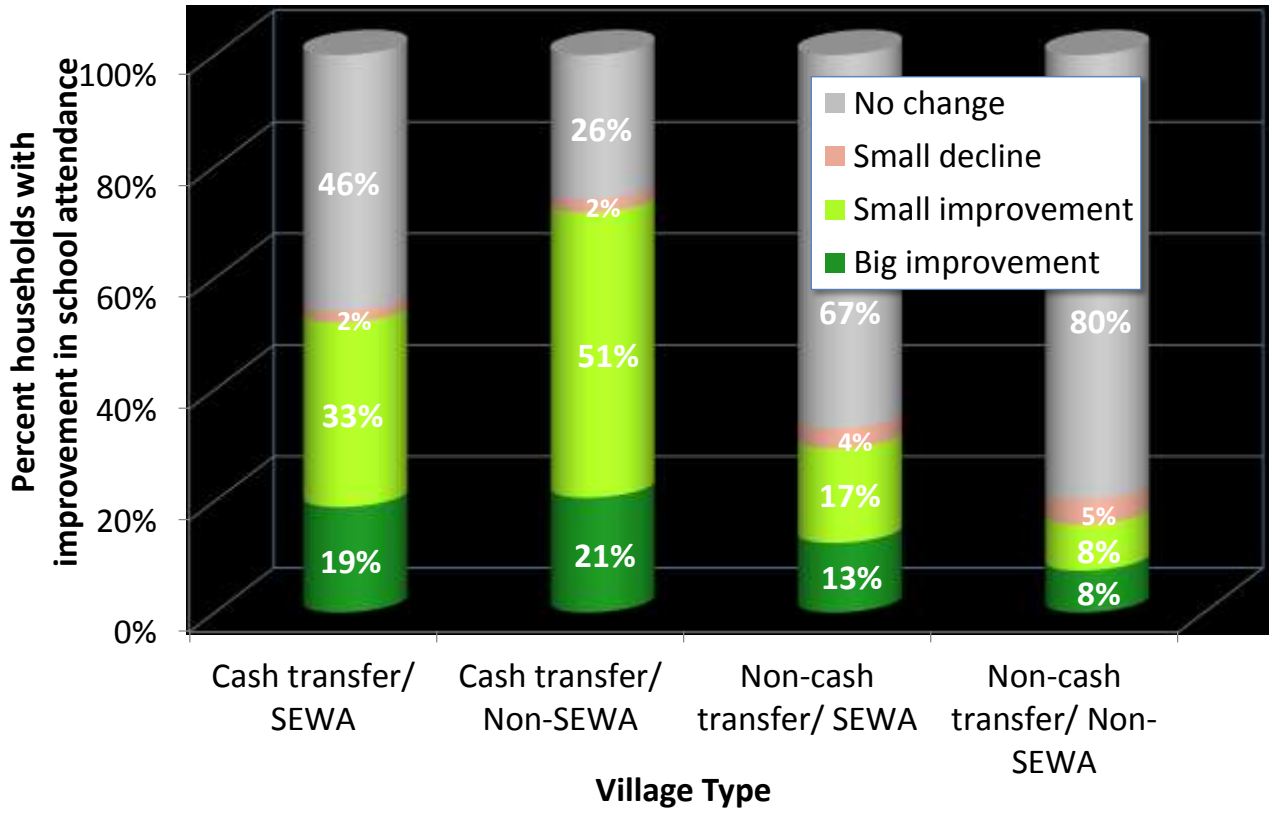
At both primary school and secondary school level, it is probably correct to state that today non-attendance represents a much bigger challenge than non-registration. The Annual Status of Education Report (ASER) of 2009 concluded that on any particular day only about 75% of all those registered in primary school was actually attending school.[123]

One of the primary hypotheses of the project is that basic income payments would result in an improvement in school attendance. The results from the IES were supportive of this (Figure 7.5.1). As can be seen, school attendance, as reported by mothers, was more likely to have increased in BI villages in the initial period of the basic income pilot, and the difference was statistically significant. This difference was also bought out in the FES (Figure 7.5.2). Table

[123] For a valuable review of the evidence, see UNICEF, The Situation of Children in India: A Profile (New Delhi, UNICEF, May 2011).

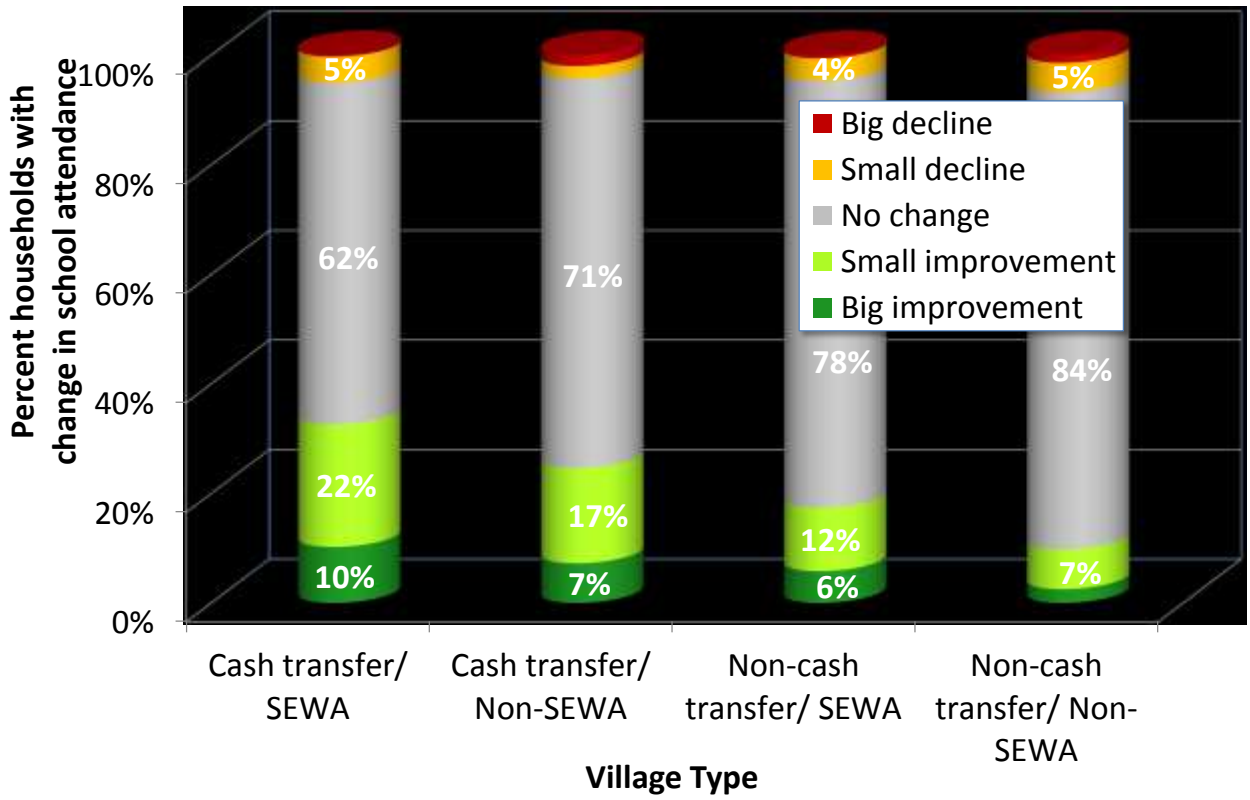
7.5.6 shows that the difference was statistically highly significant, and that there was also a statistically significant difference between SEWA and Non-SEWA villages.

**Figure 7.5.1: General Villages: Percent of households reporting change in school attendance, by village type, IES 2011-2012**




Source: MPUCT IES, 2012, n = 524; Notes: Chi-square = 82.169***

**Figure 7.5.2: General Villages: Percent of households reporting change in school attendance in past 12 months, by village type, FES 2011-2012**




Source: MPUCT FES, 2012; n= 1369

**Table 7.5.6: General Villages: Households reporting improvement in school attendance, FES 2012**

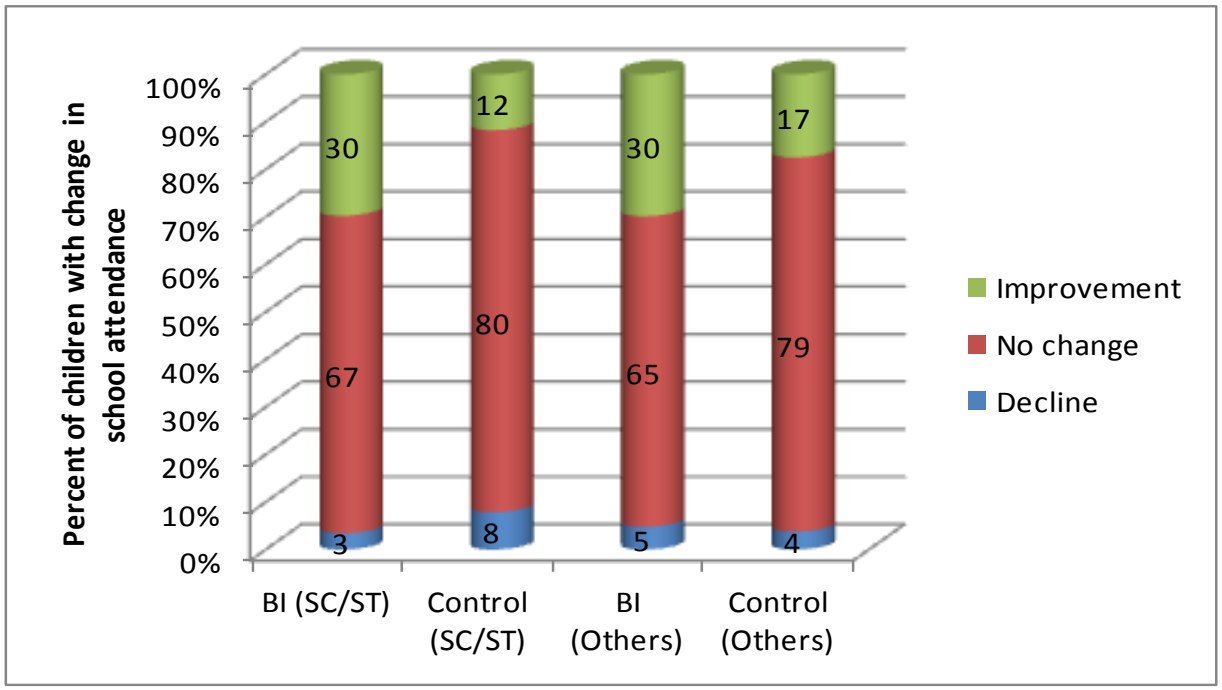
| | Yes | No | Chi-square | |
|---|---|---|---|---|
| Receiving basic income | 29.0% | 13.5% | 49.243 | *** |
| SEWA village | 25.2% | 16.6% | 15.082 | *** |

Source: MPUCT FES, 2012, n = 1369

Disaggregating attendance data by social groups shows that school attendance was perceived as having improved by both SC/ST households and others, slightly more by the former in BI villages (Figure 7.5.3). This is encouraging, in that it shows a progressive impact, being greater for the more vulnerable social categories.[124] There were no major differences by gender though, with an equal proportion of boys and girls reporting improvement in attendance in BI villages.

[124] Census and NSS data show that school attendance rates have been much lower for Scheduled Caste and Scheduled Tribe children. UNICEF, 2011, op.cit., p.25.

**Figure 7.5.3: General Villages: Percent of households reporting change in school attendance in past 12 months, by village type and social group, FES 2012**




Source: MPUCT FES, 2012; n=2523 children

In BI villages, illness was reported as the main reason for school absenteeism, followed by child lacking interest. By contrast, in the control villages the main reason given for absenteeism was that the child lacked interest, followed by illness, being required to work for family gain, and transport issues. These are the main reasons given by parents. One may speculate on the underlying dynamics, without at this stage being able to go beyond speculation. Illness may be regarded as random, and was only more common in the basic income villages because other reasons had diminished.

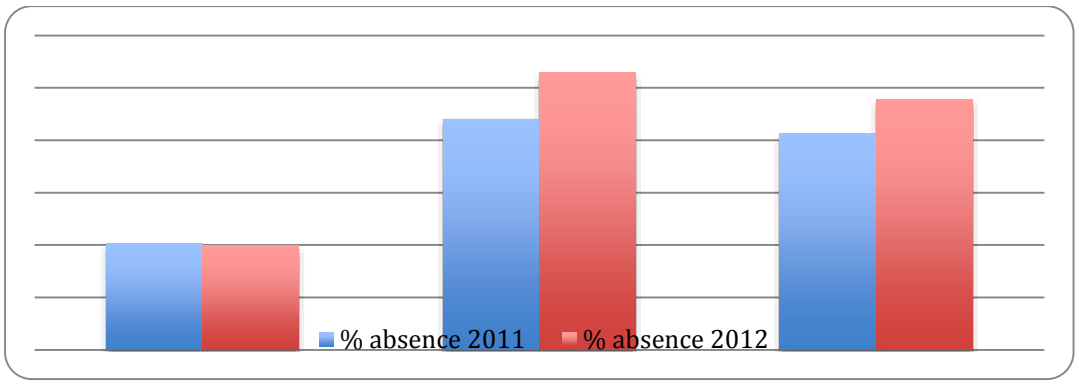
Indeed, we have good reason to suppose that illness was less common in the basic income villages, as suggested in chapter 6. But lack of interest as a perceived reason invites observers to ask why that should be a major reason. Is it a rationalisation by the parents or a reflection of inadequate schools or teachers? All one can say with confidence is that the reasons given deserve further study.

Besides the self-attested changes in attendance, we also utilized attendance ledgers of schools, government and private, where children in a sample of our villages were enrolled.[125] Records

[125] Collecting attendance records for children is a complex exercise. It involves locating attendance ledgers, examining them and recording attendance for each child, which in itself is a very time consuming and costly process. This is complicated further by the fact that children in rural areas access schools that are not necessarily within a village. It was decided therefore that school going children from only a sample of villages would be tracked. The team would then visit all schools at which these children were reportedly enrolled. The only exception allowed to the rule were schools which accounted for fewer than 5 school-going children within a village. Accordingly, all schools that mapped onto the school going population of 8 villages were visited. Among these

for the school year 2011 and 2012 were used to construct an indicator for change in attendance. Using these records, it appeared that while absenteeism had increased for control villages, it had remained more or less the same for BI villages over 2011-2012 (Figure 7.5.4).

**Figure 7.5.4: General Villages: Absenteeism of children from school as per school records, by type of village**




Source: Survey of schools 2012

The disaggregation of absenteeism numbers by social groups revealed some interesting trends, with a fall in absenteeism among tribal children in BI villages, who started attending schools more regularly (Table 7.5.7). Furthermore, absenteeism rates declined more in government schools in BI villages (from 23% to 17%, according to the school records), compared to no change in private schools. Despite the decline however, absenteeism rates in government schools remained higher than the rates observed in private schools, which recorded absenteeism levels of 10% throughout the pilot period.

**Table 7.5.7: General Villages: Absenteeism of children from school as per school records, by type of village and social group**

| | BI Villages | | Control Villages | |
|---|---|---|---|---|
| | **Absenteeism-2011** | **Absenteeism-2012** | **Absenteeism-2011** | **Absenteeism-2012** |
| General | 9% | 10% | 20% | 24% |
| SC | n.a. | n.a. | 20% | 26% |
| ST | 18% | 13% | 33% | 36% |
| OBC | 10% | 9% | 20% | 23% |

eight, two were BI/SEWA villages, two were BI/non SEWA, two were control/SEWA and two were control/non SEWA villages. Some of the schools visited refused to share the records with the team, perhaps because they were incomplete or unpresentable. It took many visits and letters from higher officials to obtain records.

| | | | | |
|---|---|---|---|---|
| Grand Total | 10% | 10% | 22% | 26% |

Source: Survey of schools 2012

There is a concern that teachers may falsify attendance records as low penalties for schools, or even closure, creating perverse incentives for the management to fudge attendance ledgers. Even so, we used the records on the assumption that if they were inflated in one period, they would be inflated later as well.

Further, many students in the BI villages were going to schools some distance from the village and were scattered across schools. Thus it is unlikely that there would be a systematic bias in records. To add further credence to the data, children from the basic income villages, on average, had further to go to schools, particularly those going to secondary school. So, their lower absenteeism is doubly impressive.

The payments also enabled better nutrition and health of children and purchase of items like shoes and clothes, as we saw earlier, which represent small barriers (specifically poor appearance) to attendance. No longer ‘dirty’, or with unkempt appearance, children could now attend schools without a sense of ‘shame’. Finally, we also did some cross-checking of the school attendance records against the perceptions of households and found that these perceptions in most cases were corroborated by the actual school records.

Unlike the general villages, no major differences were observed between households in the tribal BI village and the control village when it came to reporting changes in school attendance;

more households in the control village reported an improvement compared to those in Ghodakhurd (Table 7.5.8).

**Table 7.5.8: Tribal Villages: Percent of households reporting change in school attendance, 2011-2013**

| | BI Village | Control Village | Total |
|---|---|---|---|
| | % | % | % |
| Big improvement | 32.9 | 32.4 | 32.7 |
| Small improvement | 3.5 | 14.5 | 7.6 |
| Small decline | 1.7 | 2.9 | 2.2 |
| No change | 59.5 | 49.1 | 55.6 |
| NA | 0.3 | 0.6 | 0.4 |
| Don't know | 2.1 | 0.6 | 1.5 |
| Total | 100 | 100 | 100 |

Source: Tribal villages survey (n=462)

Returning to the general villages, similar logistic regressions as done for enrolment, showed that basic income payments were associated with an increase in the odds of attending school. But, as suggested by the bivariates, there were no major differences by gender, with boys having slightly higher odds compared to girls of attending school if their households received basic income than if they did not (Table 7.5.9). The odds were even more significant for boys in the age group of 14-18 years. As expected, land ownership had no effect on children's odds of attending school.

**Table 7.5.9: General Villages: Odds ratios of children attending school, by whether household received basic income**

| Variable | Coefficients | | |
|---|---|---|---|
| | Overall | Girls | Boys |
| Constant | 0.1070*** | 0.0916*** | 0.1280*** |
| Basic income | 2.5872*** | 2.4378*** | 2.7129*** |
| Land ownership | 0.9474 | 1.0705 | 0.8459 |
| Household size | 1.0321** | 1.0291 | 1.0273 |
| 10-13 years | 1.0380 | 1.3914** | 0.7611* |
| 14-18 years | 0.7603*** | 1.0211 | 0.5626*** |
| Female headed hh | 1.3715** | 1.2828 | 1.4949* |
| HH head's education | 1.6358*** | 1.6612*** | 1.6329*** |

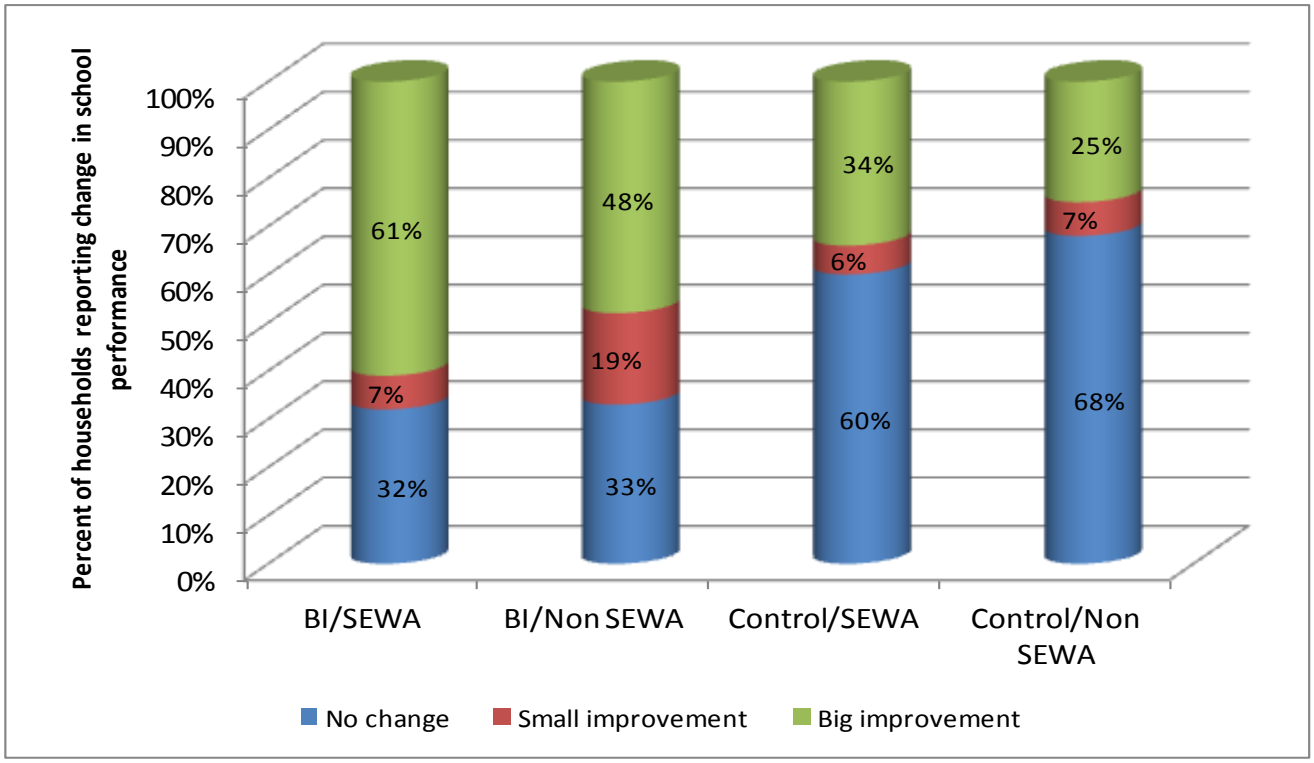
Source: MPUCT FES, 2012; n= 3053

***(c) School performance***

The third dimension is actual performance in school, which we had anticipated would be less affected in that it takes time to change. However, already by the time of the IES, many more families who were receiving the Basic Income reported that their children's school performance had improved than in households not receiving the basic income. The relative figures were 68% and 36%, which was highly significant (Chi-squared= 61.516***).

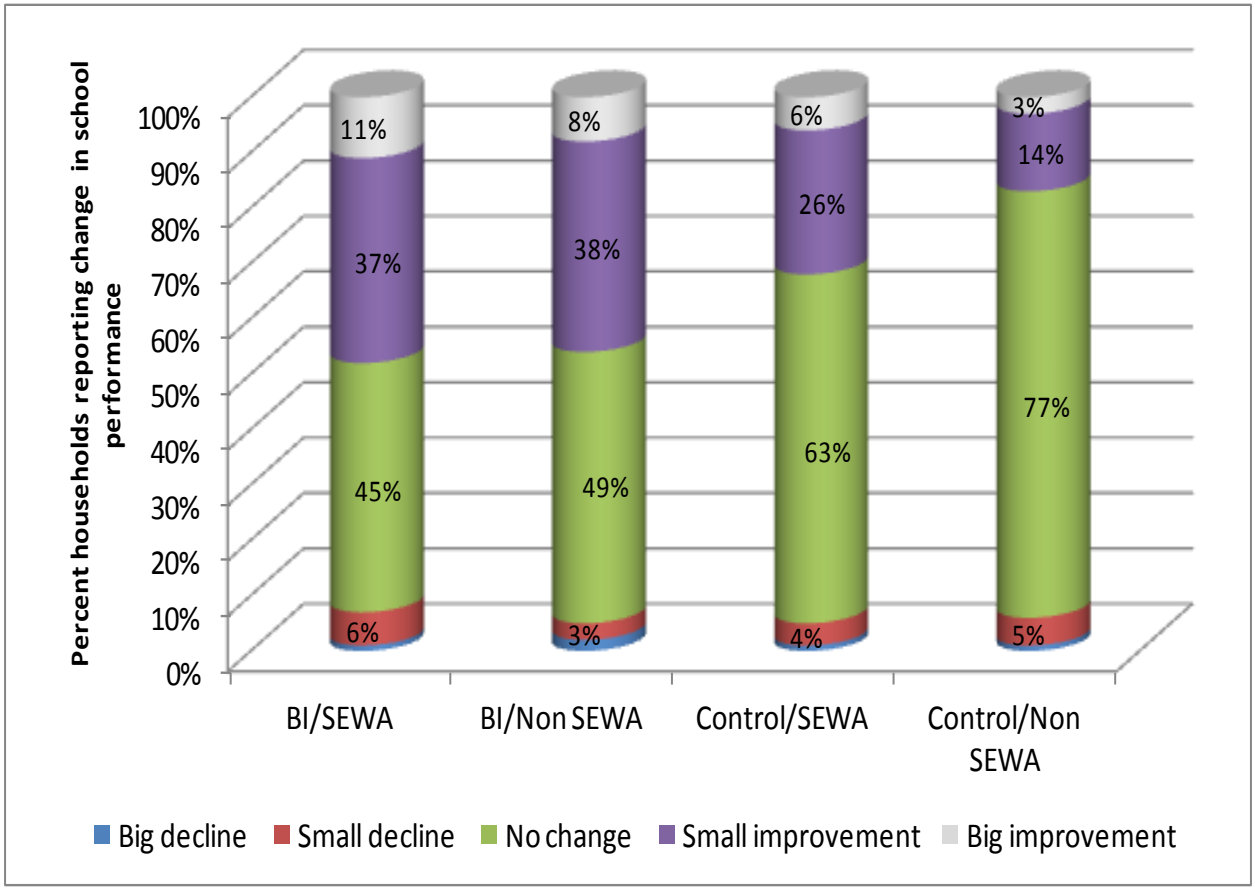
Interestingly, many more parents in BI SEWA villages said that the performance of their children had improved over the period of the basic income payment (Figure 7.5.5 and Figure 7.5.6). By the time of the FES, many more parents in SEWA villages receiving the payment compared with those in non-SEWA BI villages spoke about an improvement in attendance as well as performance (Figure 7.5.2 and Figure 7.5.6)

**Figure 7.5.5: General Villages: Percent of households with improvement in school performance, by type of village, IES 2011-12**




Source: MPUCT IES, 2012, n = 617

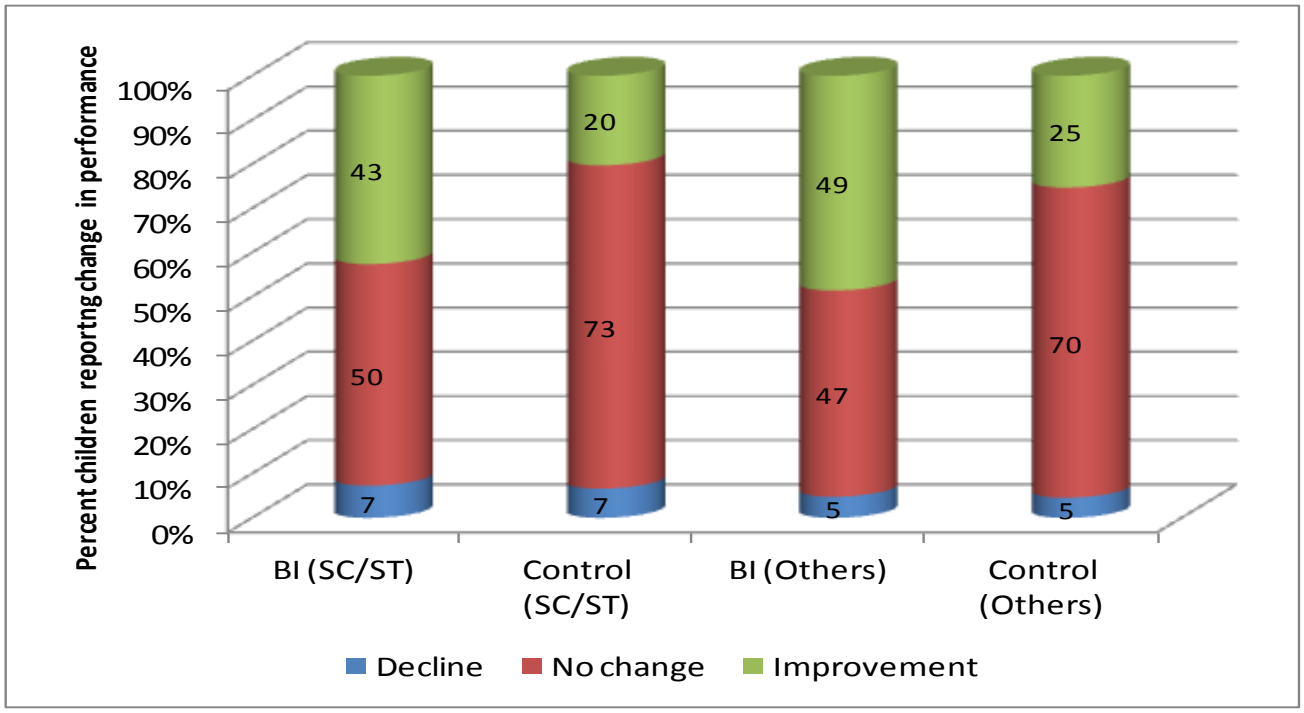
**Figure 7.5.6: General Villages: Percent of households with improvement in school performance in last 12 months, by type of village, FES 2011-2012**




Source: MPUCT FES, 2012, n = 1290

As with school attendance, the difference in perceived improvement in performance levels was slightly higher for SC/ST children than for children from other categories (Figure 7.5.7). No differences were observed by gender.

**Figure 7.5.7: General Villages: Percent of households reporting change in school performance in past 12 months, by village type and social group, FES 2012**




Source: MPUCT FES, 2012; n=2366 children

When asked what could explain poor performance, around 40% of households attributed it to poor teaching. This contrasted sharply with reasons given for poor performance by households in control villages, a majority (about 60%) were of the view that poor performance was explained by the child's lack of concentration or lack of interest.

In addition to household perceptions, we also looked at performance records for children from a sample of our villages obtained from records of schools that these children were enrolled in. Performance records were obtained for both half yearly and annual evaluations at four points in time (October 2011 and October 2012 to compare performance records at the half-yearly evaluation stage, and February 2011 and February 2012 to compare annual performance records and changes).

Overall, no significant differences were observed in the performance of children coming from BI villages over the 12 month period of the basic income payment. However, when disaggregated by social groups, children from ST households in BI villages seemed to record the greatest improvement in terms of grades (Table 7.5.10). Further, and interestingly so, private schools tended to grade the performance of children higher than government schools. This could suggest leniency on part of the private schools to 'deliberately' show better performance to attract more children. In government schools too, performance records may be suspect because of the pressure to show that children make it to the next grade.

**Table 7.5.10: General Villages: Performance of children in schools as per school records, by type of village and social group, 2011-2012**

| | % change from Oct-10 to Oct-11 | | % change from Feb-11 to Feb-12 | |
|---|---|---|---|---|
| **Grades in school exam** | **Cash-transfer** | **Non-cash transfer** | **Cash-transfer** | **Non-cash transfer** |
| General | -25% | 9% | -17% | 3% |
| SC | | 4% | | 8% |
| ST | 31% | 13% | 15% | 9% |
| OBC | 2% | 9% | -3% | 2% |
| Grand Total | 0% | 7% | -3% | 5% |

Source: Survey of schools 2012

In the tribal villages, a slightly higher proportion of households in the BI village reported an improvement in the performance of their children than in Bhilami. Performance improvements of nearly 20 percentage points were observed in the former (an increase in rating of performance by mothers as "well"), compared to an improvement of 17 percentage points in the control village (Table 7.5.11).

**Table 7.5.11: Tribal Villages: Rating of school performance 2012**

| | Tribal Baseline | | Tribal FES | |
|---|---|---|---|---|
| **Rating** | **BI Village** | **Control Village** | **BI Village** | **Control Village** |
| | **%** | **%** | **%** | **%** |
| Well | 55.2 | 53.7 | 75.4 | 71.7 |
| Average | 36.3 | 39.4 | 15.6 | 18.5 |
| Below average | 6.5 | 5.7 | 6.9 | 8.7 |
| Don't know | 2.0 | 1.1 | 2.1 | 1.2 |

Source: Tribal villages survey, TV-Baseline (n= 423) and TV-FES (n=462)

## 7.6.Privatisation of schooling

In recent years, in the rural area covered by the pilots, there has been an explosion in the number and impact of private fee-paying schools, in all three divisions of Indore District, namely

Depalpur, Indore and Mhow.[126] Whether true or not in reality, the simple idea has caught on that government schools are bad, private schools are good.

This has been helped by aggressive marketing by private schools and the apparent apathy in the government school system. Private schools have adopted novel marketing strategies, including making calls on parents to discuss their children and sending teachers to visit homes to enquire about their children's studies.

The research team also heard cases of some private schools offering 'discounts' e.g. charging no fee for a third child if two of his or her siblings were enrolled in the school. They were told how easy it was to open a school up to grade 4. These were usually ramshackle, small private schools run from homes by educated village youth. No doubt this has contributed to a related phenomenon, which is the movement between private schools.

Often, the private schools were found to be charging a high fee for their services. In one private school that catered to children in Bhilami, we found a graded school fee structure with children from Nursery, LKG and UKG being charged Rs 200 per month; 1st and 2nd grade (Rs. 220 per month); 3rd and 4th grade (Rs. 240 per month); 5th and 6th grade (Rs. 260 per month); 7th and 8th grade (Rs. 300 per month); 9th and 10th (Rs. 350 per month); and 11th and 12$^{th}$ (Rs. 400 per month). This was over and above the enrolment fee, an additional exam fee for high school examination (Rs. 500), a 'development charge' (up to 800 Rupees annually) and cost of books and stationery (up to Rs. 600 annually).

Some private schools, however, are playing a very positive role in their communities. The remarks of a principal of one private school deserve to be quoted verbatim:

> *"It has been 8-9 years since the school was opened. Children from all the local villages come here. Our school is from LKG to 12$^{th}$ grade. We have to run the school on two shifts. Our fees are less than other private schools around here. The annual fee for the LKG - UKG children is just 1500 Rupees, with no other fee for admission and so on. We ask for the fee on a half-yearly basis during the soybean/corn and wheat harvest seasons. But a lot of people do not deposit the money even during the harvest. If we ask the children about the school fee, they may stop coming to school for 8-15 days. That is why we do not pressurise them too much about the fee, especially for girls. We don't say anything about the school fee to the girls because their parents anyway don't send them to school and if we pester them about the fee they won't send them at all. So we take from them whenever they have money and can pay.*
>
> *"At our school we give a full fee concession to one child if two other children from the same family are paying fees. And if a woman is a widow, we only charge half the actual fee. Because I am from a nearby village, I want the children of our area to study and became able persons.*

[126] M.Narula, *"Emerging issues at secondary level: Focus on private schools in Madhya Pradesh, India"*, NUEPA Occasional Paper No.42, 2012.

*"The cash transfers have made a difference. But my suggestion is that you deposit the money in the children's bank accounts for their education, so that the money can be used only for their education. When parents come, they tell us about the cash transfer money and say they will deposit the school fee."*

The latter sentiment is understandable, but would necessitate extensive bureaucratic interventions that would be costly and intrusive. A constraint to a child attending school might be an illness requiring the purchase of medicines. Or the child might lack shoes that fit. Paradoxically, if the money could be spent only on school items, that might actually be to the child's disadvantage if something else was the real constraint.

The difficulty of analysing the effect of the basic income payments on the shift to private schools is compounded by the fact that there is a general trend in that direction across rural Madhya Pradesh. Moreover, in the non-tribal villages, the share of children going to private schools was higher in the BI villages before the pilot began. That fact means that there was less scope for a shift to private schools.

In both tribal villages, there was a marked shift from government to private schools, but the shift was stronger in the BI village (Table 7.6.1).

**Table 7.6.1: Tribal Villages: Change in type of school, 2011-2013**

| Type of School | BI Village | Control Village |
|---|---|---|
| | % | % |
| **Tribal Baseline** | | |
| Govt. | 81 | 86 |
| Private | 19 | 14 |
| Total | 100 | 100 |
| **Tribal FES** | | |
| Govt. | 71 | 88 |
| Private | 29 | 12 |
| Religious | 0 | 0 |
| Total | 100 | 100 |

Source: Tribal villages survey, TV-Baseline (n=423) and TV-FES (n=462)

In people's perceptions, government schools are of low quality and the teachers are not accountable, and that they as parents are not in a position to demand better quality from teachers. In one of the BI villages where SEWA was operative, we witnessed protests by women from the tribal hamlet against a government school teacher. The mothers were demanding that SEWA should do something about the teacher, who allegedly slept during the day and was rude to children as well as parents.

Against this backdrop of villagers' aspiration to give their children better schooling, the basic incomes seem to give a considerable push to enable poorer parents to send their children to private schools. In many villages, people reported that after the cash transfers started many parents took the plunge of shifting their child from a government school to private school.

In several SEWA villages, the parents were asked: *'What will you do after the cash transfers are over?'* The most common reply was: *"This cash transfer money has helped us take this decision. After this something will happen, and there is always God to help us."*

There were of course some parents whose children were studying in government schools and were adamant that they could not afford to shift them to a private school. An example was Santhoshbai in Sahavada village, who told the case study team that she could not afford to send her children to a private school, and did not even aspire to send them.

The complexity visible in the aforementioned cases reaffirms how difficult it is to ascertain the exact impact of basic income transfers on enrolment and retention, and how it is bound to be affected by individual family circumstances.

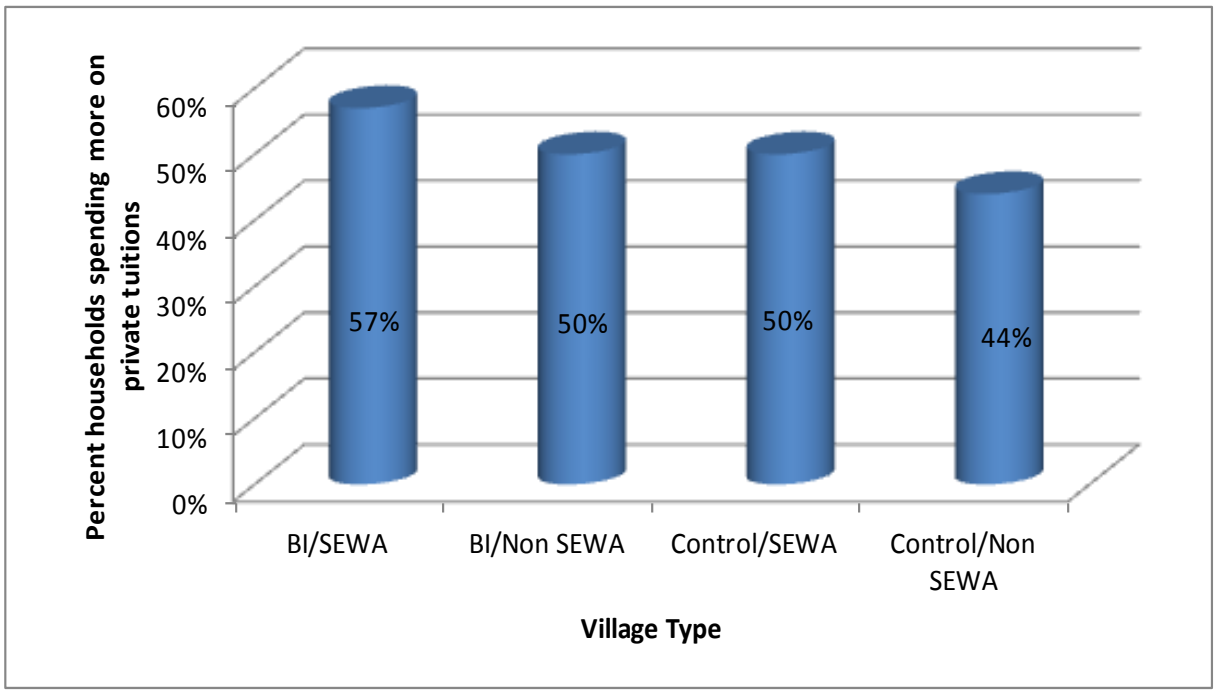
### 7.7.Private Tuition

Another growing and potentially valuable phenomenon in MP villages is private tuition. It can enable some children put back in school by illness, or by other demands on their time, to catch up on missed school. It can help slow learners and enable some bright children to learn more on selected topics that interest them. It can also be used by parents to park their children while they are working.

As one father told the case study enumeration team: *"Last year, one of our children in 12$^{th}$ grade failed at maths. He then took private tuition with the help of the cash grants, and passed his 12$^{th}$ grade exam."*

More generally, the evidence from the FES suggests that receipt of the basic income had a small but significant positive effect on resort to private tuition (Figure 7.7.1).

**Figure 7.7.1: General Villages: Percent of households spending more on private tuition, by village type, FES 2012**




Source: MPUCT FES, 2012, n = 1364

The most likely reason for popularity of private tuitions in the general villages could be the aspirations of parents to give their children what they perceived as good education. Also, it could reflect their own inability to help their children with assignments given by the private schools where they were enrolled, largely because they themselves were uneducated.

Very few families in the two tribal villages had opted for private tuition. This could be because teachers offering tuition were simply not available in the tribal villages. None of the teachers teaching at schools in these villages were a resident of the village; they all came from outside the village.

## 7.8.Transport to School

Children go to school by one of several means, obviously depending in part on the distance between their home and the school. Also obviously, some parents choose a school by whether or not they can afford the transport every school-day.

In the tribal villages, more of the children receiving basic income transfers were going to schools that were at least 5 kilometres away. This trend increased during the pilot, whereas it stayed about constant for the control village children (Table 7.8.1).

**Table 7.8.1: Tribal Villages: Travel to and from schools, 2012**

| | BASELINE | | IES | |
|---|---|---|---|---|
| | **Control** | **Basic Income** | **Control** | **Basic Income** |
| **Distance from home to school** | | | | |
| Less than 1 km | 35.8 | 31.1 | 33.4 | 46.4 |
| 1 - 5 kms | 55.3 | 62.1 | 58.7 | 36.9 |
| 6 + kms | 7.9 | 6.3 | 7.1 | 15.3 |

Source: Tribal surveys; n = 423 children

There was also an increase in the number of children going to school by bus in the basic income village. Whereas at the time of the baseline, the proportion of children walking to school was roughly the same in both tribal villages, by the FES, many more children in Ghodakhurd (nearly 16%) started taking a private bus to school compared to just 2% in the control village, where the proportion of children walking to school increased (Table 7.8.2).

**Table 7.8.2: Tribal Villages: Transport to schools, 2012**

| | BASELINE | | FES | |
|---|---|---|---|---|
| | **Control** | **Basic Income** | **Control** | **Basic Income** |
| **Transport to schools** | | | | |
| Walk | 84.6 | 77.4 | 90.7 | 73.4 |
| Bicycle | 2.3 | 2.0 | 2.9 | 4.8 |
| Bus | 12.6 | 19.4 | 2.9 | 4.2 |
| School bus | | | 2.0 | 15.9 |
| Motorcycle | | | | 0.7 |
| Other (hostel etc) | 0.5 | 1.2 | 0.6 | 1.0 |

Source: Tribal surveys, n = 462 children

In our general village pilot too, households in BI villages increasingly opted for school buses for children, reflecting in the correspondingly larger increase in expenditure on transport in these villages (Table 7.3.3 in section 3). In several case studies too, families reported that the BI payments had made a difference to their mode of transport. One told the case study team that his son used all his transfer money to cover his transport to college, which was in Indore and far away, costing almost 50 Rupees a day. Before the payments started, he used to go three days a week because they could not afford more; now he went more often.

## 7.9.Children staying in hostels and migrating for school

Staying in hostels during term time has become a feature of school life, especially in remote tribal areas where schools are unavailable. According to the FES conducted in the general villages, 6.1% of all children stayed in a hostel during term time, almost all on a regular basis. But there did not seem to be any difference between those coming from BI households and

others. According to data from the tribal villages however, there is some suggestion that BI recipient families were arranging for this to a greater extent than others (Table 7.9.1).

**Table 7.9.1: Tribal Villages: School children staying in hostel, by whether or not receiving basic income, IES 2012**

| | IES | |
|---|---|---|
| | **Control Village** | **BI Village** |
| **Whether child staying in a hostel during school term** | | |
| No | 89.2 | 84.1 |
| Yes, regularly | 10.8 | 15.7 |
| Yes, occasionally | | 0.2 |
| **N** | **380** | **491** |

Source: Tribal IES, 2012

Another issue that was explored was whether or not families were sending their children to school outside the villages and if so, whether the basic income payments were playing a role in that. In the tribal BI village, such migration was much more common than in the control village, as shown in Table 7.9.2 below. Moreover , such migration became more common between the baseline time and the IES.

**Table 7.9.2: Main Reason for Migration, Tribal Villages, 2012**

| | | BASELINE | | IES | |
|---|---|---|---|---|---|
| | | **Control Village** | **BI Village** | **Control Village** | **BI Village** |
| | **Main reason for migration** | | | | |
| | Seeking labour | 62.8 | 50.0 | 35.1 | 20.4 |
| | Schooling | 23.3 | 33.3 | 33.8 | 63.0 |
| | Other (training, higher education, Need to pay debt, for pregnancy, illness, constable job, army job etc.) | 14.0 | 16.7 | 28.6 | 16.7 |
| | Don't Know | | | 2.6 | 0.0 |
| | **Number** | **43** | **48** | **77** | **54** |

Source: Tribal surveys

The Z-test shows that change in migration for schools in the BI village compared to the control village is statistically significant at 5% level (Z=-2.62>1.96).

## 7.10. Concluding Reflections

There was a nice scene in one case study. A 55-year-old Bhil woman, an agricultural labourer by trade, was asked about how the cash grant money was being spent in her household. She

was asked about her elder son, who had physical disabilities but who was studying 10th grade. She said firmly:

> *"I don't take his money at all, sir! He studies, so he needs that money for his books and conveyance to go for tuition. He withdraws from the bank whenever he wants money for his studies. So far he has withdrawn twice: 600 and 500. With the 600 rupees he had his tricycle repaired. It has been lying around because we didn't have money to have it repaired. With his second withdrawal, he bought clothes and paid tuition fees."*

Somehow, that demonstrates the power of giving individual autonomy. Clearly, more research is needed that tracks the impact of transfers over a longer period of time on outcomes such as test scores or attendance. The ultimate impact of any unconditional payments on schooling depends also on a number of other factors such as the amount of basic income relative to household income. This was confirmed in our regressions where we found that land ownership was a greater predictor of the odds of getting enrolled in school (irrespective of gender) than household size.

The case studies further establish the fact that it is individual family circumstances that influence the decision on whether or not a child is enrolled. A basic income support may be used up to fund an illness or day-to-day needs such as expenses on food, or it may be kept aside for housing improvements, more so when it is known that the family may not be able to afford the additional costs of schooling once the basic income payment stops.

The short period of our pilot also does not allow us to trace the effect of basic income payments on outcomes such as preventing early marriages or teenage pregnancy among girls. It is here that the 'unconditionality' of the transfers is known to make a difference.[127]

Where we see clear effects of the unconditional basic income payments is on enrolment levels, particularly that of girls, and more so girls in SEWA villages. The basic income also seems to improve school attendance and performance of children from vulnerable groups such as the scheduled tribes, who perhaps are under more duress to work on family farms and as household help than other children, given the abject condition in which their families live. It is for these children that the modest basic income, given at the individual child level, seems to make a significant difference.

While a shift to more expensive private schools is a decision governed by individual family circumstances, what is confirmed is a clear increase in expenditure on schooling, particularly on transport (to reduce the burden of having to walk to schools daily) and small items such as shoes and clothes, which make children look more 'respectable' for going to schools.

[127] See, for instance, Baird, McIntosh and Ozler, "Cash or Condition? Evidence from a Cash Transfer Experiment", World Bank Policy Research Working Paper 5259, 2010.

Finally, the data suggest that the presence of a Voice organization can enhance the positive effect of the basic income payments on schooling, particularly on those vulnerable to dropouts like girls. It can also have a positive effect on the manner in which schools, particularly government schools, deliver services. We examine these effects in more detail later in chapter 10.

## Annexures

**Table A.1: General Villages: Distribution of school going age children, by type of village and gender**

| Type of Village | Male | | Female | |
|---|---|---|---|---|
| | N | Percent | N | Percent |
| **BI Villages** | 725 | 53.1 | 640 | 46.9 |
| **Control Villages** | 838 | 49.4 | 858 | 50.6 |
| **Total** | 1563 | 51.1 | 1498 | 48.9 |

Source: MPUCT FES; Notes: all % row wise

**Table A.2: General Villages: Distribution of school going age children, by type of village and social group**

| Type of Village | SC/ST | | Others | |
|---|---|---|---|---|
| | N | Percent | N | Percent |
| **BI Villages** | 432 | 31.6 | 933 | 68.4 |
| **Control Villages** | 677 | 40.0 | 1019 | 60.0 |
| **Total** | 1109 | 36.2 | 1952 | 63.8 |

Source: MPUCT FES; Notes: all % row wise

**Table A.3: General Villages: Distribution of school going age children, by type of village and age**

| Type of Village | 6-10 years | | 11-13 years | | 14-18 years | |
|---|---|---|---|---|---|---|
| | N | Percent | N | Percent | N | Percent |
| **BI Villages** | 554 | 40.6 | 394 | 28.9 | 417 | 30.5 |
| **Control Villages** | 734 | 43.3 | 434 | 25.6 | 528 | 31.1 |
| **Total** | 1288 | 42.1 | 828 | 27.0 | 945 | 30.9 |

Source: MPUCT FES; Notes: all % row wise

## Chapter 8: Work, Labour and Time Use

### 8.1. Introduction

This chapter will deal with several controversial issues. First, it will examine the data from all the surveys to determine whether basic income transfers reduce labour supply, as some critics have contended they would, or whether they result in an increased labour supply due to releasing constraints to increased production or to facilitating acquisition of raw materials or equipment.

Second, it will briefly consider the possible effects on child work and labour, bearing in mind that one of the hopes of basic income payments is that it will reduce child labour or at least make what work is done by children be less disruptive of their learning.

Third, it will consider the potential impact on women's working roles in and outside the household. In this regard, according to official NSS data, the female labour force participation rate in Madhya Pradesh is low relative to other parts of India, although studies have shown that the NSS data often undercounts women's work participation, especially own-account work on or around the farm.[128]

Fourth, it will consider whether or not the basic income transfers have induced changes in the type of work and economic activity. This is a crucial part of the outcomes, since if, for example, the basic incomes lead to some increase in food production or if they lead to a growth in other own-account production, that would be a bonus relative to, say, subsidised food items, since subsidised food implicitly acts as a deterrent to local production of alternative food items.

### 8.2.The Pattern of Work and Labour in MP Villages

Clearly, in the 20 general villages covered by the pilots, and also in the two tribal villages, the main economic activity was farming, and much of that was conducted on small holdings of just one bigha or a few bighas. There were also a few so-called landlord farmers, who accounted for an important institutional arrangement that must be taken into account in assessing the impact of the basic income transfers.

Traditionally, some of the poorer villagers, mostly men and boys, make labour arrangements with landlords called *naukar* (in the case of men) or *gwala* (in the case of boys). Under these entrenched relations of production, a person, usually in return for a loan of some kind, accepts an agreement to work on the landlord's farm, usually for a year, doing whatever labour is

[128] N.Banerjee, "Household dynamics and women in a changing economy" in M.Krishnaraj, R.M Sudarshan and A.Shariff (ed.), Gender, Population and Development (New Delhi: Oxford University Press, 1998), pp 245-63.

required. Many labour as a naukar for a full year at a time and then renew the arrangement for the next year. We came across households who have been locked into this cycle for many years, if not generations.

For a low-income family, although it imposes constraints on individuals, one can see this as a form of insurance or 'dependent security', a well-known situation replicated all over Asia.[129]In principle, a naukar can go to his landlord employer in times of need and ask for wheat or some other source of support. But one problem is that often the landlord refuses, particularly at times when he does not need any labour. The worker also loses control of his time, since he could be called to labour at very short notice, often in rainy conditions.

The naukar system is deeply entrenched in rural Madhya Pradesh. Thus, one 50-year-old landless man who was one of the project's 'case studies' told the project's enumerators that he had been a naukar for landlords for nearly 35 years. He only ended the relationship finally during the period in which he was receiving the basic income grant. That may be just one case. Nevertheless, given the entrenched prevalence of the naukar system, it is important to see whether or not the BI grants have managed to weaken its hold. We will deal with this in the penultimate section of this chapter.

Another contextual feature to bear in mind is that employment and the payment from it are both very uncertain for almost all villagers. Households often cannot predict how much they will be required to do and often worry about receiving payment and about when they will do so. Clearly, by all accounts, they rarely receive their wage just after they have performed the labour.

This lends significance to the receipt of a regular cash payment, since income from labour is 'lumpy' and irregular, traditionally resulting in one of the great problems faced by rural families, namely lack of liquidity. That systemic uncertainty of employment and payment has traditionally fed into the chronic necessity to borrow at awkward moments, meaning that they have had to pay high interest rates, typically pushing them into deeper debt. Basic income coming each month can help deal with the problem, an issue to which we will return in the next chapter.

## 8.3.Basic Income and Labour Migration

Let us start by considering whether or not the receipt of the monthly cash payments had any effect on the extent of out-migration for labour. We saw in an earlier chapter that there was some switch from labour to schooling as the main reason for short-term out-migration in the pilot villages. But did the basic income transfers tend to deter labour migration in itself?

In the general villages, temporary labour-related migration was covered briefly in both the IES and FES. Both surveys suggested that there had been no differences in the pattern of migration between basic income and.

[129] See, e.g., G. Wood, "Staying secure, staying poor: The Faustian bargain", World Development, Vol.31, No.3, 2003, pp.455-71.

Migration is very low in these villages, and did not change much in villages where the basic income was paid. The migration rate in the baseline was 5% for the basic income villages and 6.3% for the control villages. After one year of cash transfers, there was no change in the basic income villages, while there had been a small rise to 8% in the control villages, which was not significant.

The tribal villages, however, showed much higher levels of out-migration, as 29% in the BI villages and 21% in the control village at the baseline, which increased significantly over the year in both villages. The main impact of the basic income seemed to be a shift in the reason for periods of temporary out-migration, with schooling becoming a much more important reason in the basic income village, but not in the control village.

At the time of the IES, only 20% of those migrating from the BI village said that the main reason was to seek labour, whereas 36% of those in the control village said that. By the time of the FES, schooling accounted for two out of every five migrations in the BI village, compared with under a quarter in the control village (Table 8.3.1).

**Table 8.3.1: Tribal Villages: Main reason for out-migration in control village**

| Main reason for out-migration in control village | | | |
|---|---|---|---|
| | Baseline (%) | IES (%) | FES (%) |
| Seek labour | 63 | 36 | 47 |
| Schooling | 23 | 34.7 | 23 |
| Other[130] | 14 | 29.3 | 30 |

Source- TVUCT Baseline (n=43), IES (n=77), FES (n=93)

[130] Other includes army job, pregnancy, illness, children living with migrating parents, training etc.

**Table 8.3.2: Tribal Villages: Main reason for out-migration**

| Main reason for out-migration in BI village in Percentage | | | |
|---|---|---|---|
| | Baseline | IES | FES |
| Seek labour | 56 | 20 | 31 |
| Schooling | 37 | 63 | 40 |
| Other | 7 | 17 | 29 |

Source- TVUCT Baseline (n=48), IES (n=54), FES (n=77)

**Figure 8.3.1: Tribal Villages: Main reason for migration in control village**

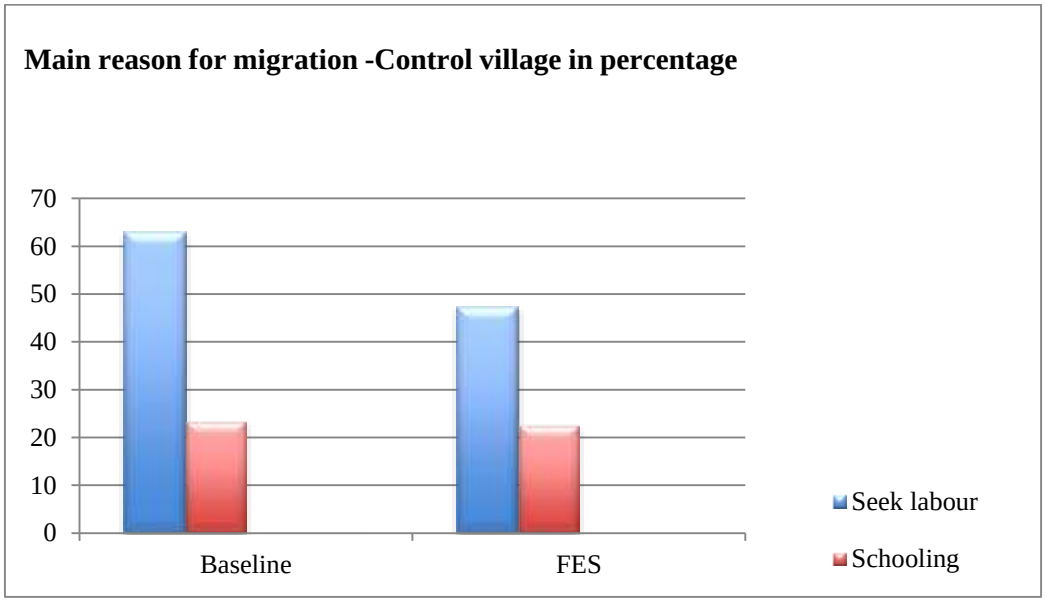
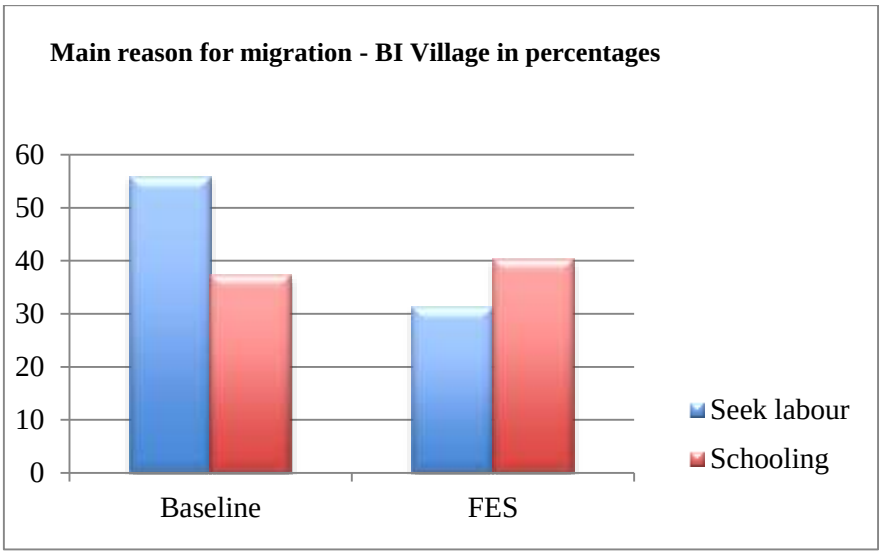


**Figure 8.3.2: Tribal Villages: Main reason for migration in basic income village**




Overall, the effect on short-term labour migration is just one instance of the potential of basic income transfers having a transformative effect, through the indirect benefits. Going out of the village for labourmay well have a detrimental effect on the children's education since they also have to travel with the parents. So, any reduction in such migration should have longer-term beneficial effects.

### 8.4. Basic Income and Child Labour

Child labour is an emotive issue, and by all accounts remains pervasive across India. In 2012, around the time of the pilots, the Indian Government announced that it intended to introduce a complete ban on the employment of children under the age of 14, thereby tightening the restrictions due to the 1986 Child Labour Act.

Unfortunately, as long as impoverishment continues, children will be used economically by their families, if they can. The questions most pertinent in the pilots were whether or not the Basic Income transfers would lead to a reduction in child labour, and if so, a reduction of what types of work and labour?

As it turned out, the extent of child labour in the non-tribal villages, in terms of working for wages, was not substantial, although many children did some farm work on family landholdings and many also did work on household chores. Contextually, the latest official survey showed that, across the whole state of Madhya Pradesh, 4.8% of children aged 5 to 14 in Indore District in 2010 were doing some form of economic activity, for cash or for kind. So, while not very extensive, some child labour was persisting.

In most rural areas, even when children are attending school, they are expected to help the family in work if there is work to be done. Most girls do some form of housework or child care. Both boys and girls participate in grazing the animals and also work on family farms during harvest time. Those families who were living mainlybywage labour often take their children with them to help earn a little more. Traditionally, in Indore District, schools have adjusted

their timings and holidays to accommodate the planting and harvest seasons, when the whole family is typically in the fields from dawn to dusk.

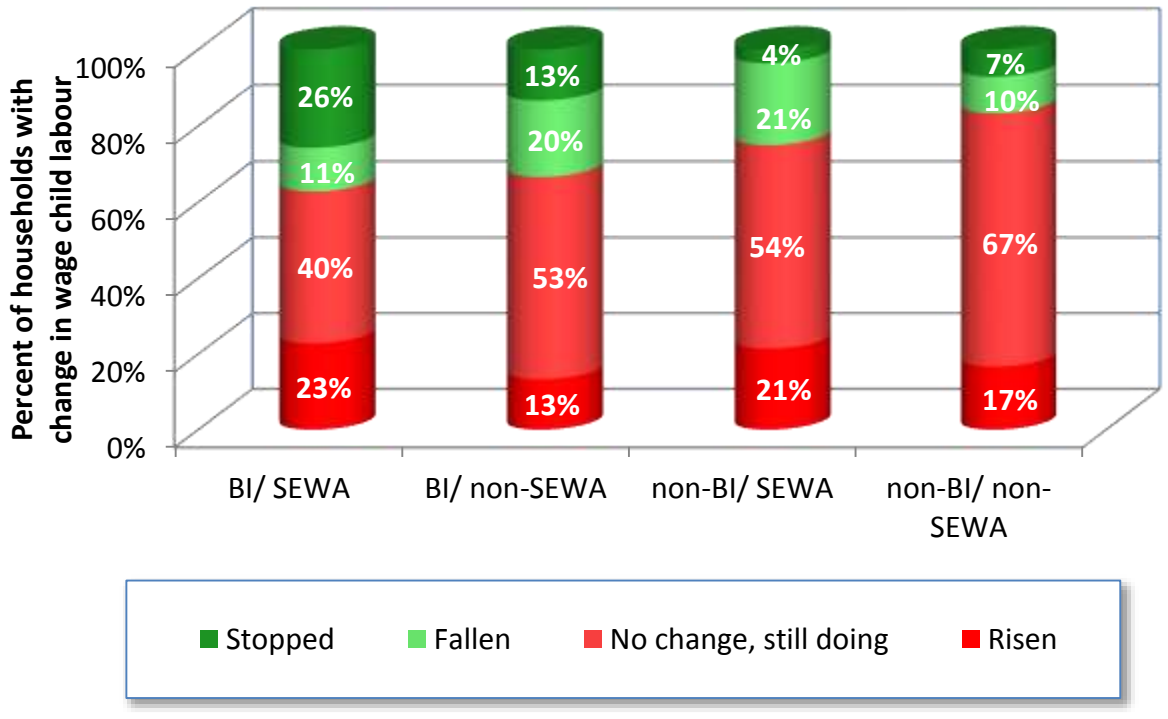
For both the non-tribal and tribal villages, the baseline and both evaluation surveys probed for the extent of both child labour and work, that is, covering activities done for wages, activities done to help on a farm, activities done to produce something for sale or barter, and activities done in and around the home, including care work.

As expected, the probability of any child doing any form of work was closely linked to their age. Accordingly, children were divided into three age groups: 5-8, 9-14, 15-18 years.

In the general villages, according to the IES, only about 12% of households had children doing wage labour. There did not seem to have been any significant changes since the Basic incomes had begun. Of those that reported that a reduction in child labour had taken place, most said the children had increased the amount of time devoted to schooling.

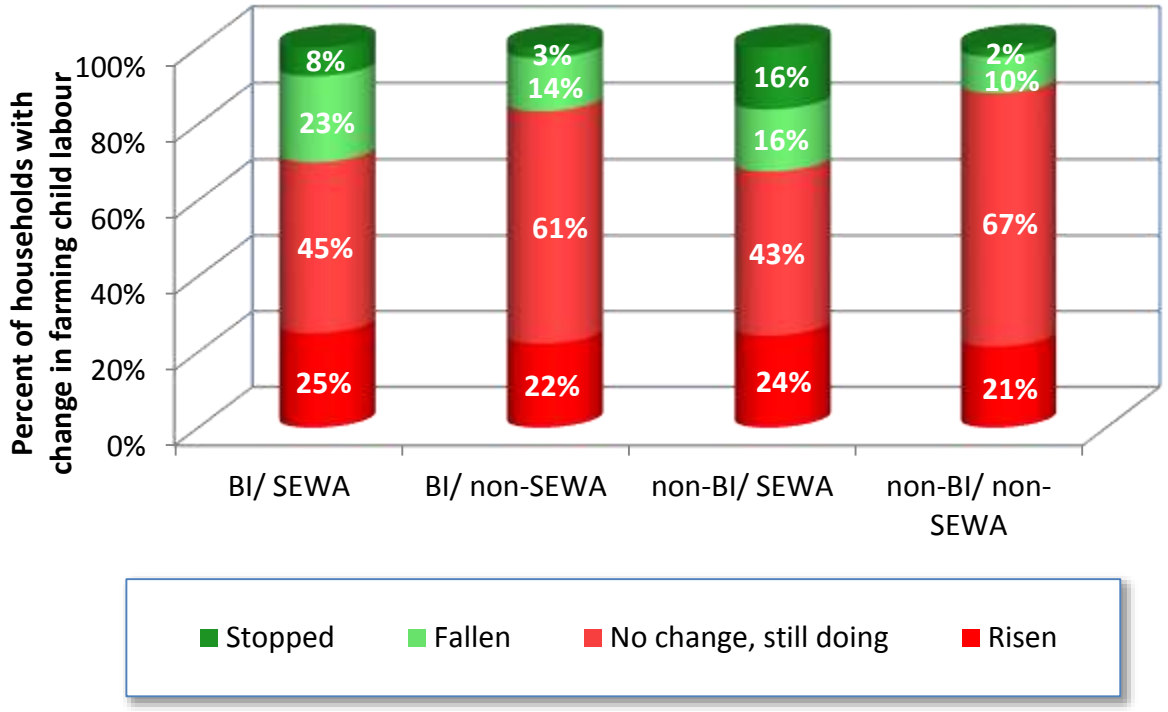
However, as indicated by Figure 8.4.1, by the time of the FES, there was some evidence that child wage labour had been cut in households receiving the basic income, with over a third doing so, compared with under a quarter in the control villages. The SEWA villages in particular, saw a reduction in children work, both in the basic income and control villages. This reduction occurred in both wage work and work on the family farm.

**Figure 8.4.1: General Villages: Percent of households with change in child wage labour in past 12 months, by village type**




Source: MPUCT FES, 2012 and n = 135

**Figure 8.4.2: General Villages: Percent of households with change in child farm work in past 12 months, by village type**




Source: MPUCT FES, 2012, n = 155

**Table 8.4.1: General Villages: Percent of households having reduced or stopped child labour, by village type**

| | Village type | | |
|---|---|---|---|
| Labour type | BI | Control | $Chi^2$ |
| Wage labour | 20.0% | 5.7% | 6,249** |
| Own-account work | 5.3% | 8.9% | 0,760 |
| | SEWA | non-SEWA | |
| Wage labour | 15.9% | 9.7% | 1,155 |
| Own-account work | 11.7% | 2.6% | 4,893** |
| | BI / SEWA | Other | |
| Wage labour | 25.7% | 8.0% | 7,391*** |
| Own-account work | 7.5% | 7.0% | 0,013 |

Source: MPUCT FES, 2012, n = 135 (Wage labour), 155 (Own-account work)

Second, those households in which children were reported as doing some wage labour were asked to what extent that labour was deemed important for the household. In the FES, for the first child, 22.9% said it was very important, 49.2% said it was important, and only 27.1% said it was not really important.

When asked if they thought the child's non-school work was affecting schooling, only 36.3% said it did, the remainder saying it did not, either because the children were not attending school anyhow (36.6%) or that it did not affect their schooling (24.6%).

In the FES, households were asked if their children had experienced any change in the monthly number of days of wage labour in the year. In net terms – reported rises minus reported cases of reductions or complete stop of the child's wage labour – there may have been what can be regarded as a positive effect of BI, in that there was a net reduction of children's non-school work in those households. Happily, he numbers of children doing wage labour was small with 90% of all households reporting that there had been no change, simply because their children had not been doing any wage labour

In the tribal villages, a similar set of questions was asked. Is the labour or work disruptive of schooling and studying? The pattern of child work did change considerably after the Basic incomes began in Ghodakhurd. We will see later that many BI households moved from wage labour to farming,and as they did so, their children worked more on the family farm rather than go out for wage labour.

So, whereas 48% of Bhilami (control village) children did some labour on others' fields, only 5% of Ghoda Khurd children did so, whereas over 71% of Ghoda Khurd's children worked on their family farm. This shift created a paradox. Children in Ghoda Khurd were *more likely* to work than those in Bhilami. But their work was *less likely* to affect their schooling. So, 36% of children in Ghoda Khurd worked as opposed to 26% in Bhilami, but only 16% said their schooling was adversly affected, as opposed to 37% in the control village (Table 8.4.2).

Children working in the fields along with their parents is common throughout this region. This work rises to a peak during the harvest season. Schools in the region often adjust their daily timings and their vacations to suit the rhythm of these farming communities.

**Table 8.4.2: Tribal Villages: Perceived impact of child labour on schooling, by village type**

| Village type | Basic Income (In Percentage) | Control (In Percentage) |
|---|---|---|
| Extent of child work, of which: | 36 | 26 |
| Wage labour | 5 | 48 |
| Family farm | 71 | 41 |
| Non-farm family | 24 | 11 |
| Child work disturbing school | 16 | 37 |

With the shift from wage labour to own-account work, this is the principal finding as regards child work. In principle, if properly supervised, and presuming that the work is not intrinsically dangerous, such work may be regarded as acceptable as a realistic form of socialization in contemporary village life in India.

## 8.5. Basic Income and Economic Activity

The complex links between basic income and work and labour have rarely been considered in anything like their entirety. The usual practice has been to look at one variable as a proxy for labour supply, such as "labour force participation", a binary for being in economic activity or not, where the status is defined usually as "main" activity. This project has tried to go further than that.

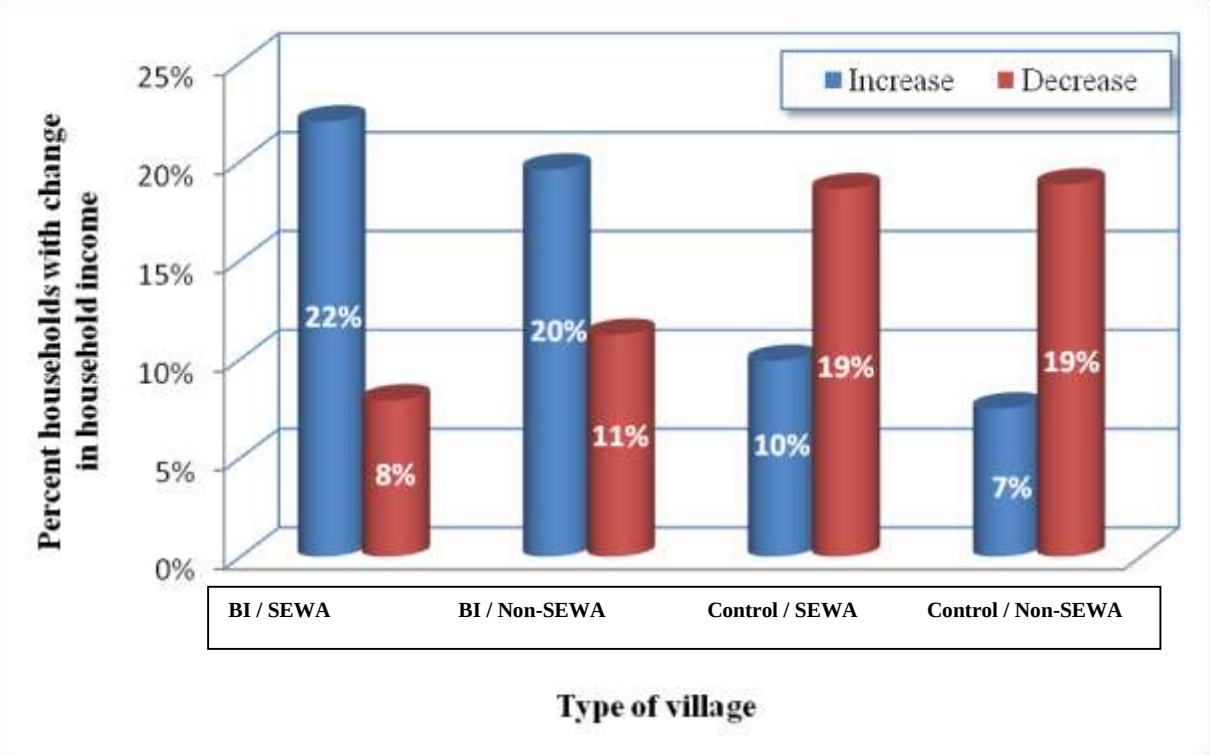
Work and labour should be disaggregated into their components. Thus to start with, there is work in and around the home, in caring for children or others, and in doing "housework". Beyond that, there are two types of what is regarded as "economic activity", namely own-account production, whether for oneself or as part of family production, and there is labour, done for wages or for some form of non-monetary payments by somebody outside the household

All these distinctive activities can be further sub-divided by whether they comprise the individual's main activity, defined by the relative amount of time devoted to it, and the "second main" activity. In principle, it should be borne in mind that it is possible for the second main activity to be an economic work, even though it results in more "income" than the main activity.

It is worth noting here that on average households receiving the basic income increased their earned income by more than those that did not receive it (Figure 8.5.1). Not only did more households increase income but fewer households experienced a decline, meaning that in net terms the difference between BI and control villages was quite large, and the SEWA impact was visible. The basic income considerablely raised earned income. In SEWA basic income villages, for example, 22% of all households experienced an increase in household income and 8%

said there had been a decline, whereas the situation was reversed in the non-SEWA, non-basic income villages, where only 7% said there was an increase and 19% said there had been a decline.

**Figure 8.5.1: General Villages; Percent of households with change in household income, by village type**




Source: MPUCT FES, 2012, n = 2034

As noted in chapter 1, a standard claim by critics of Basic incomes is that they will lead to a reduction in labour supply, and that this would particularly apply to the supply of time to wage labour. An alternative argument is that by releasing constraints, they can induce an increase in labour supply. In Brazil, the latter seems to have been the outcome; thus, it was found that the Bolsa familia was associated with a rise in labour force participation rates among beneficiaries.[131] This sort of finding has been reproduced in other cash transfer schemes around the world.

Let us start with the basics. In the general villages, the FES asked each individual aged 14 years and above about their economic activity at two points, during the month of May 2012 (i.e., just before the FES) and during May 2011 (i.e., in the month just before the launch of the project). The sample consists of 7,486 adults, spread across the 2,034 households in 20 villages. The caste and gender distribution n of those adults asked the questions on economic activity is shown in Table 8.5.1.

[131] Soares et al, 2010., op.cit.

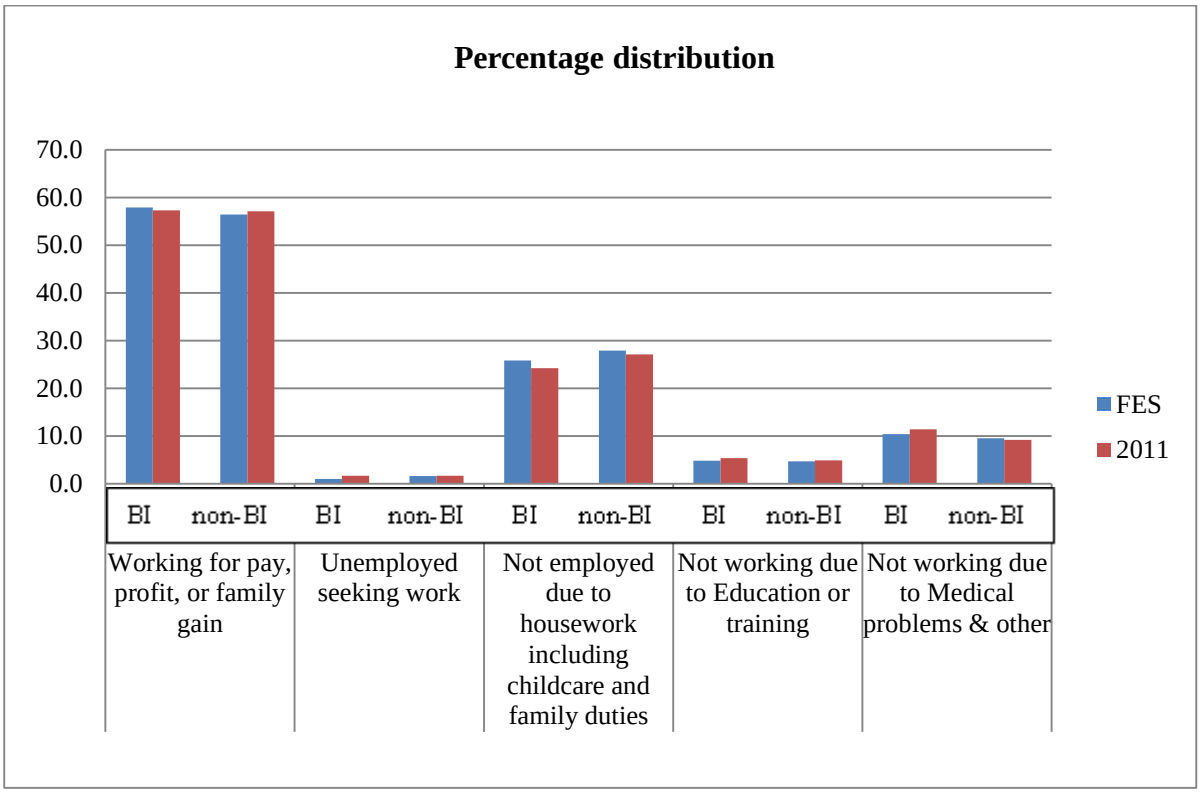
**Table 8.5.1: General Villages: Distribution of Adults (14 years and above)**

| | Control Villages | | | Basic Income Villages | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| Scheduled Caste | 532 | 517 | 1,049 | 290 | 284 | 574 |
| Scheduled Tribe | 234 | 196 | 430 | 187 | 176 | 363 |
| OBC | 750 | 712 | 1,462 | 1,105 | 1,121 | 2,226 |
| General | 519 | 511 | 1,030 | 182 | 170 | 352 |
| Total | 2,035 | 1,936 | 3,971 | 1,764 | 1,751 | 3,515 |

In terms of main activity status, in May 2012, the share of adults aged 15 to 64 who, in their main activity, were working for family gain, profit or wages was 58.9% in the basic income villages and 57.6% in the control villages. According to the households' own reports, the respective figures for one year earlier were 59.0% and 58.2%. So, there was no difference in terms of main economic activity (Figure 8.5.2). That, at least, indicates there had been no negative effect on labour supply.

If one considers just their second main activity, for those who had one, then we find that in 2012, 21.9% of all adults in the basic income villages and 22.0% in the control villages had some second economic activity, compared with 19.1% and 20.0% respectively in 2011. So, there had been a small net growth in the basic income villages, albeit not much. But remember that the critics contend that a basic income will result in *less* economic activity. This is not supported by the data.

**Figure 8.5.2: General Villages-Main economic activity for basic income and control villages, 2011-2012**




The pattern by men and women separately was very conventional for Indian villages. While neither men nor women were prone to be unemployed formally, many more women were outside the formal labour force. We will consider the position of women and the impact on their work in a later section.

We also note that youth, aged 15 to 19, experienced an increase in their economic activity rate between 2011 and 2012 in the basic income villages, in absolute terms and relative to their equivalents in the control villages (Table 8.5.2). This was due to the rise in women's economic activity, whereas it fell in the control villages. Male participation also increased but it also did so in the control villages.

**Table 8.5.2: General Villages: Percentage of youths (15-19) working for pay, profit or family gain, by gender, in 2011-12**

| | 2011 (in Percentage) | 2012 (in Percentage) |
|---|---|---|
| Basic Income villages | 37.1 | 39.2 |
| Control villages | 35.3 | 36.4 |
| Male: Basic Income | 39.2 | 42.4 |
| Control | 43.7 | 49.4 |
| Female: Basic Income | 35.0 | 36.1 |
| Control | 25.8 | 22.3 |

Now consider the combination of main and second main activities. There are five key questions:

- How many adults had an economic activity as a main or as a second-main activity in 2012?
- How many adults had two economic activities in 2012?
- How many adults had no economic activity in 2011, at the start of the pilot, but one economic activity in 2012?
- How many adults had two economic activities in 2012 but only one in 2011?
- How many adults had two economic activities in 2012 but none in 2011?

These questions encompass the extent of economic activity and the changes that could have occurred, although one could also do the reverse in each case. Rather than show a series of tables and figures, we proceed directly to multivariate analysis, since diverse influences affect the level and change in labour practices.

Accordingly, we estimate several logit functions. The first is to assess the determinants of the probability of shifting from non-economic activity as the main activity status in 2011 to economic activity in the month before the FES was conducted. The vast literature on labour supply suggests that the key determinants to be taken into account, as control variables, are age, education, sex, and land ownership; we may add caste and household size.

So, the variables used in all the functions to be reported are as follows:

Age = Years of age;

Age$^2$= Years of age squared, to take account of non-linearity;

HHsize = Number of persons in the household as usual residents;

Basic Income = Dummy; 1 if receiving basic income payments, 0 otherwise;

Sex = Dummy; 1 if female, 0 if male;

SEWA = Dummy; 1 ifin SEWA village, 0 otherwise;

SC/ST = Dummy; 1 if scheduled caste or scheduled tribe household, 0 otherwise;

School = Dummy; I if person had above primary schooling, 0 otherwise;[132]

Land = Dummy; 1 if owning any land, 0 otherwise.

We also considered an interaction term (BI/SEWA) for testing whether the combination of being a recipient of the basic income and being in a SEWA village had a significant additional effect. However, this proved insignificant.

[132] An alternative specification was also used, in which the binary was replaced by a set of educational binaries, for illiterate, primary, middle-level and secondary schooling.

The results for the shift from non-economic to economic activity are given in Table 8.5.3, with the first column being for the whole sample, and the second and third being for the lower and upper caste households separately. The results of most relevance for the study are the positive and significant coefficients for the basic income variable, meaning that the payments had a positive effect on labour supply at the margin.

Table 8.5.4 goes one stage further. In this set of logit functions, the dependent variable is the probability of having a main and a second main economic activity in 2012 among those who had only one economic activity in 2011.

The results indicate that the diversification into a second activity combined with a primary one was influenced by the receipt of the basic income payments, as shown by the statistically significant coefficients. It is notable that this applied as much, if not more, for women as for men, even though the probability of having two economic activities was lower for women in general.

The shift from one to two economic activities was not evident in age-group logit results for adolescents, but was shown for those in the early twenties (20-24) and for those aged 25-54. For that latter age group, the effect was even stronger for women than for men.

**Table 8.5.3: General Villages: Shift in activity status from non-economic work to economic work, 2011-2012, by caste, logit regression results**

| Variable Caste: | Coefficients | | |
|---|---|---|---|
| | Overall | SC/ST | OBC/General |
| Constant | 1.272 | -11.64 | 1.158 |
| Age | -0.1820*** | 0.2440 *** | -0.144** |
| Age squared | 0.0019 *** | -0.0027 *** | 0.0014*** |
| Household size | 0.0219 | -0.0607 | 0.0019 |
| Basic income | 0.4330 *** | 0.5510 *** | 0.4440 *** |
| Gender | 0.8020 *** | 0.9360 *** | 0.7600 *** |
| SEWA | -0.0911 | -0.2570 | -0.2570 * |
| SC/ST | 0.1180 | | |
| Illiterate | -0.6830 ** | -0.0083 | -0.9380 *** |
| Primary | -1.1760 *** | -0.0224 | -1.3230 *** |
| Middle | -0.7740*** | 0.0093 | -1.1580 * |
| Secondary | -0.2370 | 0.0266 | -0.5310 |
| Land owned | -0.0083 | 0.0093 | -0.0064 *** |
| $R^2$ = | 0.08 | 0.12 | 0.07 |
| n = | 4357 | 1430 | 2927 |

Source-MPUCT FES, 2012 and n= 4357

**Table 8.5.4: General Villages: Probability of Main and Second Main economic activity in 2012 if only one in 2011, by caste, logit results**

| Variable | Coefficient | | | | |
|---|---|---|---|---|---|
| | Overall | SC/ST | OBC/General | Male | Female |
| Constant | -4.5064 | -3.9631 | -4.3937 | -6.1907 | -6.9743 |
| Age | 0.1733*** | 0.1579*** | 0.1795*** | 0.1833*** | 0.1417** |
| Age squared | -0.0021*** | -0.0017** | -0.0021*** | -0.0021*** | -0.0016** |
| School (above primary=1) | 0.0804 | 0.0253 | 0.1046 | 0.0803 | 0.0409 |
| Gender (female=1) | -1.5263*** | -1.8824*** | -1.4272*** | N/A | N/A |
| Upper caste (Gen + OBC =1) | 0.3343** | N/A | N/A | 0.226 | 0.7303** |
| Household size | -0.0720** | -0.0334 | -0.0808** | -0.0561** | -0.1181** |
| Land (landed=1) | 0.6281*** | 0.6919** | 0.6104*** | 0.6567*** | 0.5511** |
| Sewa (sewa=1) | Omitted | Omitted | Omitted | Omitted | -0.2712 |
| BI (BI=1) | 0.3889** | 0.0943 | 0.4949*** | 0.3448** | 0.5432** |
| $R^2$= | 0.1100 | 0.1000 | 0.1000 | 0.0600 | 0.0600 |
| n = | 6283 | 2125 | 4158 | 2810 | 3473 |

Source: MPUCT FES, 2011-12 and n=6283
Note: Standard error intervals: *** p<0.01, ** p<0.05, * p<0.

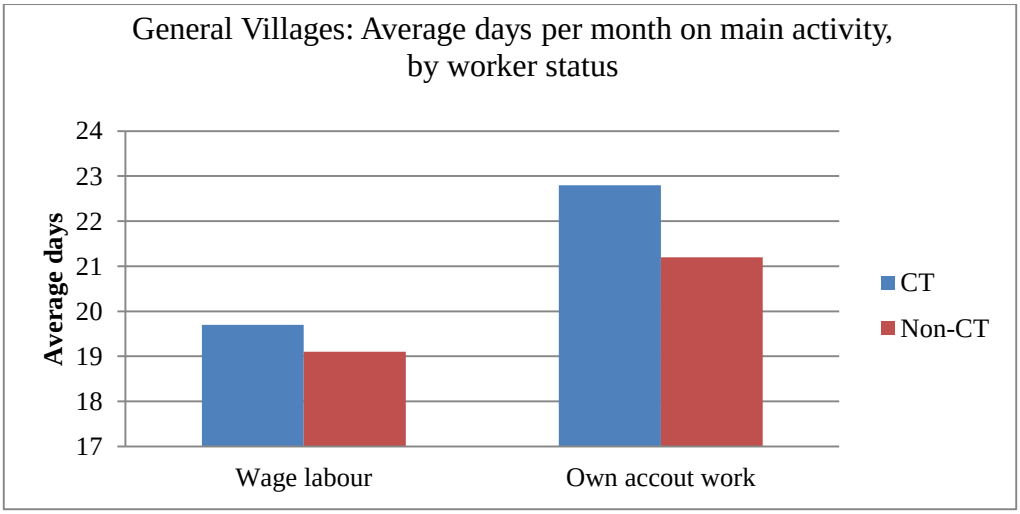
In sum, the basic income payments seem to have induced some more villagers and especially more women to start a second main economic activity. This in itself has potential advantages, not just in gaining more income or by increasing production but by providing greater insurance against loss of earning activity altogether.

## 8.6. Basic Income and Days and Hours of Work

The next dimension is the amount of time allocated to so-called economic activity. In this respect there are two major conceptual considerations, the problem of recall and the problem of determining the appropriate reference period. Asking someone to recall what was their main activity or use of time is reasonably reliable. Asking them how many days or hours they devoted to that is more unreliable the longer the reference period and the longer the period from the present.

Regrettably, appropriate data from the baseline census were not available for the non-tribal villages, although we do have data that seem reliable from the FES. Those refer to the past four weeks. We also asked retrospective questions, although we regard the outcome as only indicative, simply because of the recall point. We may merely note that the average days spent in the main activity tended to be slightly higher in the villages receiving the basic income payments, and more so in own-account work, as indicated in Figure 8.6.1.

**Figure 8.6.1: General Villages: Average days per month on main activity, by worker status, by type of village**




In terms of changes between the past four weeks and the corresponding period one year ago, and bearing in mind the recall caution, we can see that there had been no significant change in hours per day worked, which were similar in the basic income and control villages (Table 8.6.1).

There was also little difference between the basic income and control villages in terms of number of days spent on the activities. Bear in mind that the mean averages refer only to those who were doing some economic activity.

**Table 8.6.1: General Villages: Change in Hours and Days of Economic Activity**

| Average Hours Worked | Basic Income Villages | | Control Villages | |
|---|---|---|---|---|
| | Primary | Secondary | Primary | Secondary |
| 2012 | 7.7 | 3.6 | 7.7 | 3.5 |
| 2011 | 7.7 | 3.5 | 7.7 | 3.6 |
| Average Days Worked | Primary | Secondary | Primary | Secondary |
| 2012 | 21.5 | 21.1 | 20.5 | 21.7 |
| 2011 | 21.3 | 22.7 | 20.1 | 22.1 |

In the tribal villages, the data base for analysing changes in working time was more appropriate, in that similar data were collected for the baseline, interim and final evaluation surveys. The results suggested that the basic incomes had led to more days of work and labour. In Ghodakhurd, in January 2011 less than 79% of household were working more than 10 days; a year later, nearly 91% were working more than 10 days (Table 8.6.2). The control households did not experience as big an increase in their working days in that period.[133]

A multi-variant analysis revealed interesting results for the change in the number of hours worked on the main and secondary activity (Table 8.6.2).It shows that that receipt of basic income has a positive and significant effect on the number of hours worked, with households receiving basic income having nearly 32% higher odds of working more hours than households not receiving the payment.

Women too appear to have higher odds of putting in more hours in their main and secondary activity (more so OBC and general caste women) than men. Finally, the SEWA effect too seems to be strong, with households in SEWA villages having nearly 28% higher odds of putting in more hours at work than those in non SEWA villages. However, and interestingly so, the odds increase if the household happens to be an SC/ST household living in SEWA villages.

[133] Note that the number of villagers doing labour increased by more in the basic income village. Further analysis is being conducted on changes in days and hours of labour in the tribal villages.

**Table 8.6.2: General Villages: Change in number of hours worked (main and secondary activity) between 2011 and 2012, logit regressions**

| Variable | With SEWA | | | | |
|---|---|---|---|---|---|
| | All | SC/ST | OBC/Gen. | Female | Male |
| Constant | 2,2430*** | 3,6620*** | 1,5810** | 1,3070* | 2,5970*** |
| Age | -0,108*** | -0,1850*** | -0,0665** | -0,0414 | -0,1250*** |
| Age squared | 0,0011*** | 0,0021*** | 0,0006 | 0,0004 | 0,0013*** |
| Household size | 0,0333 | 0,0629 | 0,0199 | -0,0025 | 0,0533 |
| Basic Income | 0,3190** | 0,153 | 0,4010** | 0,6950*** | 0,133 |
| Sex | 0,3090** | 0,113 | 0,3910** | | |
| SEWA | 0,2790** | 0,5760*** | 0,133 | 0,124 | 0,3400** |
| SC/ST | 0,181 | | | 0,0266 | 0,274 |
| Above primary | 0,0291 | -0,02 | 0,0434 | 0,6690*** | -0,144 |
| Land | 0,0005 | 0,0071 | 0,0003 | -0,011 | 0,0047 |
| $R^2$= | 0,012 | 0,034 | 0,008 | 0,025 | 0,011 |
| n = | 4357 | 143 | 2927 | 1421 | 2936 |

Source- FES,2012; n= 4357

The tribal villages too showed an increase in the number of days worked. While there was no change in the control village, the people in the basic income village significantly increase their days of work. The number of people who got work from 11-20 days increased from 43.5% to 52%, while those in the control group fell by 1%, as indicated in Figure 8.6.2.

Manual labour is a tiring, so long hours of work leads to bodily wear and tear, ill-health and early aging. In that context it is encouraging to note that when people receive a basic income, they are able to limit their work time to a reasonable number of hours. In 2011 nearly 41% of the basic income people worked more than 8 hours which reduced to 19% in 2012, a drop of 22% (Table 8.6.3). There was a reduction in the control group too, but it was only about 7%.

**Figure 8.6.2: Tribal Villages: Change in Days of Work, by Basic Income**

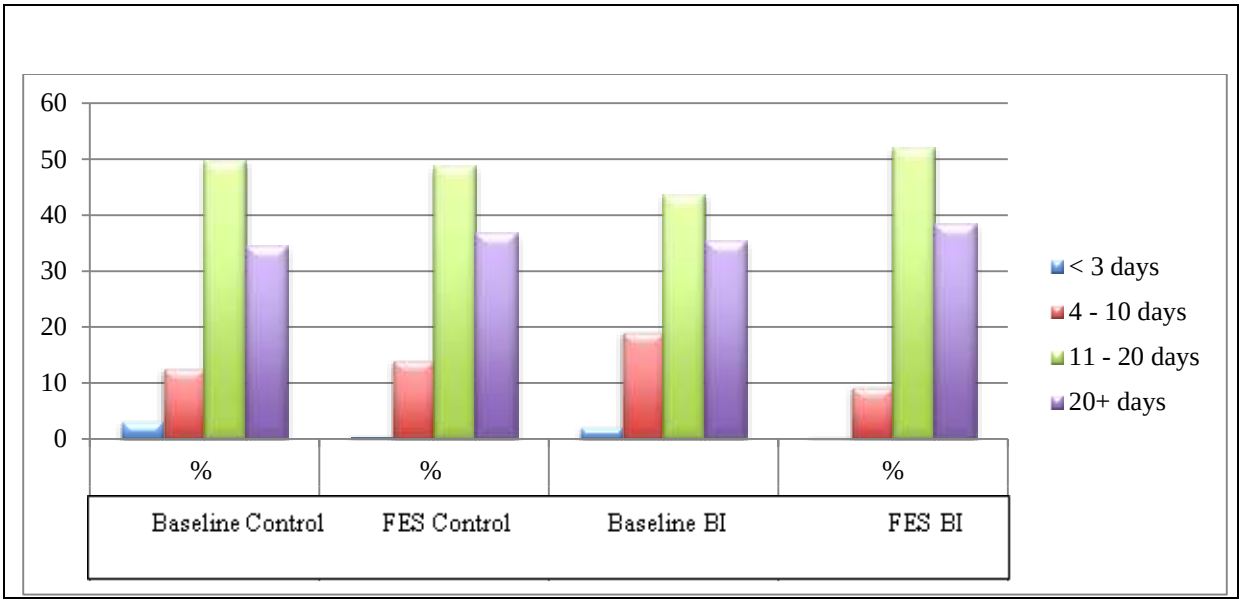



**Table 8.6.3: Tribal Villages: Days and Hours of Labour, Baseline and FES**

| Particulars | Baseline | | | | FES | | | |
|---|---|---|---|---|---|---|---|---|
| | Control | | Transfer | | Control | | Transfer | |
| No.of days worked in past 4 weeks | No. | % | No. | % | No. | % | No. | % |
| None | 1 | 0.5 | 0 | 0 | 0 | 0 | 1 | 0.4 |
| ≤ 3 days | 5 | 2.7 | 4 | 1.7 | 1 | 0.5 | 0 | 0 |
| 4 - 10 days | 24 | 13.0 | 45 | 18.8 | 29 | 14.0 | 26 | 9.3 |
| 11 - 20 days | 92 | 49.7 | 104 | 43.5 | 101 | 48.8 | 145 | 52.0 |
| 20+ days | 63 | 34.1 | 86 | 36.0 | 76 | 36.7 | 107 | 38.3 |
| Average working hours in a day | | | | | | | | |
| 0-5 hrs | 35 | 18.9 | 36 | 15.1 | 22 | 10.6 | 66 | 23.7 |
| 6-8 hours | 101 | 54.6 | 106 | 44.4 | 144 | 69.6 | 160 | 57.3 |
| More than 8 hours | 49 | 26.5 | 97 | 40.6 | 41 | 19.8 | 53 | 19.0 |
| N = Option a in F1 | 185 | | 239 | | 207 | | 279 | |

These results are examined in a multivariate analysis in Table 8.6.4 which examines the number of days worked (in a month) and changes therein. The results are even more noteworthy, with households in basic income villages reporting significantly higher odds of putting in more days

at work (main and secondary activity put together) than households in control villages. In this case, however, the SEWA effect appears insignificant.

**Table 8.6.4: General Villages: Change in number of days worked on main and second main activity, logit regression results**

| | Coefficient | | | | |
|---|---|---|---|---|---|
| Variable Group: | All | SC/ST | Others | Male | Female |
| Constant | 4.7150*** | 4.3810** | 4.9620*** | 4.0630* | 4.8230*** |
| Age | -0.2400*** | -0.2670*** | -0.2280*** | -0.1360 | -0.2610*** |
| Age squared | 0.0029*** | 0.0035*** | 0.0026*** | 0.0017 | 0.0031*** |
| Household size | 0.1250 | 0.0875 | 0.1480 | -0.1690 | 0.2720** |
| Basic income | 1.2430** | 0.7490 | 1.3510** | 2.4180*** | 0.6870 |
| Gender | 0.6390* | 1.0070* | 0.4400 | | |
| SEWA | 0.3740 | 0.7810 | 0.0902 | 0.8710 | 0.1520 |
| SC/ST | -0.0866 | | | 0.1240 | -0.1840 |
| Above primary | 0.9030** | 1.2700** | 0.7260 | 1.7630** | 0.6440 |
| BI and SEWA | -0.7320 | 1.0980 | -1.2280 | -2.1240* | -0.0341 |
| Land owned | -0.0117 | -0.0610 | -0.0137 | -0.0216 | -0.0080 |
| $R^2$ = | 0.1100 | 0.1000 | 0.1000 | 0.0600 | 0.0600 |
| n = | 6283 | 2125 | 4158 | 2810 | 3473 |

Source: MPUCT FES, 2011-12, n= 6283

Note: Standard error intervals: *** p<0.01, ** p<0.05, * p<0.1

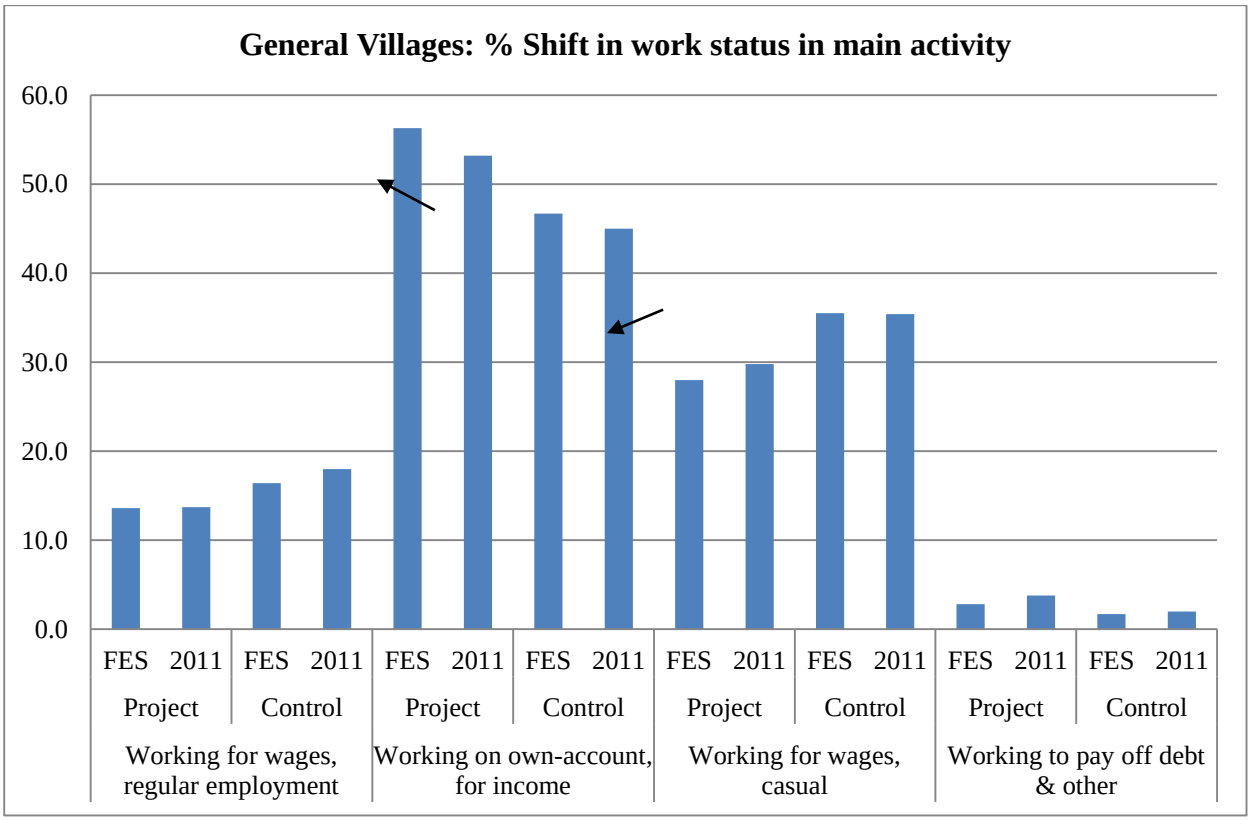
## 8.7. Basic Income and Work Status

One aspect of work adjustment is change of what is called "work status" in conventional labour statistics. In this respect, Figure 8.7.1 indicates that in the non-tribal villages those receiving the basic income tended to shift from casual wage labour to own-account work in terms of their main economic activity, both in absolute terms and relative to what happened in the control villages.

**Table 8.7.1: General Villages: Work Status in Main and Secondary Activity**

| Work status in main and second main work: | 2012 | | | |
|---|---|---|---|---|
| | Main | | Second Main | |
| | BI | Control | BI | Control |
| | Working for pay, profit, family gain | Working for pay, profit, family gain | Working for pay, profit, family gain | Working for pay, profit, family gain |
| Wages, regular employment | 7.4% | 8.2% | 0.5% | 0.3% |
| Casual labour (casual + contract) | 17.3% | 21.6% | 2.9% | 2.3% |
| Own Account (for income+ own business+ cooperative) | 33.2% | 27.3% | 18.1% | 19.% |
| Working unpaid, to pay off debt | 0.1% | 0.1% | 0.1% | 0.2% |
| Other(service) | 0.7% | 0.3% | 0.2% | 0.0% |
| Total | 58.8% | 57.5% | 21.8% | 21.8% |
| Economically inactive | 41.2% | 42.5% | 78.2% | 78.2% |

**Figure 8.7.1: General Villages: Shift in work status in main activity, 2011-12**




We also want to see if there was any growth of own-account work as the second main activity. Accordingly, a similar set of logit functions were tested, and are summarised in Table 8.7.2. The results show that, controlling for age, schooling, gender, land ownership and caste, the basic income was associated with a higher probability of shifting to own-account work.

**Table 8.7.2: General Villages: Main activity own account work in 2012 among those not own account in main activity in 2011, logit results**

| | ALL | Scheduled | OBC+GEN | Male | Female |
|---|---|---|---|---|---|
| Age | 0.0941*** | 0.0941** | 0.1009*** | 0.0614** | 0.1758*** |
| Age-squared | -0.0011*** | -0.0009** | -0.0013*** | -0.0007** | -0.0022*** |
| School (above primary=1) | 0.137* | 0.0113 | 0.1853* | 0.1659** | 0.0582 |
| Gender (female=1) | -0.9457*** | -0.5892** | -1.0701*** | NA | NA |
| Upper caste (Gen+ OBC=1) | 0.5747*** | NA | NA | 0.7349*** | 0.2474 |
| Household size | -0.016 | -0.0111 | -0.0161 | 0.0072 | -0.0551 |
| land (landed=1) | 0.6919*** | 0.5739** | 0.745*** | 0.6545*** | 0.7293*** |
| Sewa(Sewa=1) | omitted | omitted | omitted | omitted | -0.214 |
| CT (CT=1) | 0.2735** | 0.0615 | 0.3562** | 0.2508* | 0.3299 |
| Constant | -3.8080*** | -4.4623*** | -3.1718*** | -4.4755*** | -6.4878*** |
| R2 | 0.07 | 0.03 | 0.08 | 0.05 | 0.06 |
| P | 0 | 0 | 0 | 0 | 0 |
| N | 5320 | 2079 | 3241 | 2379 | 2941 |

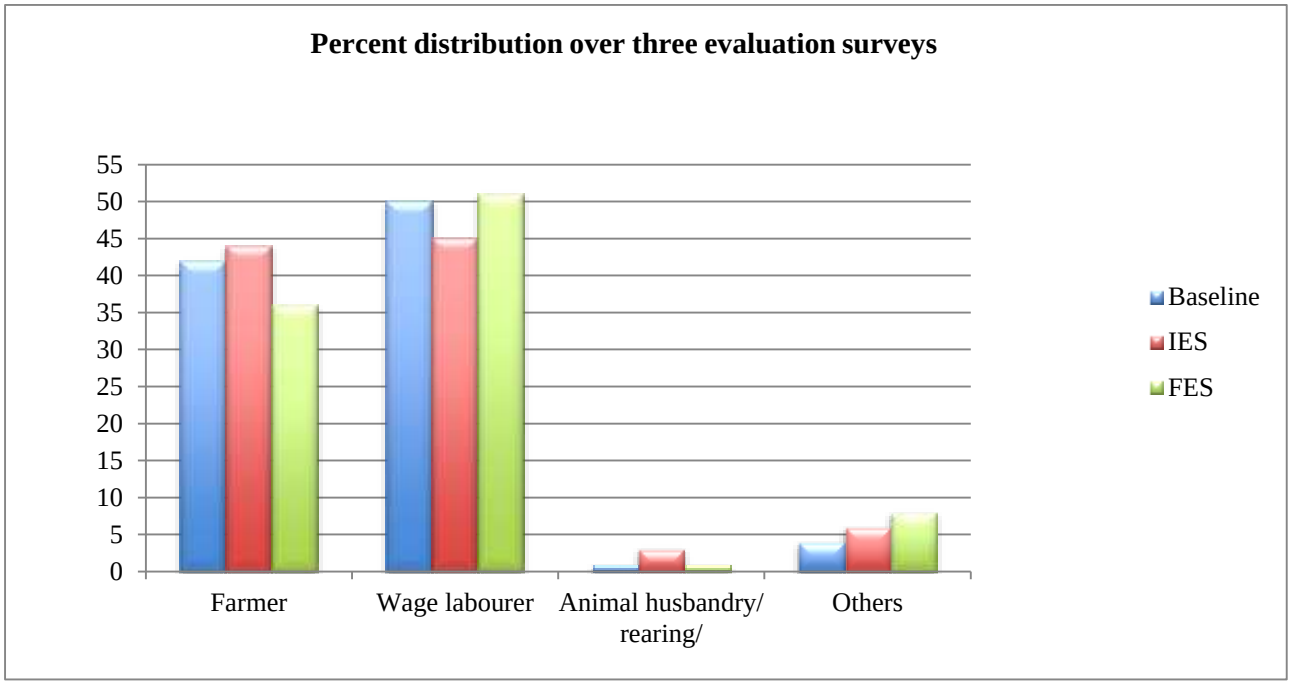
## 8.8. Changes in Main Occupation

In terms of occupation, farm work was the main economic activity of most families covered by both pilots. In assessing the effects of the basic income payments, we were able to compare the changes by those receiving them with those not doing so. Consistent with the changes in work status, there was a shift in the pattern of main occupation. Although the shift was smaller in the general villages, this was brought out well in the tribal villages, as shown in Table 8.8.1 and Figure 8.8.1.

**Table 8.8.1: Tribal Villages: Change in Distribution of Main Occupation, 2011-13**

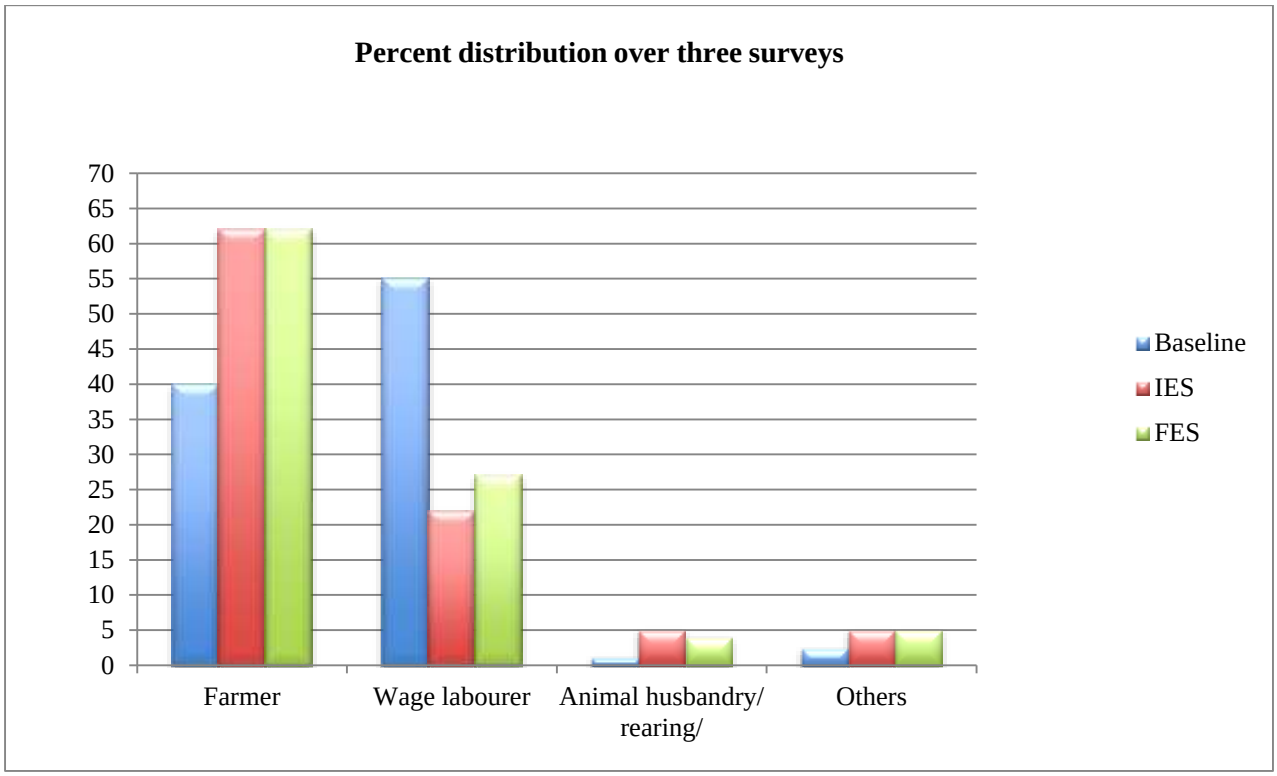
| Control Village | Baseline | IES | FES |
|---|---|---|---|
| Farmer | 42 | 44 | 36 |
| Wage labourer[134] | 50 | 45 | 51 |
| Animal husbandry | 1 | 3 | 1 |
| Other | 4 | 6 | 8 |
| BI Village | Baseline | IES | FES |
| Farmer | 40 | 62 | 62 |
| Wage labourer | 55 | 22 | 27 |
| Animal husbandry | 1.2 | 5 | 4 |
| Other | 2.5 | 5 | 5 |

**Figure- 8.8.1: Tribal Control Village: Reported main occupation**




[134] Wage labour includes agricultural, construction and other labour; 'Other' includes factory job, chowkidar, ASHA worker, service, etc.

**Figure 8.8.2: Tribal basic income village: Reported main occupation**

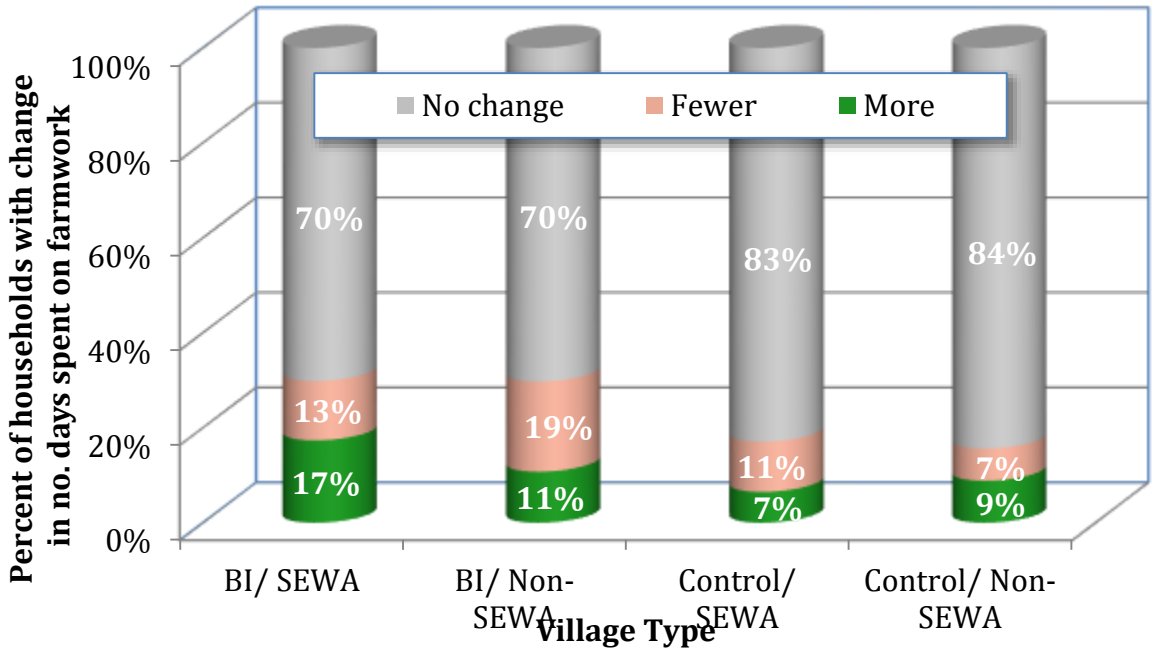



In terms of amount of *time* on own-account and wage labour, it was clear that by the time of the IES, there had been a net decline in days of own-account farm work in all types of village over the previous year. But households receiving the basic income grants were both more likely to have increased their farm work and less likely to have reduced it (Figure 8.8.4).

By the time of the FES, when we were able to overcome the seasonal effects, it was clear that the relative shift to own-account work in the basic income villages had resulted in more days of work as well. For reasons explained earlier, the FES data are also more reliable as they were derived from a census rather than the smaller sample in the IES.

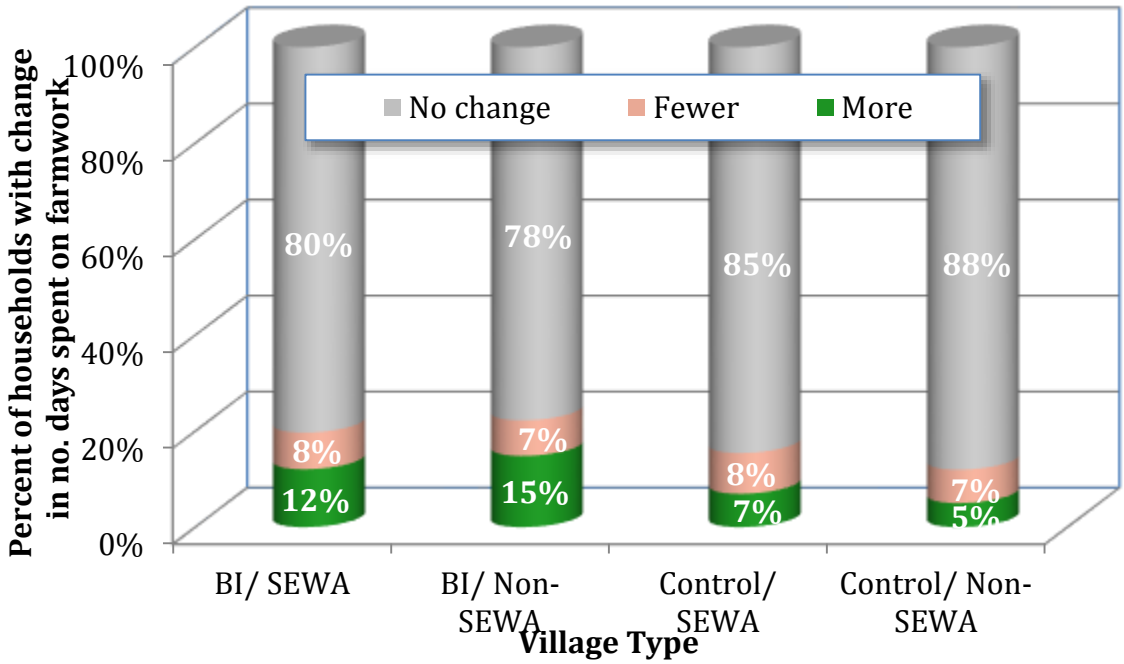
The data from the FES indicated that more of the BI households increased farm own-account work compared with households in the control villages, while slightly fewer of them had reduced it. Overall, this meant that in net terms the BI households had increased farm own-account work, whereas the control households had slightly reduced the number of days in such work.

**Figure 8.8.3: General Villages: Percent of households with change in days spent on farm own-account work, by village type**




Source: IES, 2012, n = 617

**Figure 8.8.4: General Villages: Percent of households with change in number of days spent on farm own-account work, by village type**




Source: MPUCT FES, 2012, n = 1268

Furthermore, according to the FES, among those receiving the basic income transfers who reduced farm work, two-thirds said that the cash had not had any effect on that. And even among those that had reduced farm work, some households reported that the Basic incomes had actually had helped increase the number of days they worked. In other words, there is no evidence just from looking at the correlations to suggest that Basic income resulted in a reduction of work on farms. But as we shall see, they did have a more interesting effect.

The relationship between the basic income and farm work applied across all four of the caste groups. In particular, whereas days of farm work declined in net terms for scheduled caste and scheduled tribe households that did not receive the basic income, in both cases they increased for comparable households receiving the basic income.

As will be emphasized later, one of the main reasons for the shift to own-account farm work and to animal husbandry was that the basic income payments were used to buy livestock and basic farm materials. A typical example was Vijay Chauhan, from Padlya Village, who was covered by the case studies. He told the enumerators:

> *"We used our Basic income money in our daughter's education and for buying a buffalo calf. The calf cost us 10,000 rupees. We added some of the money from our labour wages. Today this calf has become a buffalo. We only have this one buffalo and we had bought it to increase our income. It started giving milk 4 months back. We have received great help from the Basic incomes. We didn't have to take small loans because of this money. We didn't used to take out money together. We used to keep one person's money in the bank so that*

*we could use it when a need arose. But we faced a lot of problems whenever we went to the bank. The bank people would give the money only from the 21st of the month to 30th. If we'd go before this time then they'd send us back telling us to come back after 20th. Once we had asked the bank person about depositing some money in the bank, but he refused to deposit our money. He told us to just take out whatever money was coming to eat off it."*

Once more, this showed how rational decision making had been prompted by the inflow of the modest amount of money, in order to improve lifestyle and earn more money. Another example of a minor transformation involved Kamlabai, a 55-year-old who described her main activity as a wage labourer but who also did own-account farming in his village of Panthbadodia:

*"I saved the basic income money that I received and used it to buy seeds and fertilizers for this year's June crops. It cost 1,800 rupees. Because of the cash transfers, I didn't have to buy these things on credit."*

This may seem an obvious and minor reaction. But by avoiding the need to borrow, she had actually turned farming into a more profitable activity.

We also investigated the impact of the basic income on the type of farm activity in the tribal villages. As in the other non-tribal villages, most tribal families owned some land (over 80%), and most of the land they occupied was their own. However, some of it was encroached land, some was rented. Many of the plots were small and unproductive, mainly because of a traditional lack of investment in irrigation, good seeds and fertilizers, with the result that many tribal families actually earned most of their living from wage labour, rather than as farmers working on their own land.

In the tribal villages, a major impact of the basic income transfers seemed to have been to enable more families to farm the land they occupied more intensively, thereby converting them from being primarily labourers to primarily farmers. Most of the land they farmed was their own, although some was rented in and some encroached.

In the evaluation surveys, the villagers were asked to specify their main occupation was in order to see if basic income transfers would have any effect on the type of work done. As almost all households in the tribal villages owned some agricultural land, and as most of the households reared animals, the shifts shown in Table 8.8.2 are significant.

In the control village, in the baseline survey 42% households reported that their main occupation was farming, 50% said wage labour was their main occupation. Across the three surveys, the share of farmer households remained more or less that same, as did the proportion of wage labourers. But in the BI village, a shift from wage labour as primary occupation to farming took place. In the baseline, 40% said their main occupation was farming while 55% said wage work. After 12 months, 62% said their primary occupation was farming and only 27% said their primary occupation was wage work.

Given the opportunity, tribal villagers would prefer to cultivate their land as opposed to labour as wage workers or bonded labourers, which many have done in either brick-kilns or on the farms of landlords. There was also a small trend in terms towards animal husbandry as main occupation. In the baseline in the BI village, only 1.2 % households reported that as their main occupation. Twelve months later, it was 4%.

The shift from labour to farming seems to have occurred mainly because of increased expenditure on seeds, fertilizer and – perhaps surprisingly – livestock. Indeed, one of the most notable developments was the growth of animal husbandry as a main occupation, associated with the significant growth in the number of both small and large livestock in the basic income village, in both absolute and relative terms, compared with the control village.

**Table 8.8.2: Tribal Villages: Change in Number of Small and Large Livestock**

| Small Livestock | Baseline | FES |
|---|---|---|
| BI (Ghodakhurd) | 424 | 633 |
| Control (Bhilami) | 466 | 355 |
| Big Livestock | | |
| Ghodakhurd | 259 | 323 |
| Bhilami | 207 | 190 |

**Use of basic income money**

***Tulsaben, Sewa Leader in the tribal basic income village:***

*"Everyone in the village was getting the basic incomes. With this money, some villagers paid their debts, some bought cows/oxen worth 6,000 Rupees each; some bought goats for 5,000. About 15 people in the village bought goats in this way, 18 people bought hens,8 bought cows; with this money for milk, for home consumption. Some used it to pay school fees for their children. For example, Sakharam paid school fees for his three children – 5,000, 4,500, and 6,000 Rupees respectively. Padam singh paid 5,000 Rupees school fee for his two children.*

*We bought the goats to keep them. One goat produces at least two kids in 6 months and 4 in a year. We sell off the male kids and keep the females. The goat milk is used to make tea when required. One kid can be sold for 6,000 rupees, thus making some income for us. We go to Mahu and Maanpurhaat (bazaar) on Saturdays and Tuesdays in order to sell the kids.*

*In the same way, we sell the chickens after they grown up. One chicken can be sold for 400 to 500 Rupees and more if it is bigger. We get only 250-300 rupees if it is small. Overall, in the two harvest seasons, we earned 2,000-2,500 Rupees in the village."*

***Source: Pilot case studies***


This is an important finding, for what seems to have happened is that the basic income had resulted in a reversal of the powerful trend taking place across Madhya Pradesh and all other of the seven central states of India, in which scheduled tribal families have been losing land and abandoning cultivation.

Over 5.6 million tribals have joined the ranks of agricultural labourers in just one decade to 2013.[135] Overall, by 2013 48% of all tribal workers were categorised as agricultural labourers, compared to 38% a decade earlier. In Madhya Pradesh, tribal cultivators declined by over 15% and the number of tribal agricultural labourers rose by an astonishing 63%. So, it should be regarded as a noteworthy achievement that in the pilot village, the reverse trend occurred, while the overall state trend persisted in the control village.

### 8.9. Basic Income and Wage Labour

In the non-tribal villages, the FES indicated that, taking all 20 villages, in the past 12 months there had been a small net decline in the amount of days of wage labour being done. This was the context in which the impact of the BI transfers on the extent of wage labour had to be assessed. The overall shift was negligible, with a net decline that was the same in BI and control villages.

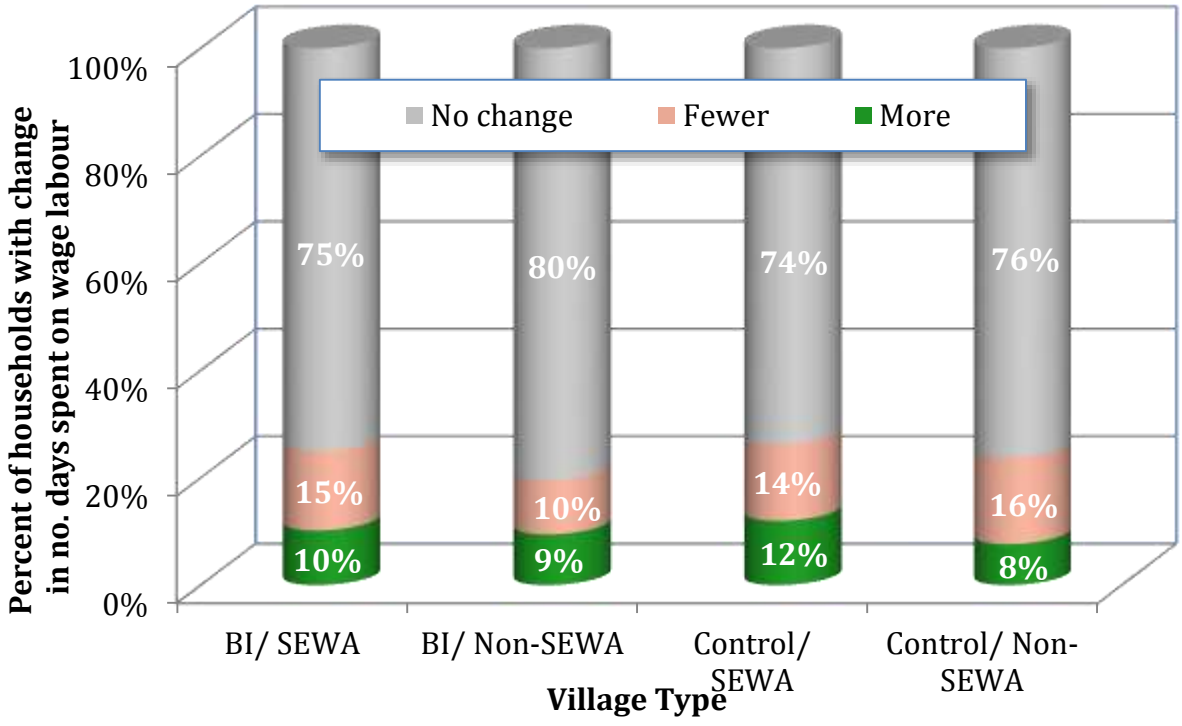
[135] S. Varma, "Tribals lose land, forced to become farm workers", The Times of India, November 10, 2013.

When asked directly about the perceived impact of the basic income payments, 53% of those households that had increased the number of days in wage labour said that the basic income had tended to increase their time in such labour and among those that had cut wage labour, only 14.8% said that the Basic incomes had tended to reduce them. This suggests that they had not reduced it much, if at all.

The reality was, of course, that there had been a growth in own-account work that meant there had been an overall rise in the amount of economic work being done, with a relative shift away from wage labour, rather than a reduction in wage labour per se.

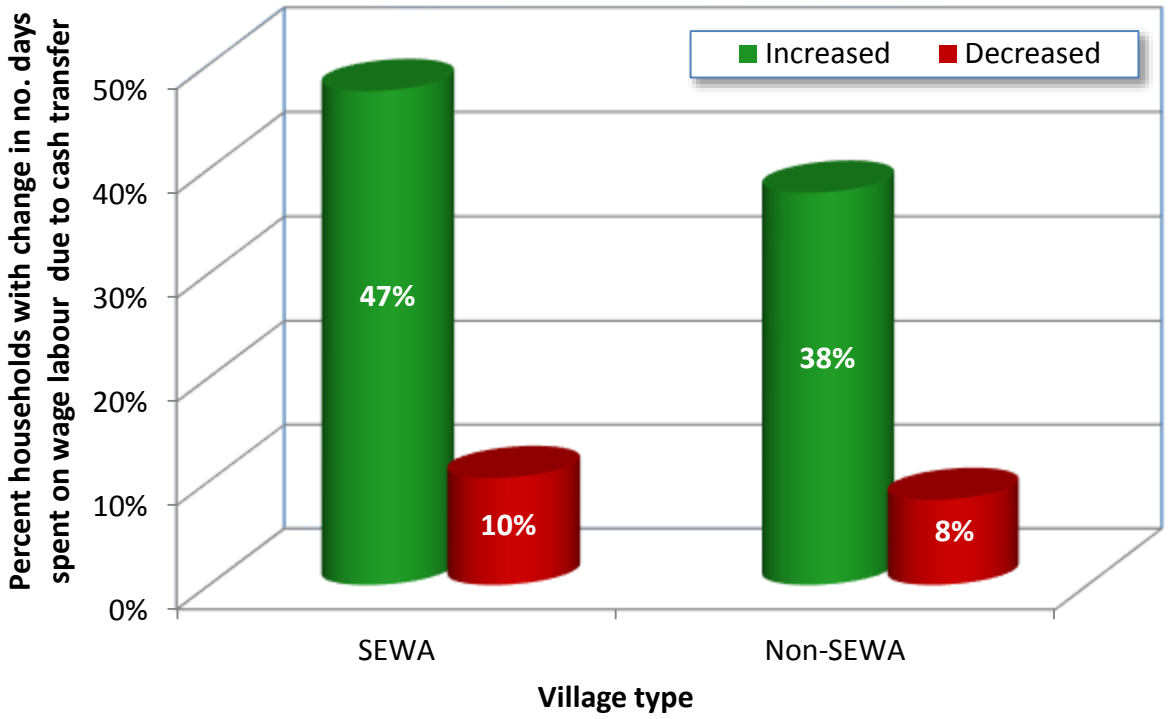
Another intriguing finding from the FES is that, while households with nobody having above primary schooling were more likely to have experienced a reduction of wage labour, this was much less in less-educated households that had been receiving the BI transfers. And the net effect of the transfers was actually positive for the lower-schooled households. That net effect was greater than for households with above-primary schooling.

**Figure 8.9.1: General Villages: Percent of households with change in number of days of wage labour, by village type**




Source: MPUCT FES, 2012, n = 1608

**Figure 8.9.2: General Villages: Households with basic income attributing change in days of wage labour to basic income, by SEWA membership**




Source: MPUCT FES, 2012, n = 158

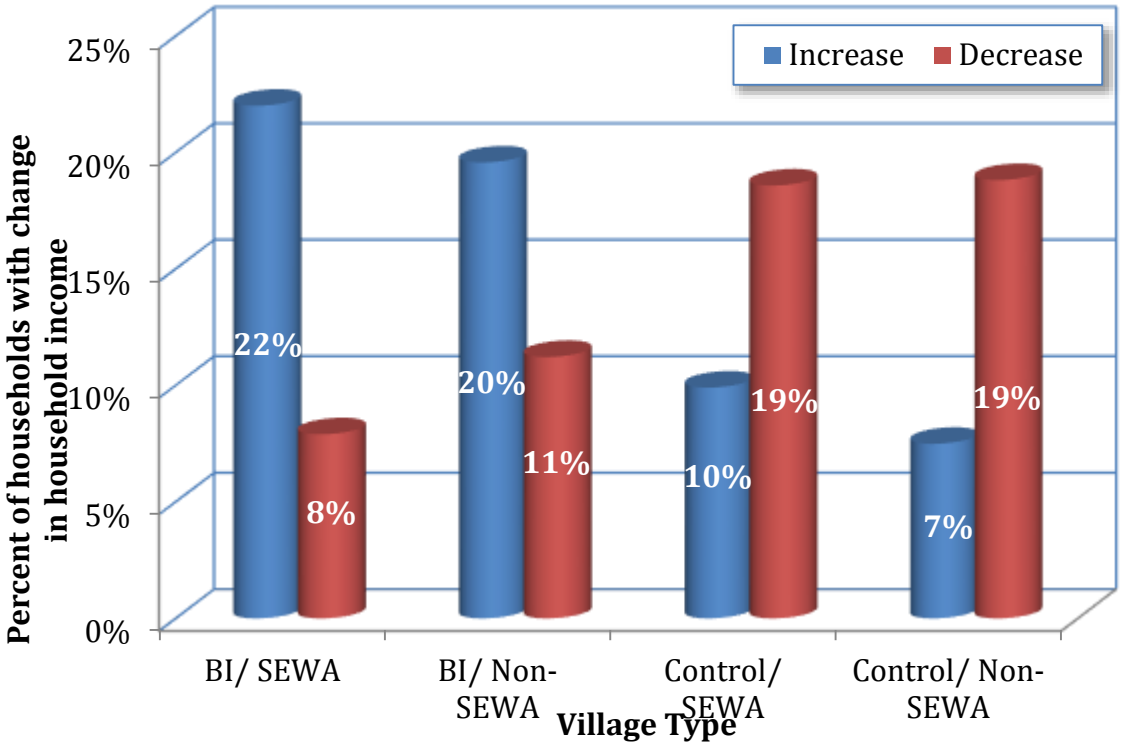
## 8.10.Basic Income and new economic ventures

One hypothesis that figured prominently in the design of the pilot was that the basic income payments would facilitate greater production and economic activity. For the non-tribal villages, the results in both the IES and FES seem to support that hypothesis. To test it, we have two variables – (i) increase or decrease in income-earning activity, and (ii) whether or not the household had started any new economic activity in the past twelve months.

Again, we will highlight a few stylised findings. The most basic is that 21% of basic income households reported an increase in income-earning work or production, compared with just 9% of the control households.

Drawing on the FES data, Figure 8.10.1 suggests that households that had received the basic income were more likely to have increased economic activity over the past 12 months, and were less likely to have reduced economic activity. So, the net effect was considerable.

**Figure 8.10.1: General Villages: Households with change in household income, by village type**




Source: MPUCT FES, 2012, n = 2034

Among those reporting they had increased income-earning activity, nearly three-quarters (73.4%) attributed that to the BI transfers. And, as expected, among those basic income households that had experienced a decline, the vast majority said that the reduction had nothing to do with the Basic incomes.

**Use of basic income to start an economic activity**

*In the case studies, there were many reports of households using the Basic income money to initiate some new economic activity. A typical example was BabitaBai, a casual labourer of the Malviya caste, living in Gogakhedi village, who reported:*

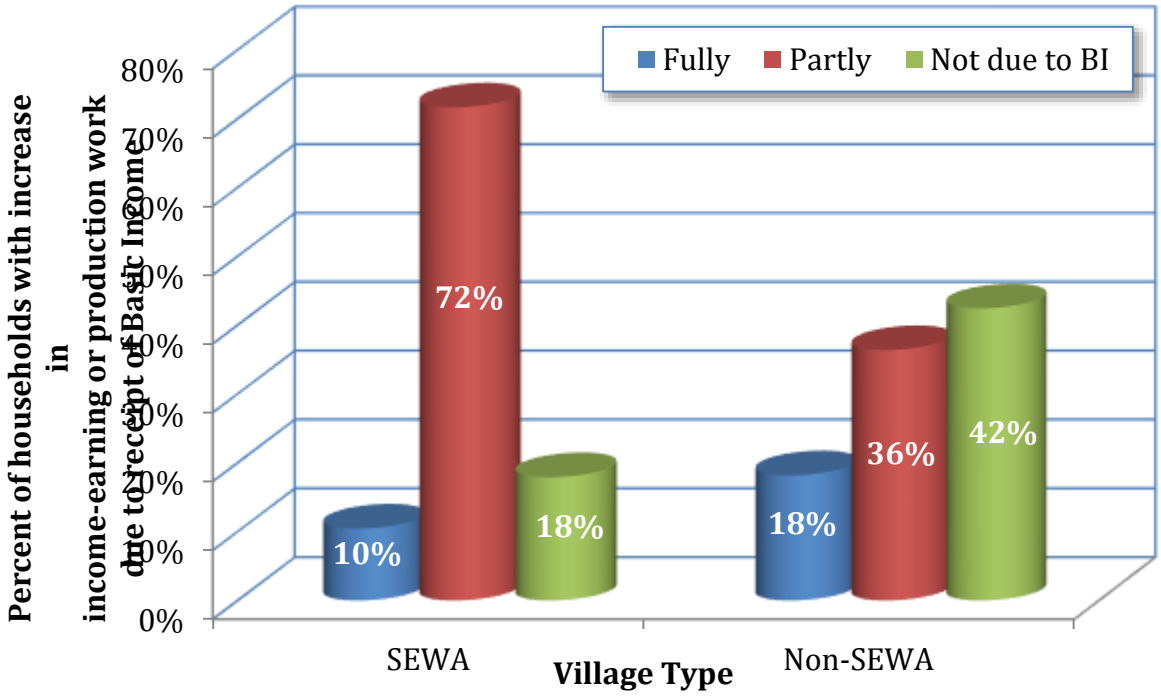
*"When we started getting the cash transfers, we started a new work/business of making chudas that are worn in the arms. We get the raw materials and make them at home. We are able to save about 1,000-2,000 Rupees a month from this work. We have been greatly helped by the Basic income money. We have started the work of chuda making in order to increase our income. We bought a second-hand motorcycle in installments from Atodia for 51,000 Rupees. We paid three of the instalments – 1,200 Rupees each - with money from the basic incomes. Other than that we have used the basic income money to buy stuff for daily household requirements."*

Source: Pilot case studies

This is a nice example of the transformative effect of the modest monetary payments. They had induced them to take an initiative that was generating more income, basically unlocking a constraint.

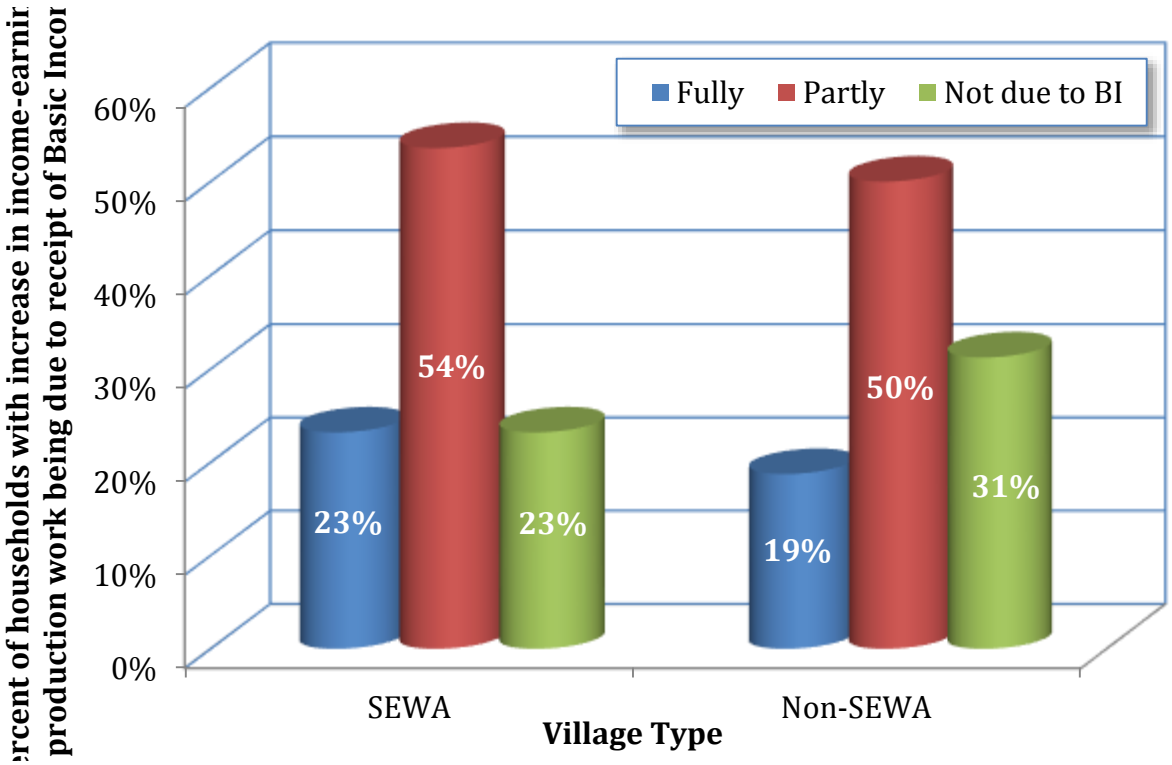
With regard to a change of economic activity, this may be an instance in which SEWA has had a distinctive effect, which should be explored in more depth. In SEWA villages, by the time of the IES, basic income households were more likely to attribute the change in economic activity to the Basic incomes (Figure 8.10.2). By the time of the FES, although more were inclined not to attribute it to the basic income, many more were inclined to attribute the change they had experienced fully to the basic incomes (Figure 8.10.3).

**Figure 8.10.2: General Villages: Households with increase in income-earning or production work attributing that to the basic income, by village type**



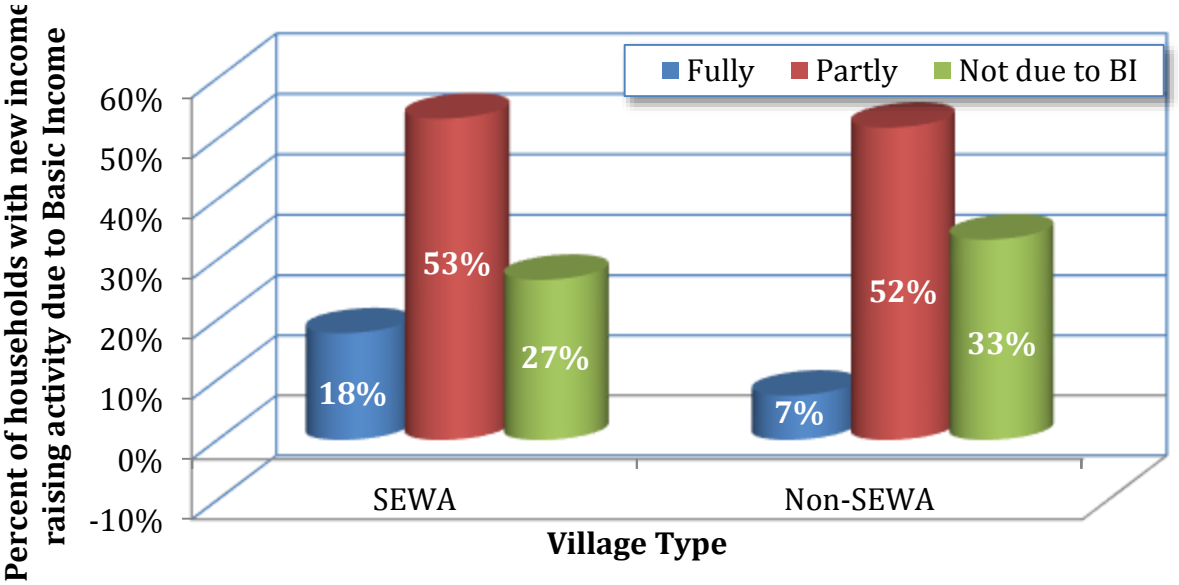

Source: MPUCT IES, 2012, n = 99

**Figure 8.10.3: General Villages: Households with increase in income-earning or production work attributing that to basic income, by village type**



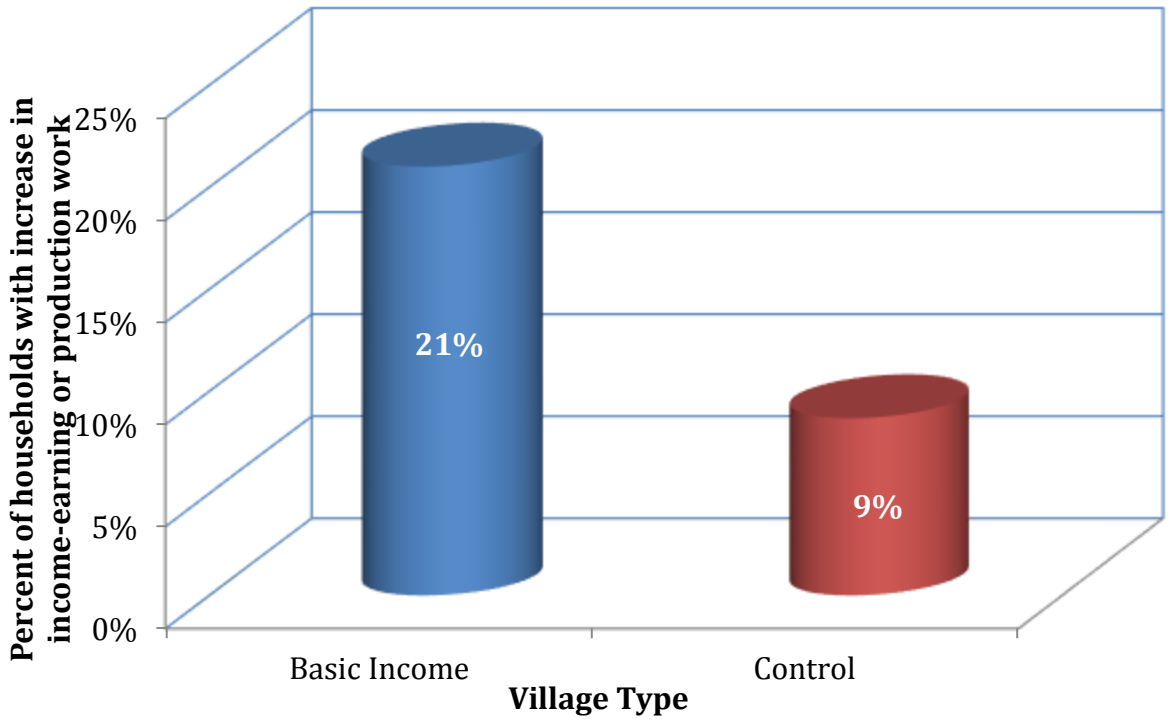

Source: MPUCT FES, 2012 and n = 192

**Figure 8.10.4: General Villages: Percent of households reporting new income-raising activity as due to basic income, by village type**




Source: MPUCT IES, 2012, n = 69

**Figure 8.10.5: General Villages: Percent of households with increase in income-earning or production work in last 12 months, by village type**




Source: MPUCT FES, 2012, n = 2016

The FES data also suggested there were differences across castes. Although the positive relationship of Basic incomes applied across all caste groups, and was substantial for all four categories, in terms of net effect the most positive was for General households. Yet even for scheduled caste households the net effect was substantial.

Thus, 19.4% of scheduled caste households with BI transfers had increased economic activity, whereas only 7.2% of comparable households that had not received them had experienced an increase. Conversely, only 10.3% of scheduled caste households with Basic incomes had experienced a decline in income-earning activity, whereas 16.3% of those without Basic incomes had done so.

## 8.11.: New assets, new work and production

At this point, it is necessary to mention what should be called the intermediary variables that help to explain the growth of own-account farm and non-farm work, which is the acquisition of more raw materials and tools and equipment linked to the basic income transfers. This came out of the evaluation surveys and from the case studies.

In a rural community, and particularly one which is agriculture based, ownership of productive assets makes considerable difference in the incomes of households. An important effect observed in both the general and tribal villages was an increase in productive assets, with households saving to but assets, the most common one being various types of livestock.

### 8.11.1: Livestock an essential part of rural life

Livestock is usually divided into "small livestock", such as goats, sheep and chickens, and "large" livestock, mainly buffaloes, cows and bullocks. Small livestock are used mainly for eggs or meat, although goats are used for milk as well. Large livestock are used for milk or, in the case of bullocks, for ploughing or to use for stud.

There was a positive increase in the case of large livestock with both basic income and control households reporting purchase, with more purchases were reported among basic income households (8.1%) than in the control (6.1%).

Comparing FES and the baseline data, the number of large livestock unambiguously increased during the survey period in the basic income villages. This was especially so in the case of households owning between one and five bullocks/cattle, the number of which almost doubled. Although the control villages also had more households owning between one and five bullocks or cattle at the outset, there was a round decline in households with larger holdings, thereby offsetting this. The basic income seems to have enabled households to scale-up their large livestock holdings substantially.

**Table 8.11.1.1: General Villages: Ownership of large livestock**

**(Percent of households)**

| | Basic Income villages | | Control villages | |
|---|---|---|---|---|
| Bullocks/Cattle | Baseline | FES | Baseline | FES |
| No livestock | 87.8 | 59.7 | 83.3 | 70.9 |
| 1-5 | 11.8 | 34.1 | 9.4 | 23.4 |
| 6-10 | 0.4 | 4.8 | 4.3 | 3.4 |
| 11-20 | | 1.0 | 1.8 | 1.6 |
| 20+ | | 0.4 | 1.3 | 0.7 |

During the year of the pilot leading up to the FES, the basic income households reported marginally more purchases of small livestock (4.2% of the basic income households as compared to 3.3% of control households). And at the time of the FES, the basic income households reported possessing more small livestock, of all holding sizes.

However, comparing the baseline with the FES, on average, there seems to have been a small increase in the ownership of small livestock among both basic income and control households, between 2011 and 2012. There was a small increase in the households owning one to five small livestock (by 3.2% in basic income villages and 7.5% in control villages), this was more than offset by a decline in large holdings of small livestock across both types of village. So, on the whole, the basic incomes did not seem to have had an influence on the ownership of small livestock, unlike the situation with large livestock.

**Table 8.11.1.2: General Villages: Ownership of small livestock, by type of village**

| | Basic income | | Control | |
|---|---|---|---|---|
| Livestock, other than bullocks or cattle | Baseline | FES | Baseline | FES |
| No livestock | 78.1 | 77.8 | 83.5 | 81.4 |
| 1-5 | 14.2 | 18.8 | 9.4 | 16.4 |
| 6-10 | 4.0 | 2.6 | 4.3 | 1.5 |
| 11-20 | 2.4 | 0.9 | 1.8 | 0.8 |
| 20+ | 1.3 | 0.0 | 1.0 | 0.1 |

**Buying of new Livestock**

Many examples from the case studies could be given of how people used their basic income money to purchase livestock. One woman, Lakhan Dholi, a dhol player in Datoda village, described her family's actions as follows:

*"This year (2012) our family was getting basic incomes. With that money, I bought four goats. These have had five kids. So now I have a total of nine goats. I bought the four goats for 14,000 Rupees by pooling together each family member's share of the Basic income money. We bought the goats to increase our income. But they also give milk that the children drink and that we use for making tea. Earlier we had to buy milk, but now the goat milk suffices. So we don't have to buy milk from outside. I'm thinking of paying off my debts by selling these goats now."*

*Source-MPUCT case studies*

## 8.11.2: Livestock: Wealth in Tribal Villages

The survey team that visited the tribal villages during the baseline reported that they were rarely offered tea, because very few people had milk cows. But a year later, during the FES, they said that the village was teeming with animals, and they were offered tea with both cow and goats milk.

The number of large livestock increased considerably in the basic income village, whereas in the control village the number fell. Table 8.11.2.1 shows that whereas 66.9% of families owned large livestock before the cash transfers started, that rose to 81% after they had been paid for a year. Whereas in the control village, 66% owned livestock in January 2012, that had fallen to 51.5% by January 2013. In terms of average number of livestock owned, in the basic income village, it rose from 2.2 at the time of the baseline to three by the time of the FES, whereas in the control village, there was a slight decline from 2.3 to 2.2.

**Table: 8.11.2.1: Ownership of Livestock in Tribal Villages**

| | TV-baseline | | | | TV-FES | | | |
|---|---|---|---|---|---|---|---|---|
| | BI village | | Control village | | BI village | | Control village | |
| Household Assets | No. | % | No. | % | No. | % | No. | % |
| Livestock Large | | | | | | | | |
| No Livestock | 40 | 33.1 | 31 | 34.1 | 23 | 19.2 | 47 | 48.5 |
| 1-5 | 68 | 56.2 | 51 | 56.0 | 79 | 65.8 | 44 | 45.4 |
| 6-10 | 12 | 9.9 | 6 | 6.6 | 17 | 14.2 | 3 | 3.1 |
| 11-20 | 1 | 0.8 | 2 | 2.2 | 1 | 0.8 | 2 | 2.1 |
| 20+ | 0 | 0 | 1 | 1.1 | 0 | 0.0 | 1 | 1.0 |
| Total | 2.2 | | 2.3 | | 3 | 2.7 | 2.2 | |
| Livestock Small | | | | | | | | |
| No Livestock | 46 | 38.0 | 37 | 40.7 | 26 | 21.7 | 38 | 39.2 |
| 1-5 | 48 | 39.7 | 23 | 25.3 | 44 | 36.7 | 38 | 39.2 |
| 6-10 | 20 | 16.5 | 14 | 15.4 | 31 | 25.8 | 9 | 9.3 |
| 11-20 | 6 | 5.0 | 16 | 17.6 | 17 | 14.2 | 9 | 9.3 |
| 20+ | 1 | 0.8 | 1 | 1.1 | 2 | 1.7 | 3 | 3.1 |
| Average | 3.3 | | 4.7 | | 7.1 | | 4.0 | |

There seems to have been a large increase in the number of small livestock too. In the basic income village, at the outset only 62% of families owned some small livestock. By the end of the year, 78% of families did so. By contrast, in the control village, the situation scarcely changed over the year. In the baseline, 59% owned small livestock and by the FES it was 61%. The average number of small livestock per household in the basic income village rose considerably, from 3.3 to 7.1. In the control village, it actually fell, from 4.7 to 4.

Table 8.11.2.2 shows the actual number of livestock. In the basic income village, the large livestock increased from 265 to 323 (22% increase). In control village, it fell from 208 to 190 (9% decrease). Similarly, in the case of the small livestock, in the basic income village the number rose from 394 at the time of baseline to 633 at the end of the pilot (61% increase), whereas in the control village, it declined from 430 to 355 (17% decrease).

**Table 8.11.2.2: Change in number of livestock in tribal villages**

| Household Assets | BI Village | | Control Village | | BI Village | | Control village | | BI Village | Control village |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % | No. | % | % changed | % changed |
| Livestock, large | 265 | | 208 | | 323 | | 190 | | 21.9% | -8.7% |
| Livestock, small | 394 | | 430 | | 633 | | 355 | | 60.7% | -17.4% |

**Figure 8.11.2.1: Change in livestock in tribal basic income village**

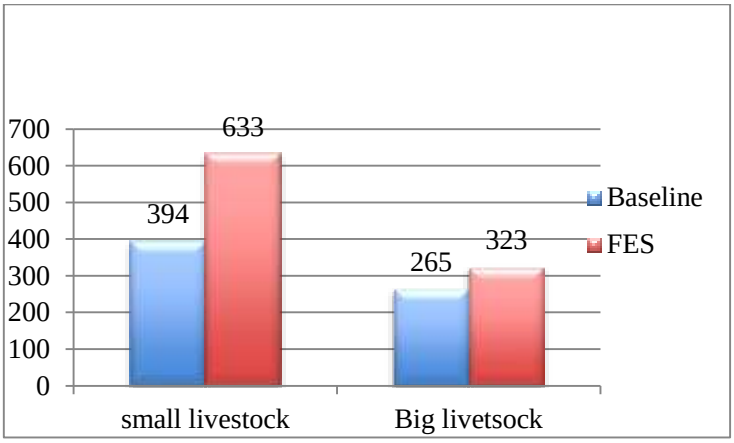
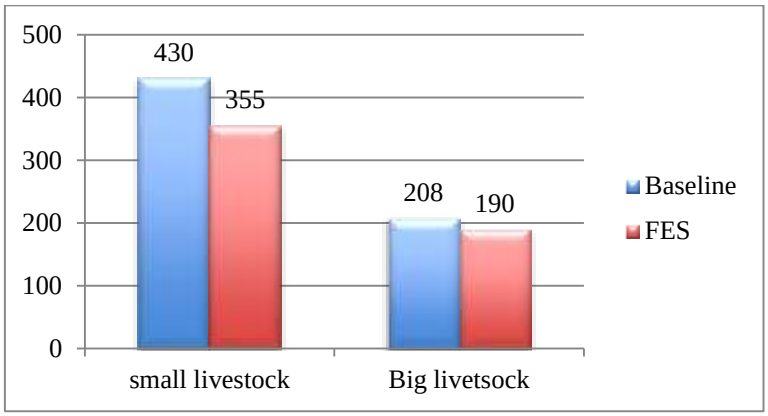



**Figure 8.11.2.2: Change in livestock in tribal control village**



## 8.11.3: Productive Tools: General and tribal villages

As was to be expected only a few families bought the tools, as they tend to be expensive. During 2011-2012, the purchase of productive tools was more common in basic income villages as compared to the control (Table 8.11.3.1). And in particular women tended to buy sewing machines in basic income villages, a pattern explored in chapter 10.

**Table 8.11.3.1: General Villages: Purchase of productive tools during pilot period, by type of village**

| | Purchases | | | |
|---|---|---|---|---|
| | Basic Income | | Control | |
| | T | % | T | % |
| Tubewell | 20 | 2.1 | 19 | 1.7 |
| Tractor | 7 | 0.7 | 4 | 0.4 |
| Plough | 1 | 0.1 | 1 | 0.1 |
| Sewing machine | 22 | 2.3 | 8 | 0.7 |
| Machine tool | 3 | 0.3 | 4 | 0.4 |
| Iron | 13 | 1.4 | 11 | 1.0 |

**New Assets**

In the village of Malibadodia, Saloni and Devnarayan, both physically disabled members of a backward caste, reported:

*"From the basic income money we also saved and bought a hand-operated sewing machine. With the help of the machine, we started sewing work for the villagers. This has added to our income. In the last one year (that we have been getting the cash transfers), we have increased the intake of vegetables, as compared to the year before. With the help of the cash, I also bought bangles, clothes, chappals and household utensils. For health expenses, we started taking our medicine regularly. The main benefit from basic incomes has been that of buying the sewing machine which has increased our income, and as a result we are able to better fulfil our family needs*."

In Jalodkeu Village, Shekhar, who was in farming and conducting a milk business, said:

*"The money we got from the basic income was used in buying food items and supplies. Apart from this we have also bought a sewing machine for the household. We have bought this machine by pooling the money of all family members. We can also use it for earning some money, when my wife starts work on it."*

***Source: Pilot case studies***

In the tribal village, many families used the opportunity of the basic incomes to dig a well. In total, 41 new wells were dug, taking the number of wells from four to 45. There was also an increase the control village, but it was much less, although 15 new tube wells were sunk. The difference was partly because of the water level in the two villages. Bhilami needs tube wells as the water level is lower, whereas in Ghodakhurd ordinary dug wells suffice.

Another feature was the increase in the number of ploughs bought. No less than 57 ploughs were bought in the basic income village, a 48% increase. Although there was also an increase in the control village, it was not as high. There were also increases in the number of machine tools and carts.

**Table 8.11.3.2: Tribal Villages: Increase in productive tools, by type of village**

| Household assets | Tribal Baseline | | | | FES | | | |
|---|---|---|---|---|---|---|---|---|
| | Control | | Basic Income | | Control | | Basic Income | |
| | Quantity owned | | Quantity owned | | Quantity owned | | Quantity owned | |
| | No. | % | No. | % | No. | % | No. | % |
| Well | 19 | 20.9 | 4 | 3.3 | 32 | 33.0 | 45 | 37.5 |
| Tube well | 6 | 6.6 | 0 | 0.0 | 21 | 21.6 | 1 | 0.8 |
| Tractor | 1 | 1.1 | 0 | 0.0 | 0 | 0.0 | 3 | 2.5 |
| Plough | 16 | 17.6 | 9 | 7.4 | 26 | 26.8 | 66 | 55.0 |
| Sewing machine | 1 | 1.1 | 2 | 1.7 | 1 | 1.0 | 0 | 0.0 |
| Machine tool | 2 | 2.2 | 0 | 0.0 | 2 | 2.1 | 3 | 2.5 |
| Iron | 3 | 3.3 | 0 | 0.0 | 5 | 5.2 | 1 | 0.8 |
| Cart | 3 | 3.3 | 1 | 0.8 | 4 | 4.1 | 5 | 4.2 |

**Table 8.11.3.3: Basic Income Households: Percent spending more on items attributing that to basic income, by SEWA membership**

| Item | SEWA (%) | Non-SEWA (%) |
|---|---|---|
| Seeds | 32.1 | 25.5 |
| Fertiliser | 38.9 | 30.0 |
| Pesticides | 32.0 | 30.1 |
| Agricultural implements | 10.3 | 9.5 |
| Irrigation | 22.7 | 13.9 |
| Renting machines | 17.7 | 9.1 |
| Marketing produce | 19.0 | 10.0 |
| Household furniture | 2.1 | 8.1 |
| Livestock | 12.4 | 28.1 |
| Sewing machine | 4.7 | 3.2 |

Source: MPUCT PFES, 2012, n = 729

**Table 8.11.3.4: Basic Income Households: Percent of households whose extra spending on specific items resulted in increased income, by SEWA**

| Items | SEWA (In Percentage) | Non-SEWA (In Percentage) |
|---|---|---|
| Seeds | 72.7 | 56.3 |
| Fertiliser | 64.6 | 50.0 |
| Pesticide | 58.7 | 47.1 |
| Agriculture implements | 53.8 | 48.5 |
| Irrigation | 66.3 | 44.7 |
| Renting machines | 56.7 | 54.8 |
| Marketing produce | 73.6 | 85.3 |
| Household furniture | 50.0 | 25.0 |
| Livestock/cattle | 55.3 | 57.1 |
| Sewing machine | 50.0 | 50.0 |

Source: MPUCT PFES, 2012, n = 249

**Table 8.11.3.5: Basic Income Households: Percent of households whose consumption increased due to spending more on specified items, by SEWA**

| Item | SEWA | non-SEWA |
|---|---|---|
| Seeds | 17.4% | 9.2% |
| Fertiliser | 27.9% | 17.6% |
| Pesticide | 32.2% | 15.7% |
| Agriculture implements | 20.5% | 12.1% |
| Irrigation | 19.8% | 12.8% |
| Renting machines | 19.4% | 12.9% |
| Marketing produce | 15.3% | 2.9% |
| Household furniture | 12.5% | 25.0% |
| Livestock/cattle | 29.8% | 32.7% |
| Sewing machine | 33.3% | 33.3% |

Source: MPUCT PFES, 2012, n = 249

## 8.12. The Impact on Female Labour and Work

A major issue in this project was the impact of the basic income on women's work, status and sense of empowerment. We will consider the general issues in a later chapter. And in some respects, the different effects on men and women (as well as girls and boys) have been considered in all previous sections. However, it may be useful to consider the impact on women's labour and work in a consolidated way.

A revealing tale that emerged in one of the case studies highlighted the potential importance of individual basic income payments compared with monetary transfers that are family-based or directed at either the nominal head of household or one particular woman ('the mother'). It was a report from a 30-year-old woman, Sangeeta Chauhaan, from a scheduled caste household, who described herself as an agricultural labourer. She had three daughters and two sons, and had used her cunning to make some clever decisions:

> *"The girls know about the cash payments, but they never ask for the money. However, I spend it on them only……Recently, I withdrew the money in my Bank of India Diary [the Basic income account passbook] and put it in my Anganwadi Diary [State Bank of India passbook]. This was because when my husband saw the Bank of India Diary he demanded the money. So, I took it out and put it in my other account, and from this I opened a beauty parlour for my elder daughter to work in Indore."*

This is the sort of dynamics a little change can induce. Other outcomes included the purchase of sewing machines. Another poignant case was mentioned earlier, that of Saloni, a disabled 30-year-old landless woman from a backward caste, whose husband was also disabled. She told the case study enumeration team that her disability meant she could not work outside the home, but added:

> *"We mainly spent the Basic income money on food items, which included vegetables, fruits and other provisions. Other than that we spent on shoes, clothes and the school fee for our daughter. From the remainder of the Basic income money, I saved and bought a hand-operated sewing machine. With that, we started sewing work for the villagers also."*

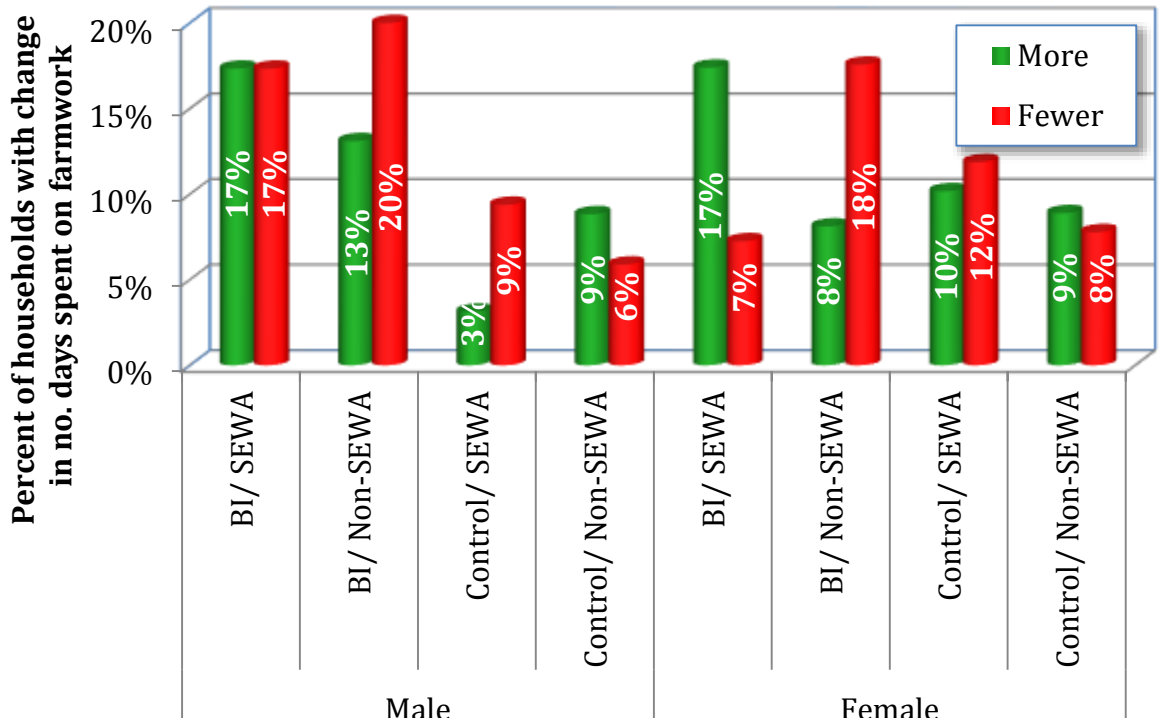
In effect, the BI had released a constraint on her capacity to work and on her capacity to be a productive member of the community. It is this sort of small but vital ***liquidity effect*** that comes across in so many respects.

Another woman told how her daughter-in-law had bought a sewing machine with savings from her basic income money that had been combined with a monetary contribution from her son. She reported, *"She stitches all the household clothes now. Perhaps in the future, she can earn an income from it."*

Many women, in effect, used the basic income money to improve the income and production status of themselves and their female family members. The data from the IES showed that the basic income caused a change in the

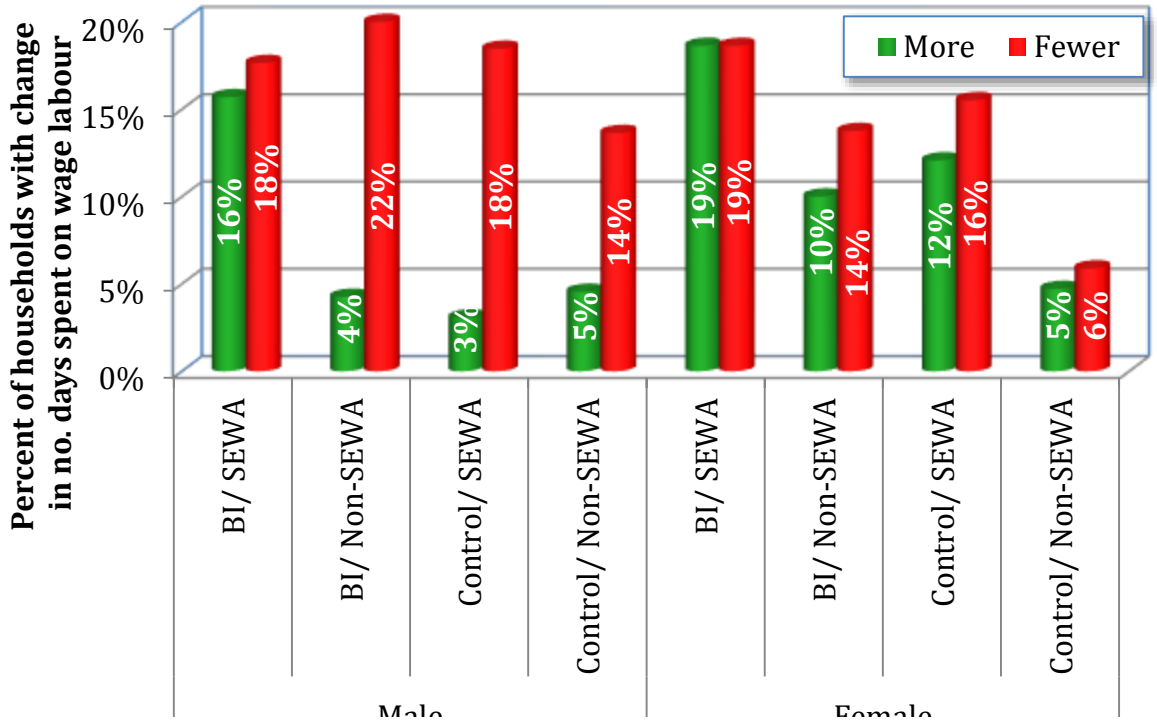
patterns of working days of women, with those in basic income SEWA villages increasing their days of work both in their own farms and as wage labourers (Figures 8.12.1 and 8.12.2).

**Figure 8.12.1: General Villages: Percent of households with change in days spent on farm own-account work, by village type and gender of respondent**




Source: MPUCT IES, 2012, n = 192

**Figure 8.12.2: General Villages: Percent of households with change in days on wage labour, by village type and gender of respondent, IES, 2012**




Source: MPUCT IES, 2012, n = 173

Besides the impact on women in general, we should consider the impact on what are usually called "female-headed households", that is, where a woman was regarded as the household head, mostly because there was no man in it. Did the basic income transfers have a different set of effects on such households?

We have not had time to go into this issue in great detail, and very much hope that subsequent research will throw more light on the subject. However, some preliminary findings deserve mention.

First, across all the villages female-headed households were more likely than male-headed households to have experienced a reduction in income-earning activity in the past twelve months. But this was less likely in female-headed households that had received basic incomes than in similar female-headed households that had not received them. Against this encouraging finding, it must be admitted that the only type of household that had increased income-earning activity in net terms (i.e., those reporting an increase minus those reporting a decrease) was male-headed basic income households.

Clearly, the most important point is that special effort is needed to overcome the constraints to income-earning activity by female-headed households. However, it does suggest that Basic incomes can help them do so.

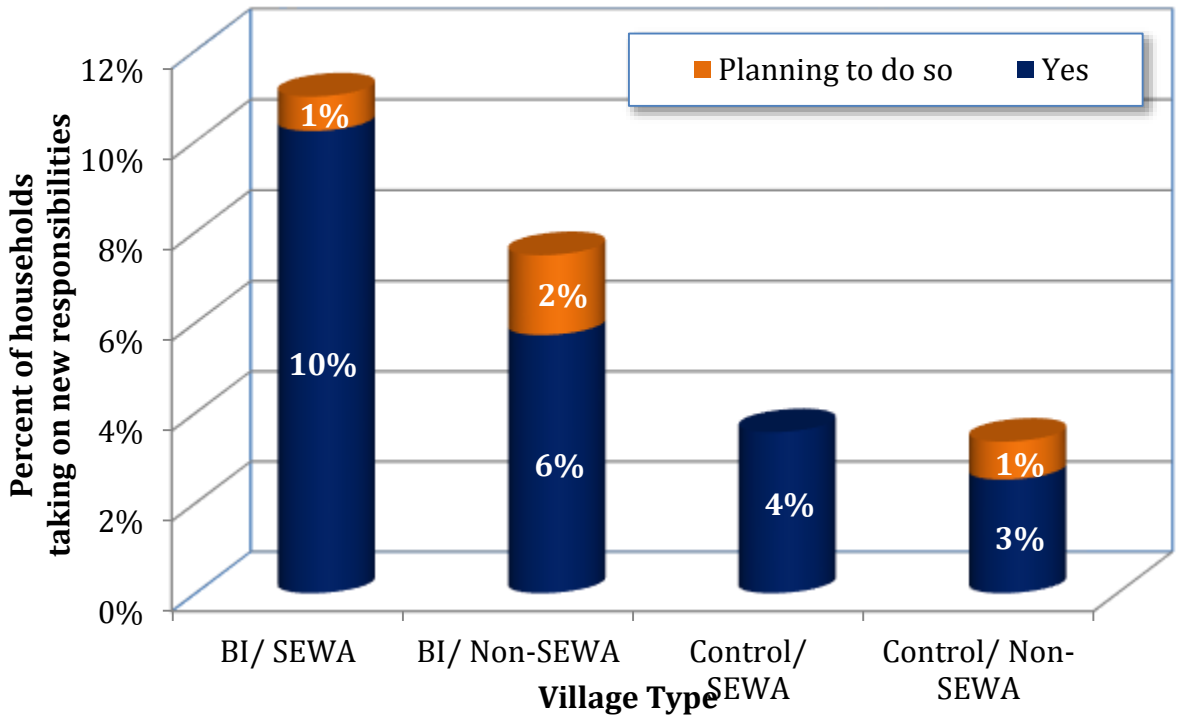
What we need to explore is whether female headed households are also different demographically (more elderly, more disabled, etc.) and/or more economically disadvantaged in other respects (no land, large debts, etc.).

What about change in farm work? A similar pattern emerged from the FES. By comparison with their equivalents not receiving basic incomes, slightly more (8.6% vs. 6.0%) had more days of farm work. But there were much stronger positive effects for male-headed households. Indeed, in net terms the only group to have increased farm work was male-headed households receiving basic incomes.

## 8.13.Care work

A hypothesis that came up in the preliminary fieldwork testing of the methodology was that receipt of a Basic income would lead to households taking on more responsibility for the care of others, including invalids, the elderly and children. The evidence from the IES suggests that this had occurred (Figure 8.13.1). This tendency was less marked in the FES data, even though more households were reporting that they were planning to do so.

**Figure 8.13.1: General Villages: Percent of households taking on new care responsibilities in past 12 months, by village type**




Source: MPUCT IES, 2012, n = 897

## 8.14. The Impact on Work among the Disabled

People with disabilities of one sort or another tend to be neglected in analyses of labour and work, and much else. As we have emphasised earlier, they make up a significant and probably under-estimated proportion of village populations, and deserve far more analytical and policy attention than they receive.

A finding from the FES is that households in which there were one or more disabled members were more likely to have increased income-earning activity in the past year than similar households not receiving the BI transfers. And the impact on households with disabled members was very similar to that made on households without disabled members.

What was most striking is that households with disabled members who did not receive the basic income transfers were very likely to have experienced declines in income-earning – 27%, compared with 12.2% that had a rise in income.

Another finding from the FES is that the basic incomes appeared to have the same positive effect on days of farm work for households with or without disabled members (13.6% up compared with 13.3% for basic income households with no disabled members). And in net terms the change was bigger for those with disabled members (i.e., comparing those with and without basic incomes). The latter finding was, of course, due to the decline in farm work by households with disabled members not receiving the basic income.

The story about the impact on the amount of wage labour is a stranger one. Basic income households with disabled members were actually the most likely to have increased wage labour, but they were also the most likely to have reduced it. In all types of household there was a net decline, with the greatest net decline (-10.5%) being in households with disabled members but without basic incomes.

## 8.15. 'Naukar' Labour

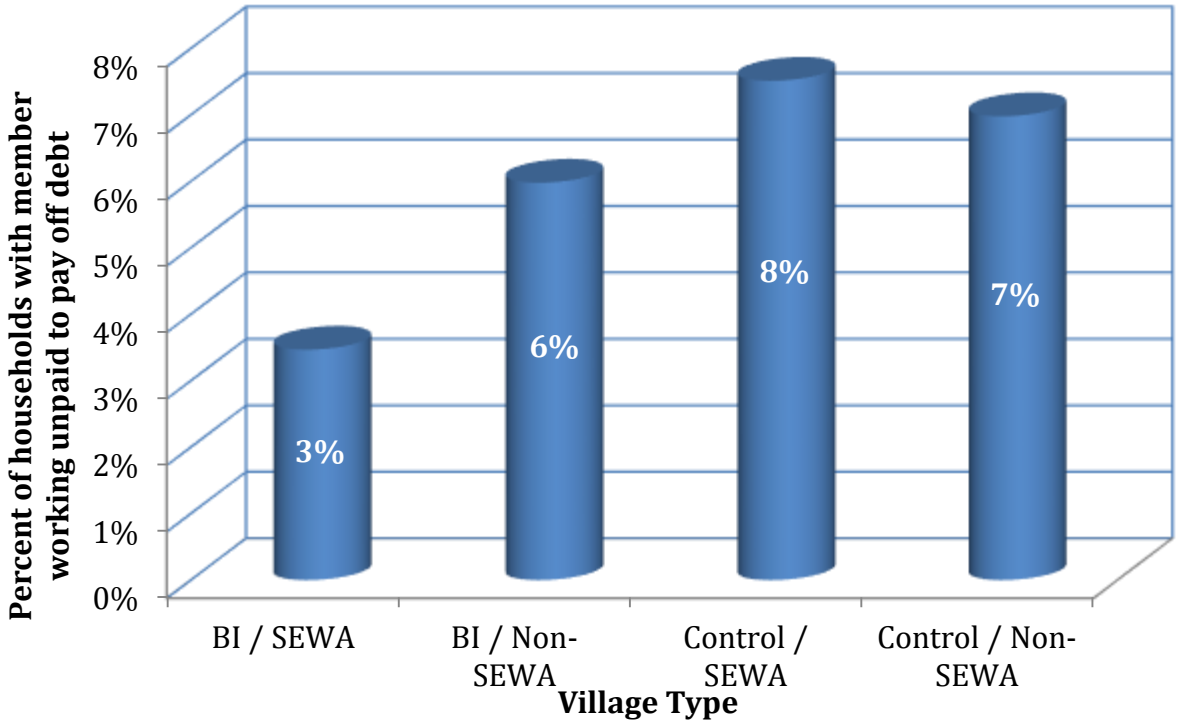
By way of conclusion, it is pertinent to return to the prevalence of bonded labour, in the form of the 'naukar' and 'gwala' labour relationships. A typical case was that described by a low-income woman from the Bhil scheduled tribe. The family of two adults and four offspring possessed an Antyodaya ration card. She was aged 35, her husband aged 40. This is how she described their situation:

> *"In my house three people work for wages, my husband and my two older sons. About three years ago, I was working in the field and I climbed a tree to collect firewood. I slipped and fell, and broke my right leg and hand. They have put a rod in my leg. Since then, I can no longer work outside; I just do the housework.*
>
> *My eldest son, vinod, who is 17 years old, works as a naukar for a big farmer. He receives 15,000 Rupees a year. And my second son, Laxman, works as a gwala, and receives 10,000 Rupees a year. My husband does casual labour on the farm. My sons go to work early in*

*the morning and come back only in the evening. Vinod was just a gwala, but now has become a naukar.*

*So he does all the work relating to cattle and also works on the landlord's farm, whereas Laxman does only cattle-related work. They don't even send them home for lunch. They give them lunch so that they can make them work even during the time that they would spend in coming home for lunch."*

**Figure 8.15.1: General Villages: Percent of households with member working unpaid to pay off debt, by village type**




Source: MPUCT FES, 2012, n = 2029

The link between the basic income payments and the weakening of the naukar system does not stop there. Consider the statement of Gumaansingh, a scheduled tribe man from Gogakhedi Village, speaking at the end of the pilot to the case study enumerator:

*"We were much helped by the cash transfer money that we were getting. If we didn't get any labour work, then we didn't have to think about where to get food. We could go to the doctor for treatment whenever required. Earlier it wasn't like this. I'm not a bonded labourer anymore, and if it weren't for this money, then perhaps I'd still be working as a bonded labourer. After all, one needs money to run a household, and there is almost no*

*labour work available in our village. So far it was all fine as we were getting the money. Now that it has stopped, let us see what happens."*

What this personal story suggests is that the modest payments had provided a safety valve, enabling him to avoid the naukar trap and thus enabling him to take other decisions to his family's benefit.

### 8.16.Collective Economic Activity

One of the hypotheses on basic income is that it increases co-operation and collective action. Within the family, of course, there was pooling of funds sometimes for education and more often to improve the home. There was quite a bit of anecdotal evidence for pooling across families, although it is not widespread.

For instance, young women in two villages pooled their cash receipts to start a stitching class, some families pooled their funds to buy seeds and fertilizers collectively. In the tribal village that received the basic incomes, households formed a group to use the pond on a collaborative fish-raising venture, using a common resource to increase their incomes.

Ghodakhurd village has a pond at the centre of the village that is the main source of irrigation for the entire village. The basic incomes began in the month of February 2012. When the rainy season came late in the month of June, some half a dozen villagers started to discuss the possibility of buying fish seed to do fish farming. They announced the idea to the villagers and asked people to join the venture.

Some 13 people came together and pooled in 2,000 Rupees each from their basic incomes money. With this money they bought the fish roe and began farming. As the harvest started coming within a few months, they started selling fish both within the village and also in Mhow market. The proceeds were used to buy more roe. This process continued during the next year. Thus an informal fish cooperative was formed that gave not only income to its members but also made fish available to the villagers. Income was generated, while consumption and dietary balance improved.

## 8.17. Concluding comments

At the outset, it was expected that the actual level of the basic incomes was probably too low to produce a major series of changes on work and labour, but during the course of the pilots it became apparent that the *liquidity effect* was likely to mean that the real value of the money was greater than it seemed and that it could unlock constraints to create a multiplier or transformative effect through its influence on work and labour.

Overall, the effects seem positive, reducing the extent of short-term labour migration, changing the nature of child work, raising economic opportunities for women, curbing naukar labour, and leading to a shift from casual wage labour to own-account farming and non-farm economic activity. The cash transfer helped households to buy productive assets, which helped increase work security as well as income.

In considering the overall situation, there were also indirect effects, such as the impact of improved health and nutrition, which in turn makes work and labour more feasible and less onerous. And one should not ignore the possibility that by providing a steady predictable income, basic incomes reduced the adverse shock of temporary periods of unemployment. Households were also less likely to default on debt repayments and thus were less likely to fall into an asset loss cycle, issues to which we now turn.

## Chapter 9: The Impact on Savings, Debt and Economic Resilience

### 9.1. Introduction

Basic income transfers might go straight into consumption expenditure, or part of them might go into savings and investment in some form, or part might go to pay off debt or at least reduce the extent of debt. In other countries, experience with cash transfers has suggested that recipients often give high priority to paying off debts, if they can.[136]Intuitively, this makes good sense, in that it represents a modest assertion of control over life.

So, on *debt*, our primary hypotheses are, first, that the basic income transfers would enable at least some households to reduce their debt, second, that they would enable some to avoid going into debt, and third, that for some households the money would enable them to borrow more in order to invest or improve their living conditions, or the income-earning production. But above all, because debt is a medium of exploitation, the basic income has an *emancipatory value* that is greater than the *monetary value*, a thesis that will be elaborated during the course of this chapter.

On *savings*, the key hypotheses in this chapter are, first, that the basic income boosted savings modestly, and second, that part of the money was used to provide a modicum of financial *liquidity*, thereby lessening the probability that a financial shock or hazard would precipitate a financial crisis, leading further into chronic indebtedness. We will suggest that, while the basic income could not prevent a shock or hazard from occurring, perhaps it could reduce the detrimental impact, a point to which we will return towards the end of the chapter. But first of all we need to clarify the normal situation of indebtedness.

### 9.2. The Scourge of Debt

Most village families across India struggle along from one debt to many debts, and very few are out of debt for any length of time. Indebtedness is simply a structural feature of village life, and is a complex mechanism for intensifying class-based and caste-based inequalities while preserving a very hierarchical social structure. But, as we shall see, the basic income transfers had some effect on the extent of debt and on the related use of credit and loans.

Before considering those issues, reflect on the sheer scale of debt and the mechanisms by which villagers are mired in chronic debt, that is, a level of debt that could be expected to last for as long as could be anticipated, even for generations. The extensive case studies conducted in the

[136] This has been particularly common across Africa. See, for instance, E. Kebede, "Breaking the poverty cycle? Cash distribution and safety nets in Ethiopia", paper presented at meeting organised by the Overseas Development Institute (London), Nairobi, May 2005.

course of the pilots can give a perspective on this. Take the example of Kalabai, aged 52, and her husband, from a scheduled caste, with a modest 1.5.bighas of land:

> *"My husband met with an accident ten years ago, and his right leg was seriously damaged. We spent 80,000 Rupees for his treatment. I borrowed from a moneylender at 3% a month. I finally repaid it two years ago."*

This debt stems from what we will call a shock. Over those eight years, that loan almost certainly cost more than 100% to repay. In those circumstances, incidentally, it is surely remarkable that the family only had an APL card. And their life of indebtedness goes on. As she told the case study enumeration team:

> *"I have an outstanding loan of 50,000 Rupees, which I had to borrow from a moneylender for my son's marriage one year ago, at 3% a month. In addition, I often borrow for groceries or other necessities. I don't have to pay interest for that because I repay as soon as possible. In this manner, I borrow about 700 Rupees a month. We repay debt by working for the moneylender or saving from our wage. Our labour is mostly for the repayment of loans, for which we work in the households of landlords because I have nothing to mortgage."*

This situation stemmed from what we call a *hazard*. Paying just the 3% a month would be financially crippling. It is scarcely surprising that once in serious debt households remain in those circumstances for many years, if not permanently.

Before considering other situations, let us reflect that debt in Madhya Pradesh villages seems to arise in four main ways.

- First, landlords and moneylenders provide loans to earn themselves a high rental income, usually lending at 3%, 5%, and up to 10% per month, and rarely less.
- Second, large-scale farmers and business operators (who may be in the first group), advance a loan or provide low-income families with food at a time of acute need, in order to put the individual or family in debt bondage, with the obligation to provide part or even all of their crop during or at the end of the harvest.
- Third, they do that lending in order to tie the family to provide labour when and as required, for a wage that is less than a market wage.
- Fourth, shop-keepers sell food or other goods on credit, charging high interest only after a month or so. Some credit-providers demand that the purchasers provide labour or crops in return.

These mechanisms have different implications in village life. The third practice just cited reflects the fact that the labour process in Madhya Pradesh villages is essentially semi-feudal, in that landlords or powerful interests lock many peasants into labour relations well in advance of their need for the labour. By doing so, they actually *underpay* the villagers, by paying them less than the labour market price, the money wage, at the time of the need for the labour. Some economists would call this *super-exploitation*. We will consider the implications of the payment of basic income later.

Anyhow, debt is a life-defining burden in Indian villages. Consider a few more examples from the case studies. Most illustrate the most critical point, which is that money itself in these villages is a *scarce commodity*. This gives possession of it a considerable value, and its absence a considerable cost.

**Box: 9.3.1- Entrepreneurial risk-taking**

Rajaram Sain, a 60-year-old man who combines being a barber with animal husbandry, was one of the case studies, and told the team:

*"My occupation is cutting hair and shaving……. Each year the income is going down. It is mainly when there are deaths or other ceremonies in the village that my services are sought, for shaving heads. And for these services, the villagers pay me in kind, in wheat. The grain I get through this is hardly sufficient for the whole year.*

*I have an APL [Above Poverty Line] ration card, which was given to me six years ago after a survey. It is torn completely now. I have applied for a new one. But nobody listens to us in this village. Because of this I am able to get only small quantity of wheat from the village and this makes it difficult for me to run my yearly household expenses.*

*In the morning, each day, once complete my barbering tasks, if any, I go to the field to get fodder and water for my buffaloes. I bought these buffaloes two years ago with a loan from the milk contractor from Indore. When I bought them, they were (Bhaakdi) not giving milk. After they gave birth to calves four months ago, they started giving milk. Since then, I have been repaying the debt through milk. Every day, he sends cans for collection of milk.*

*I owe the milk contractor money that I borrowed from him to purchase the buffaloes. I have another outstanding loan of 35,000 rupees which I took for my daughter's wedding from my neighbor at 3% interest rate, monthly. In addition to that we buy food items from the grocery shop on credit at 2.5% interest rate, monthly, and repay it by working on his farm. Brother, I have too many debts, and I can only repay them gradually, by selling milk and doing wage labour."*

This case could be described as *entrepreneurial risk-taking*. But note that his main transactions were non-monetary, or non-cash, which was very likely to mean that they were inefficient and to his disadvantage, making the real value of the actions less remunerative for him. The barber's

customers were hardly likely to give him their good-quality wheat, and they for their part will be less likely to take care of all their wheat, since they were using it for such informal purposes, rather than use it for their family needs or for sale in an open market where the quality could be examined. The person being paid in wheat was not in a position to stipulate quality.

By contrast, given the barber's weak bargaining position with his milk contract, the contractor was, for many reasons, likely to demand more milk from him than was justified by the original loan. But then consider the barber's indebtedness and the exorbitant rental interest he would have to pay, stretching into the future, in a system of income extraction. A monthly interest of 3% amounted to well over 40% a year.

Another example, which was also probably widespread, is illustrative of another means by which moneylenders gain rental income from the possession of the scarce commodity of money. A respondent, Manju Behen, told the case study team:

> *"We take money from the doodh wala Seth[137] in order to buy buffaloes and then we sell the milk to him only. We don't get any money from selling the milk because we first have to pay off the money that we took for buying the buffalo. If for some reason the buffalo does not give enough milk, then the Seth deducts the entire month's money. How much milk the buffalo will give is never certain. A buffalo costs Rs 40,000. After that, the fodder costs 35,000 rupees. Including the khali etc, the cost of keeping a buffalo is a lot.*
>
> *If we consume the milk at our homes or if we add too much water in the milk, then there is the risk of mounting debt. The money that we were getting (CT money) helped us in our household expenses and because of that we didn't have to take loans from the doodhwala. If we don't give the milk to the same Seth from whom we take money to buy the buffalo, then he takes the buffalo."*

This is what could be called *dependency risk*, since the acquisition of buffaloes is a survival strategy, not an entrepreneurial one. It leads to what should be called *monopsony debt*, in that the moneylender retains sole right to the milk and thus can pay below the market price, while imposing all the risks or costs on the debtor family, thereby gaining extra income.[138]

Then there was the case of Premabai, a 60-year-old woman smallholder from the scheduled tribe, who mixed farming with agricultural wage labour over the course of the year:

> *"I have about Rs.1 lakh outstanding loan to be repaid at 3% interest per month. I borrowed this amount for the treatment of my husband and granddaughter from*

[137] Milk contractor from the nearby town Mhow

[138] In economics, a *monopolist* is a sole seller of a commodity; a *monopsonist* is a sole buyer. In policy circles, much more attention is given to the social and economic costs of monopoly. More attentions should be given to the evils of monopsony.

*neighbours. I often borrow from our village grocery shop because he doesn't take interest. Sometimes I buy ration on credit. I work at the moneylender's houses or fields to repay the loan. All members of my family work to repay the loan. I have nothing mortgaged. But I have not been able to save anything. Everything is spent."*

Here was just a straight case of living in debt. Another example was the situation described by Devkanyabai, a 45-year-old woman from the Chamar (scheduled caste) who described herself as a labourer:

*"If we have money, then we buy our groceries in cash; otherwise we buy on credit. There are two shops in the village… from where we buy things on credit. We give then back whenever we have money. They sell stuff on a hiked price- 9 if we pay cash, 13 if we buy on credit - because we have no other option but to buy from them."*

*When we are in need of money, we have to take a loan from the big farmers in the village. They charge an interest rate of 3%. We remove these debts by doing labour work for them every crop season."*

This is *monopsony credit*, taking advantage of the dire need of villagers to live through credit. But, as well as indicating the scale of debt through high interest rates, this shows how costly it has been to operate via credit rather than be able to pay in cash. And often the families cannot begin to repay the credit until the next harvest, meaning that the cost accumulates month after month.

We have given all these examples – and numerous others could be added – to highlight the potential impact of an influx of money to such families and to their neighbours and kin in the vicinity. Others would also indicate a potential advantage of formal financial inclusion, in that the nationalised banks and the SEWA Cooperative, at least, usually charge a lower rate of interest than the moneylenders.[139]

This means that the pressure to open bank or cooperative accounts would have had a modest positive effect on the extent of debt, although it would not prevent it. However, the crucial point is that the chronic indebtedness defines the ingrained structural problems of rural Madhya Pradesh (and, as a matter of fact, India) as well as the main reason why an injection of cash could be transformative.

### 9.3. The Impact of Basic Income on Indebtedness

This pervasiveness of indebtedness was brought out in all the evaluation surveys. Well over 70% of all households reported being in financial debt at the outset. But the inflow of basic income payments seems to have made a difference, and quite quickly.

[139] In that regard, we acknowledge the usefulness of the government's Kisan Credit Card.

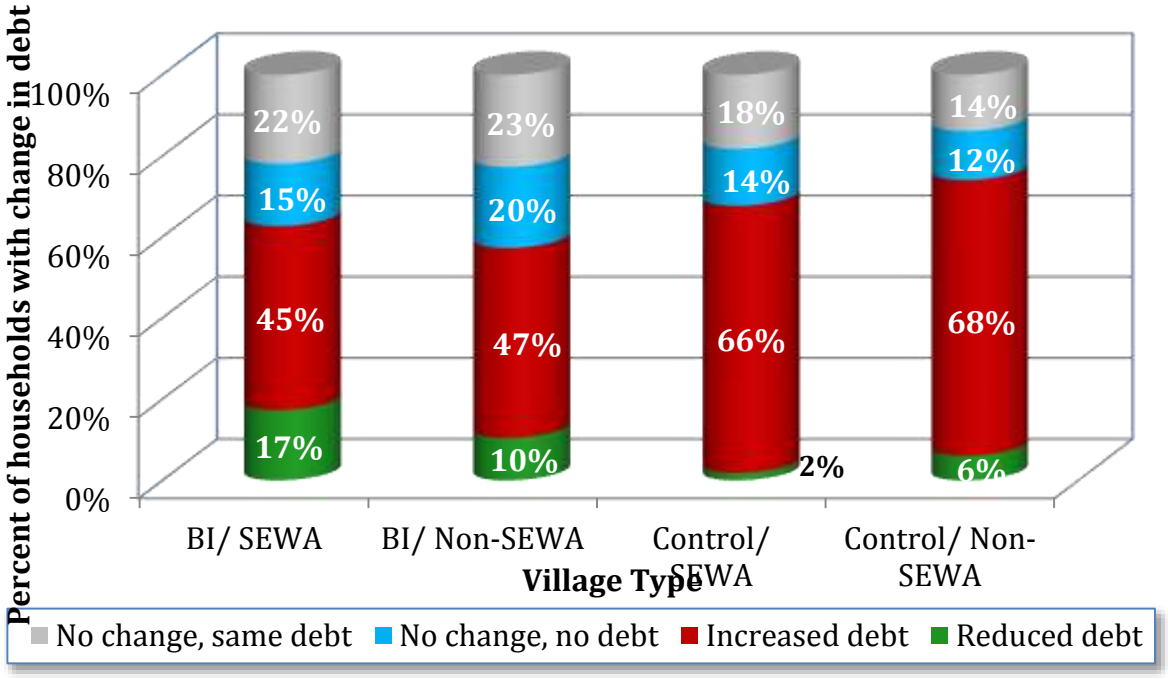
In all the 20 villages, at the time of the IES, over half of all households (53.3%) reported that their indebtedness had increased over the past 12 months; only 8.3% had reduced their debt and only 17.3% had no debt at either the beginning or end of the year. But the basic income households were significantly less likely to have increased their debt and were significantly more likely to have reduced it (Figure 9.3.1).

These results were further borne out by the FES data. Over three-quarters of all households said they owed a substantial amount to outsiders. But it was less common in basic income households, with just over 70%, compared to 79% in control villages. (Figure 9.3.2). And the tendency to reduce debt was considerably greater in the basic income villages (Figures 9.3.3. and 9.3.4). The average amount owed was also lower in basic income households (Figure 9.3.5).Moreover, nearly two-thirds of those reducing debt attributed that to the basic income.

Another finding to bear in mind is that female-headed households were no more likely to owe substantial amounts, and more educated households seemed more likely to be in such debt (the difference being statistically significant), as were upper-caste households compared with scheduled caste or tribe households. More expectedly, households with one or more disabled members were more likely to be indebted, and this difference was statistically significant.

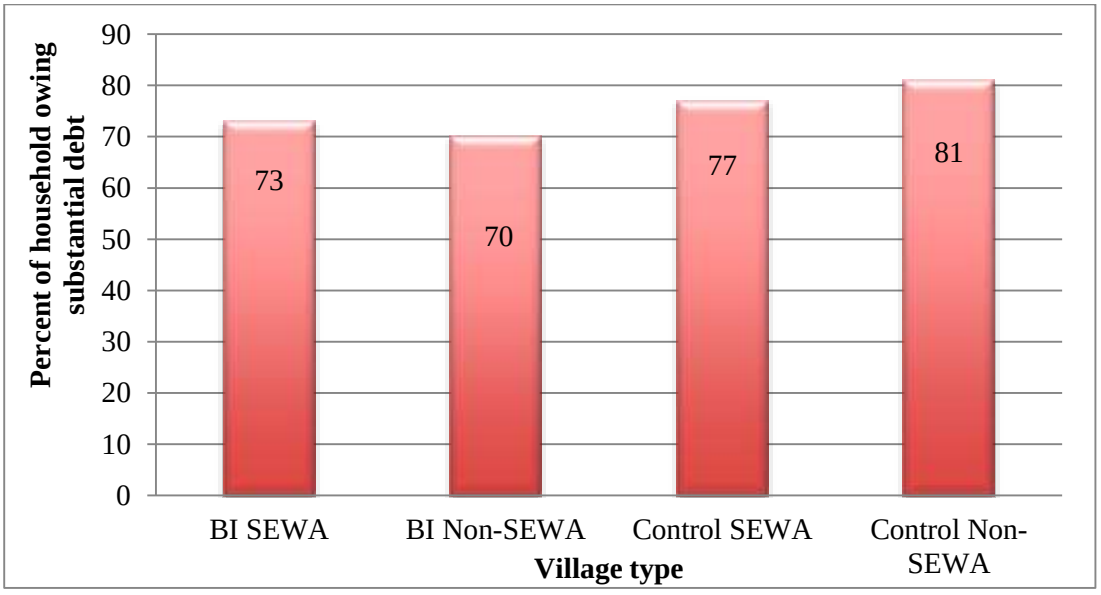
If one divides households by level of schooling, one finds that within both the low-educated and higher-educated households, receipt of the basic income transfers was associated with a lower probability of being in debt.

**Figure 9.3.1: Percent of households by change in debt, by village type, in General Villages**




Source: MPUCT IES, 2012, n = 875

**Figure 9.3.2: Percent of households with someone owing substantial debt, by village type, in General Villages**




Source: MPUCT FES, 2012, n = 2029

**Figure 9.3.3: Percent of households by change in debt, by village type, in General Villages**

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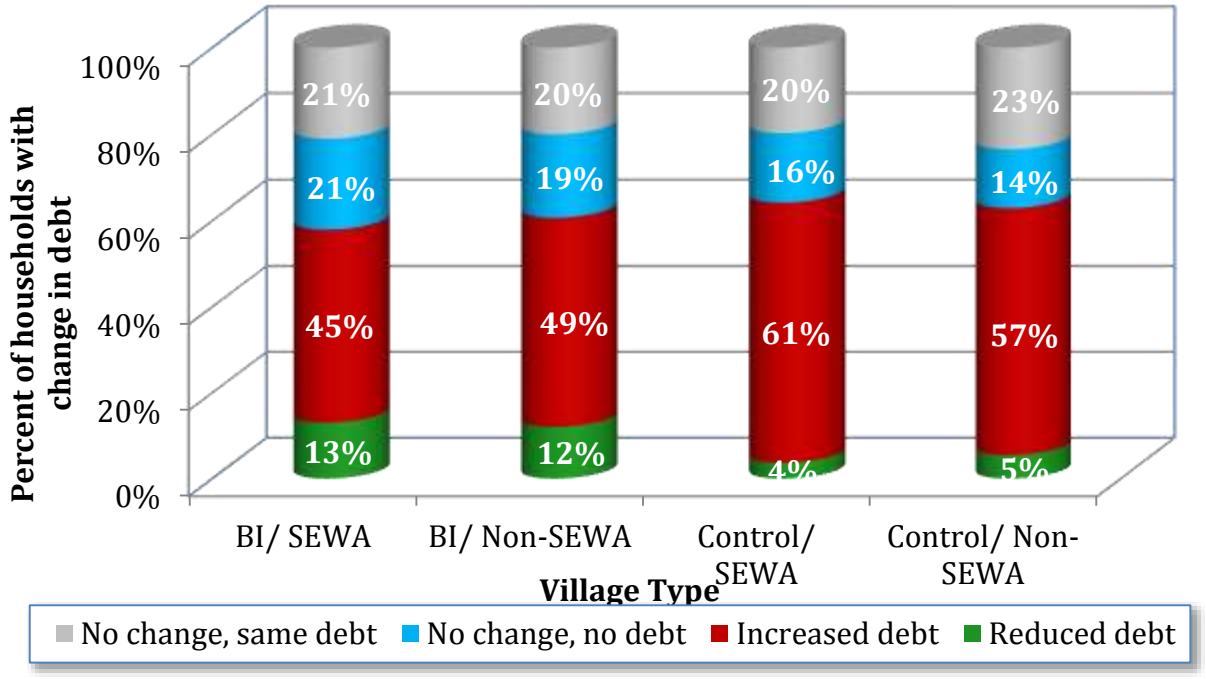
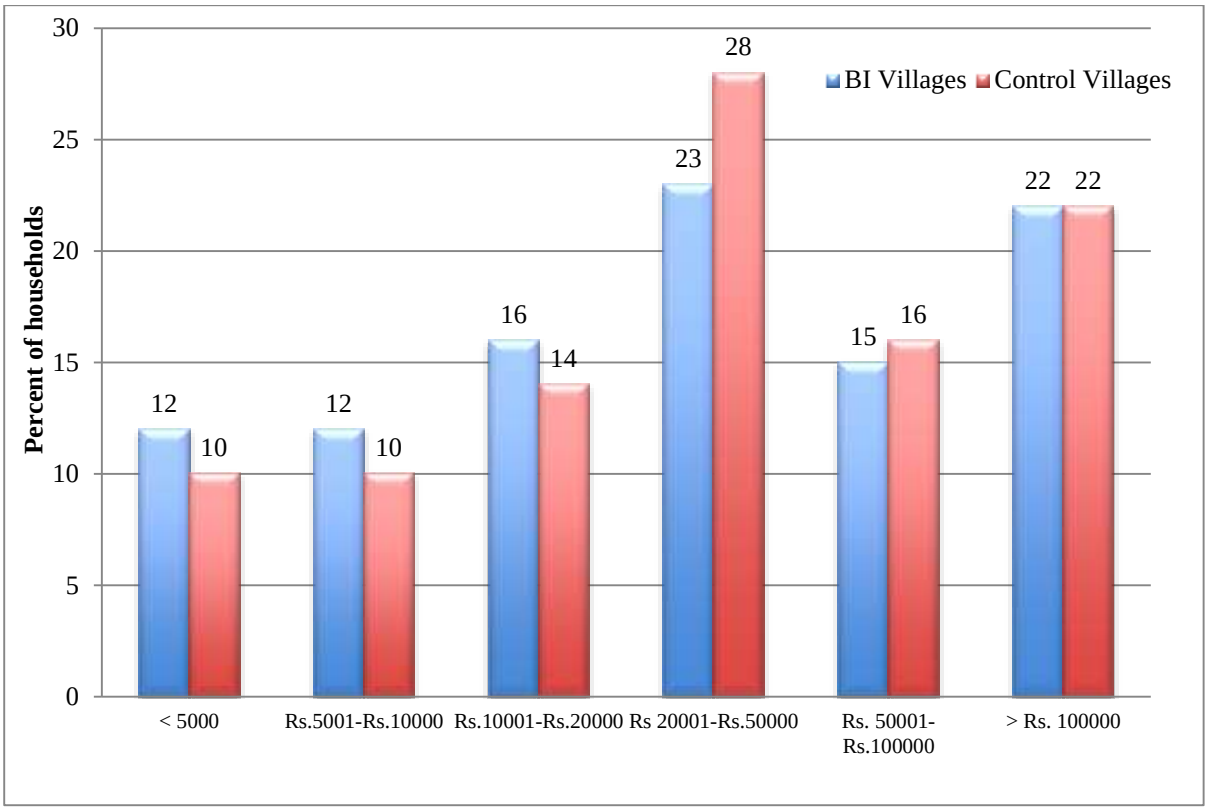
Source: MPUCT FES, 2012, n = 2034.

**Figure 9.3.4: Households with change in debt, by village type, in General Villages**




Source: MPUCT FES, 2012, n = 2013

**Figure 9.3.5: Current outstanding debt, by village type, in General Villages**




Source: MPUCT FES, 2012, n = 1531

To make better sense of these correlations, we estimated a basic logit function, in which the dependent variable was the probability of reducing debt (expressed as a binary, 1, 0). The function included the following set of control variables, as follows:

*Household Head Educated*: The level of schooling of the head of household was included as a proxy for wealth as well as for knowledge of financial management, with the expected sign of the coefficient being positive. It was measured by a binary (1, if the head had secondary schooling, 0 if primary or none).

*Disabled member*: The presence of someone with a disability was taken into account with a binary (1, 0), since that was expected to lower the household's ability to save.
*Female Head*: A binary variable (1, 0) was included for whether or not the household was female-headed, with the expectation that this might make it harder to reduce debt.

*Child ratio*: The ratio of children to adults was included, with the expectation that if there were relatively more children that would reduce the propensity to save.

*Upper caste*: A variable for caste of household was included, with OBC or General households being given a value of 1, 0 otherwise. However, separate functions were also run for scheduled caste and tribe households and for OBC and General households.

*Household size*: Total household size was included, with the expectation that larger households would be more likely to reduce debt.

*Land owning*: A dummy variable for land ownership was included, with the expectation that landholders would have a greater probability of cutting debt.
*SEWA*: A variable for SEWA (1, 0) was included to test for any independent effect of SEWA membership or presence in the village.

The results, given in Table 9.3.1, show that basic-income households were significantly more likely to have reduced their debt, and show that the only other noteworthy factor was the child ratio. Undoubtedly, a more refined model would bring out the significance of other influences, but this gives strong support for the direct link between basic income and debt reduction.

**Table 9.3.1: Logit function: Probability of debt reduction, by caste group**

| | ALL | Schedule Caste/Tribe | OBC+GEN |
|---|---|---|---|
| Constant | -3.0758*** | -2.0815** | -3.2104*** |
| Disabled member | -0.1293 | -0.1401 | -0.1416 |
| Household head educated | 0.0377 | 0.1152 | -0.2226 |
| Female head | 0.0956 | -0.2503 | 0.1188 |
| Child ratio | 0.3873** | 0.4672* | 0.3194 |
| Upper caste | 0.0281 | | |
| Household size | 0.0334 | -0.0722 | 0.0557 |
| Land owning | 0.0107 | -0.1959 | 0.0611 |
| SEWA | -0.0817 | -0.307 | 0.0324 |
| Basic Income | 1.2705*** | 1.2427*** | 1.3283*** |
| R2 | 0.06 | 0.07 | 0.07 |
| P | 0 | 0 | 0 |
| N | 1224 | 436 | 788 |

To recap, the basic income could have helped reduce indebtedness by at least five main ways:

- The money from the basic income could have been used to reduce previously-incurred debt;
- The money could have enabled households to avoid incurring new debt or to reduce the amount of new debt incurred;
- The money could have enabled households to avoid taking food or other items on credit.

- The money could induce moneylenders or shops to advance credit or loans at a lower rate of interest or even without charging an interest rate.
- Finally, to the poorest households, BI could open up new options of taking a softer loan rather than exploitative forms of distress borrowing, by approaching relatives and friends.

That fourth way can easily be overlooked. One way by which the receipt of a regular basic income could reduce the cost of living in a local economy characterized by scarce money is by increasing the confidence among those making loans that they will be repaid. That could make them more inclined to charge a lower rate of interest, since the risk of non-reimbursement would be reduced. This was brought out by one respondent in the case studies, who was interviewed after the end of the pilot:

> *"When the transfers were coming, the money-lending farmers were also sure that their money would be paid on time. They would lend us money without too much interest. Now that the money has stopped, the farmers are charging 5% or 10%. If you start giving the money again, then give it like before. Don't give it via the village sarpanch[140] or ministers."*

This is a further aspect of the emancipatory value of the basic income indicating why that exceeds the direct money value, to which we will return at the end of the chapter.

In the case studies, various respondents described how they used the basic income transfers to reduce their debt. Thus Sunita, a 28-year-old woman doing housework as her main activity, combined with casual wage labour, said:

> *"We have no debts of any kind on us anymore. We had a little bit of debt to pay; I don't know how much it was; my brother-in-law knows. Whatever it was, we have paid it back this year; and this has happened with the help of the cash transfers."*

Another person, Pratap, a 35-year-old chowkidaar (village watchman), told the enumeration team:

> *"The Cash Transfers have helped us immensely. We have put more and good quality seed, fertilizer and pesticide in the fields due to this money. This will yield us a better crop. Apart from that, we bought two goats to add to our income. The most important benefit from this money was that we didn't have to borrow money from anyone, and neither did we have to buy things on credit. Earlier we had to do both.*
>
> *We have paid back whatever petty debts were there; 500 to someone and 1000 to someone else. And due to this money, our monthly grocery and foodstuffs were bought in an organised manner; otherwise we had had to buy lesser stuff."*

Another case study respondent told the team:

> *"This money has been of great help ever since the time we started getting it. Because of this money we don't have to take any debt for either rations or medicines. Even if*

[140] Elected head of the Panchayat

*someone gets sick or distressed, we don't have to go around begging people for money. Earlier we would take things on credit from the Kirana store for which the shopkeeper would charge us interest as well. Since we have been receiving this money, this is not the case."*

Another was almost poetic in his assessment:

*"Some time ago, I took Rs 2,000 on credit from the Kirana shop and bought things for the household from there, little by little. Within a year, the shop owner brought my credit amount to Rs 24,700 after adding the interest. In order to pay this debt I had to mortgage the one bigha of land given to me by the government. Now I am left with no land. Our monthly expenses are being covered by this cash transfer we are getting. This money is to us like a stick is to a blind man."*

Turning to the tribal villages, debt was even more just a regrettable way of life for almost everybody. Since labour opportunities are meagre and incomes are low, almost every aspect of their lives is governed by debt. They borrow for seeds and farming inputs, and usually have to repay those debts at 100% interest rate at the time of the next harvest. They even have to borrow to pay for their daily or weekly food purchases.

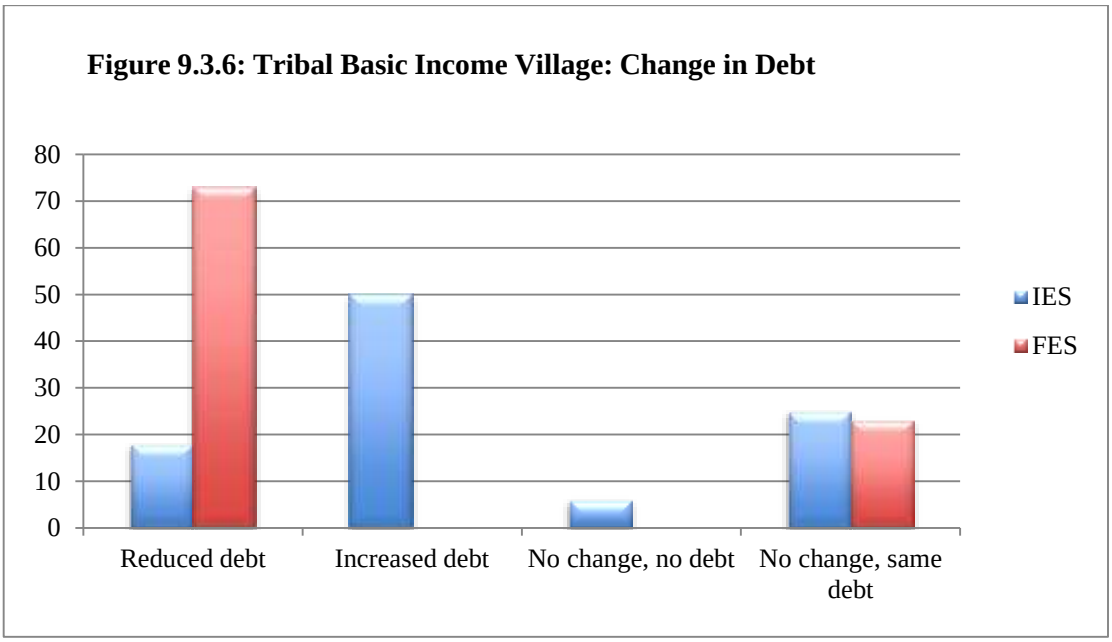
But even in the tribal villages, the cash transfers made a difference, and seem to have been the means of liberating at least some of them from the burden of debt. At the time of the baseline survey, about two-thirds of households in both villages were in debt.

Table 9.3.2 (and Figure 9.3.6) shows that in the village where everybody was receiving the basic income, by comparison with the control village, within six months many more had reduced their debt and many fewer had avoided going into a greater level of debt. By the FES, an extraordinary 73% of households in the basic income village had reduced their debt.

**Table 9.3.2: Tribal Basic Income Village: Change in Debt**

| | IES (6 months) % Households | FES (12 months) % Households |
|---|---|---|
| Reduced debt | 18 | 73 |
| Increased debt | 50 | 0 |
| No change, no debt | 6 | 0 |
| No change, same debt | 25 | 23 |
| All: IES had one male and one female respondent per HH | 214 | 120 |

**Figure: 9.3.6- Tribal Basic Income Village: Change in Debt**




Source- TVFES, 2012 and n= 3342

In sum, in both non-tribal and tribal villages the basic income was associated with a reduction in indebtedness. As such, it surely reduced the pressure on daily living, and also enabled some households to gain more freedom to pursue their own economic activities.

## 9.4. The "Naukar" Phenomenon and Debt Bondage

The naukar[141] and 'gwala' phenomena have been described in chapter 8. They are so systemic in these Madhya Pradesh villages that any policy that could break the social system that it embodies should be welcomed as a major transformative move. They may be disrupted by the basic income, which would mean that this policy would have a distinct advantage over subsidy or direct labour schemes of the sort reviewed in the opening chapter.

Let us just reflect on a few of the case studies on what they tell us about the debt bondage that the naukar system represents. Consider Gumaan Singh, a 50-year-old landless member of a scheduled tribe, who was a former naukar. Here is his account as rendered to the enumerators:

The main point here is that when somebody is in a naukar bondage, they are looking for every opportunity to get out. The first opportunity that they get, they find some rationale by which they get try to get out.

**The case of Gumaan Singh**

[141] 'Naukar' is not strictly bonded labourer, but belongs to the same species. It is an annual contract 'voluntarily' entered into between a landlord and the naukar. The naukar can change landlord after the contract period and find another. However, during the period of the contract, the naukar must do all work assigned to him by the landlord. There are no restrictions in terms of the nature of work or timing.

*"We require about 7 quintals of wheat annually for home consumption. We collect all this wheat by doing labour work during the wheat harvest season. All the adult members in the family do labour work. I used to work as a bonded labourer till last year, for which I used to get 18,000 rupees annually. I have been a 'Naukar' with the landlords in our village for nearly 35 years. I have stopped doing that work now. I had to work as a bonded labourer because there wasn't any work available in the village. But now we are getting basic income money since a year with which we try to meet the monthly household expenses. Now I'm working only in the season's crop for example irrigating the fields, harvesting etc. For irrigating and harvesting a one-bigha field, we get 60 kg (12 dhari) of wheat.*

*Only last November, after my daughter was married, I discontinued 'Naukar' work. From morning until night, I used to work on the landlord's farm and also look after his buffaloes. Apart from cooking, I did everything for him. He did not provide food. I had to come home to have my roti, and go back to work. For one year the total wage was 18,000 Rupees. From time to time, I would borrow money from him for my daily needs, or when I would go to the weekly market, which he used to deduct from the wage. Last year, at the time of my daughter's marriage, I asked him for money, but he gave me only 10,000 Rupees. I was very disappointed, and when I completed half a year in November, I quit that work. After that I started doing daily wage work wherever and whenever I could. At least I am on my own and don't have to be at his beck and call. There is of course this big support from the cash transfer. A small part of income comes from rearing goats and hens. Now, I have only four hens and one rooster. I had two goats, which I gave to Harli at the time of her marriage...*

*...We were greatly helped by the basic income money that we were getting. If we didn't get any labour work, then we didn't have to think about where to get food from. We could go to the doctor for treatment whenever required. Earlier it wasn't like this. I'm not a naukar anymore, and if it weren't for this money, then perhaps I'd still be working as a bonded labourer. After all one needs money to run a household- and there is almost no labour available in our village. So far it was fine as we were getting the money. Now that it has stopped, let us see what happens."*

*Source- MPUCT case studies*

He had just ceased being a naukar after 35 years of being trapped in that relationship, and was using his basic income mainly for food. What was most remarkable was that he and his family only had an APL card, thereby denying them entitlement to subsidised food that would have come with possession of a BPL or Antyodaya card.

Another case was that of Paramanand, a 19-year-old from the Bhil tribe, who was a naukar, perhaps unusually paid an annual wage, from which he received an advance in the early months, given as a loan. During the course of the year he also took out small loans from the

landlord. So he had ended up constantly having to labour to pay back a stream of loans, meaning that he never saw any cash.

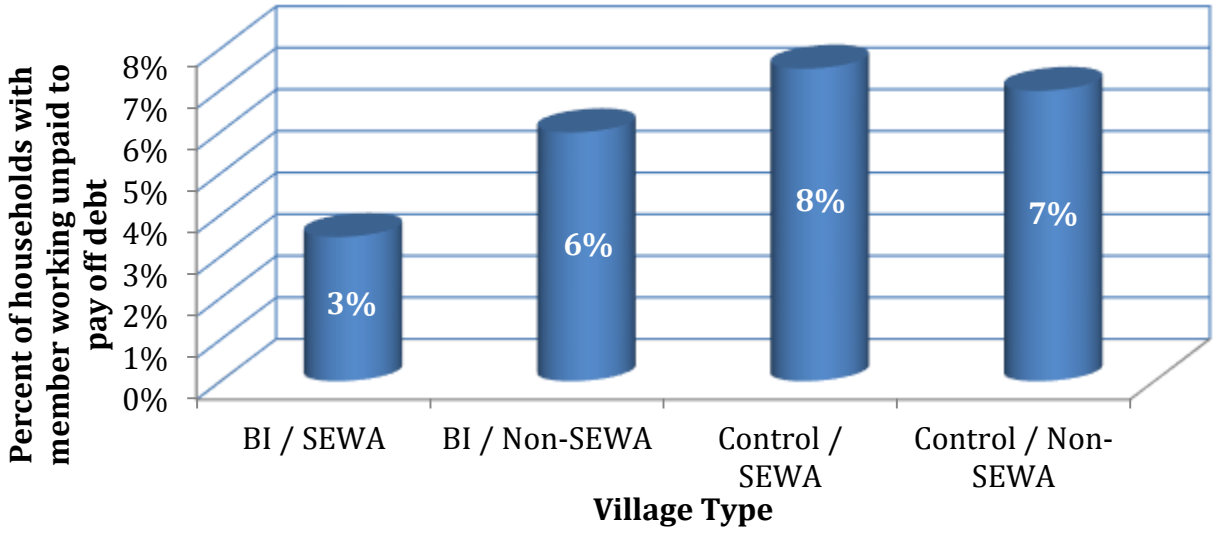
> *"My husband and both of my sons go out to earn a living and I take care of the household work. My elder son [aged 17] is a Naukar at 15,000 Rupees per year and the younger son at 10,000 rupees a year. My husband does casual labour. The children go to their malik (master) early in the morning and return in the evening. My elder son Vinod takes care of the cattle along with the farming work; and Lakshman only does the job of herding the cattle at their malik's residence. They don't let these children come home for lunch and feed them there itself so that they can save the time to extract more work from them."*

Typically, the landlord benefits from having a naukar not just because he can pay little for labour but because he can demand the labour as and when he requires it. In return, the naukar receives from the landlord or 'malik' (master), some sort of "food security". But the naukar receives a minimal amount of money, probably as a loan. Some villagers reported that the loans span more than twelve years.

In assessing the naukar phenomenon through the pilot, the data from the evaluation surveys do not reveal the full extent of debt bondage, which could be deemed a limitation. The reason is that questions on main and second main economic activity focused on the activity itself rather than the motivation for doing it.

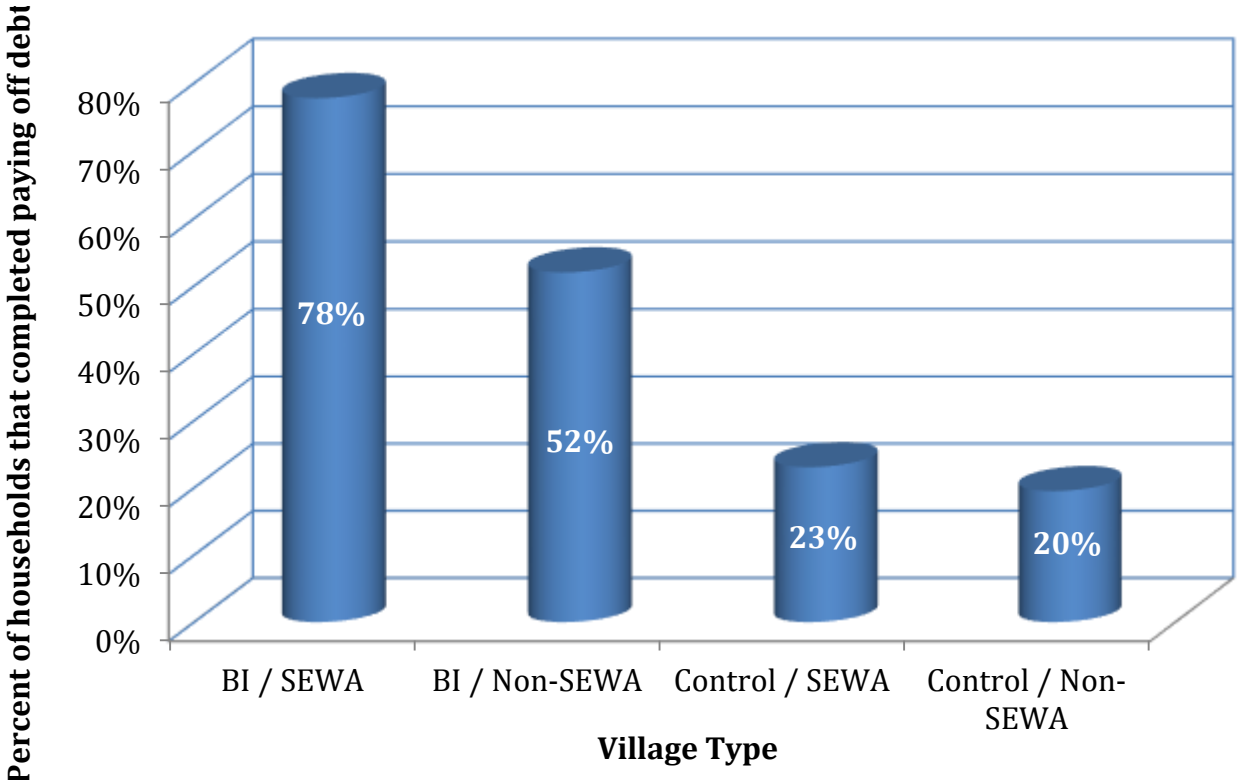
However, a question at the end of the section of the questionnaire on work and labour did ask whether any person in the household did labour to pay off debt. This showed that at the end of the pilot, fewer basic income households had someone doing that than control village households (Figure 9.4.1). And more households had people who had managed to complete or end such labour (Figure 9.4.2).

**Figure 9.4.1: Percent of households with someone labouring unpaid to pay off debt, by village type, in General Villages**




Source: MPUCT FES, 2012, n = 2029

**Figure 9.4.2: Households completing debt labour, by village type, in General Villages**




Source: MPUCT FES, 2012, n = 123

A relatively unappreciated aspect of the naukar system is that it lowers the income of the person placed in that person indirectly. The obligation to labour during the harvest season, for instance, limits the time and effort that can be devoted to their own production.

The loss of freedom has two negative effects on their income, one in that way, the other because someone locked into a labour relation in advance will almost invariably gain a lower "wage" than if they bargained with the landlord employer at the time. These are just two reasons for the emancipatory value of the basic income exceeding the monetary value.

## 9.5. Borrowing

Borrowing and *'being in debt'* are not quite the same. Many people have to borrow, or try to do so, because of a need to deal with emergencies. They then easily fall into chronic debt that weighs down their capacity to survive or rise out of income poverty. That form of debt we have just been considering. Many also go into debt as a result of a sudden financial crisis due to some shock or hazard, which will be considered later.

However, many households also borrow to try to increase their income or production, doing so more strategically than in the first, distress situations. This is because borrowing by the rich is primarily to expand; borrowing by the poor is to survive. The first stems from a desire to risk rationally; the second stems from dire necessity.

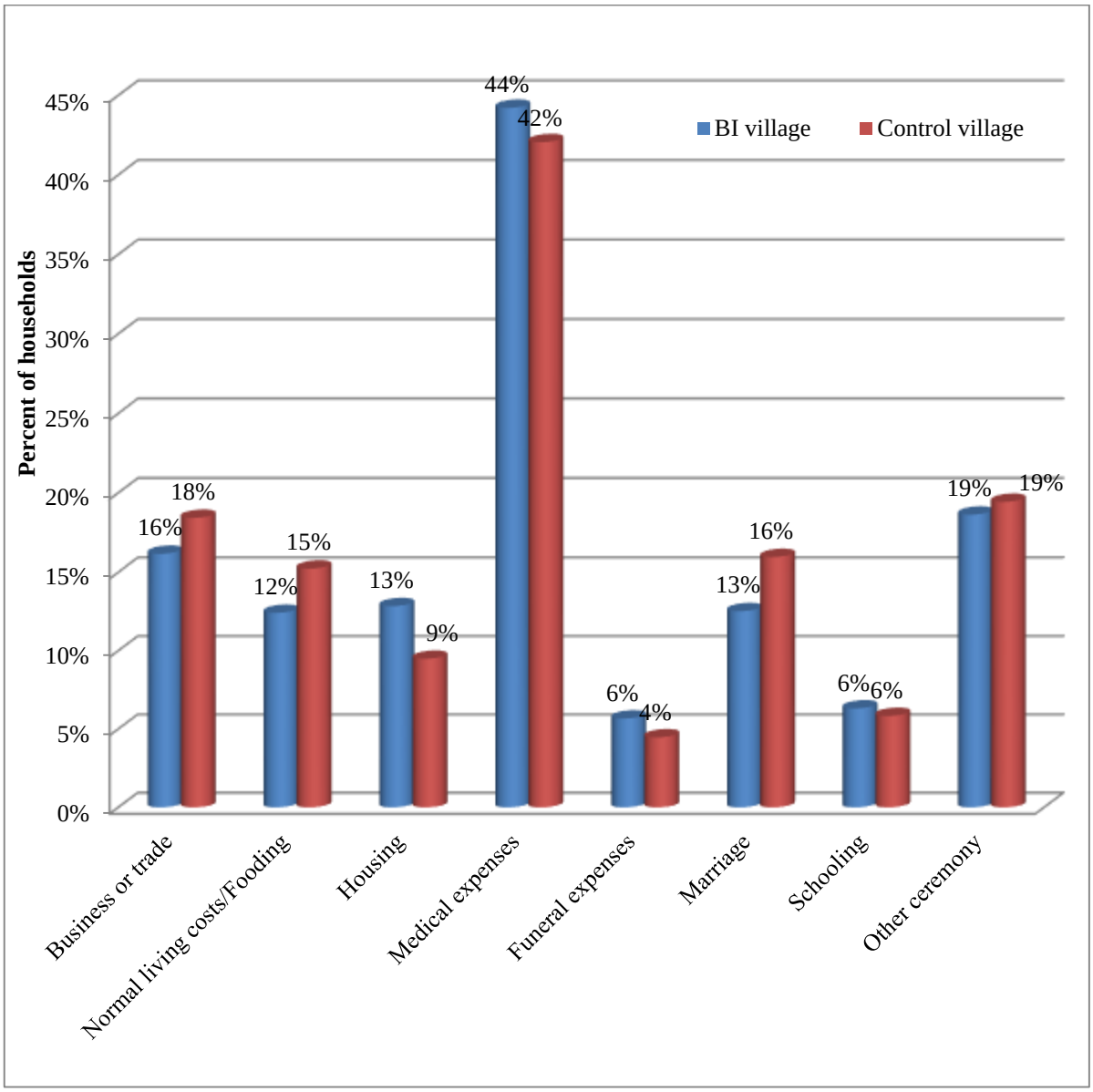
Let us briefly take note of what seems to have happened in this respect. The statistics from the FES on this are actually not very helpful, in that they show that there were no major differences in borrowing habits between basic income and control households in most respects.

The main relevant correlations that were statistically significant were borrowing for food – which was less common for basic income households, which corresponded to a number of stories given in the case studies – and borrowing for housing – which was more common among basic income households. The latter finding may also correspond to anecdotal evidence from case studies, in that several families reported having used their basic income to make house improvements and these may have needed additional money as well.

Another observation worth bearing in mind is that scheduled tribe households were the least likely to borrow for whatever purpose, just as for them debt was more likely to arise from simply trying to meet their daily needs.

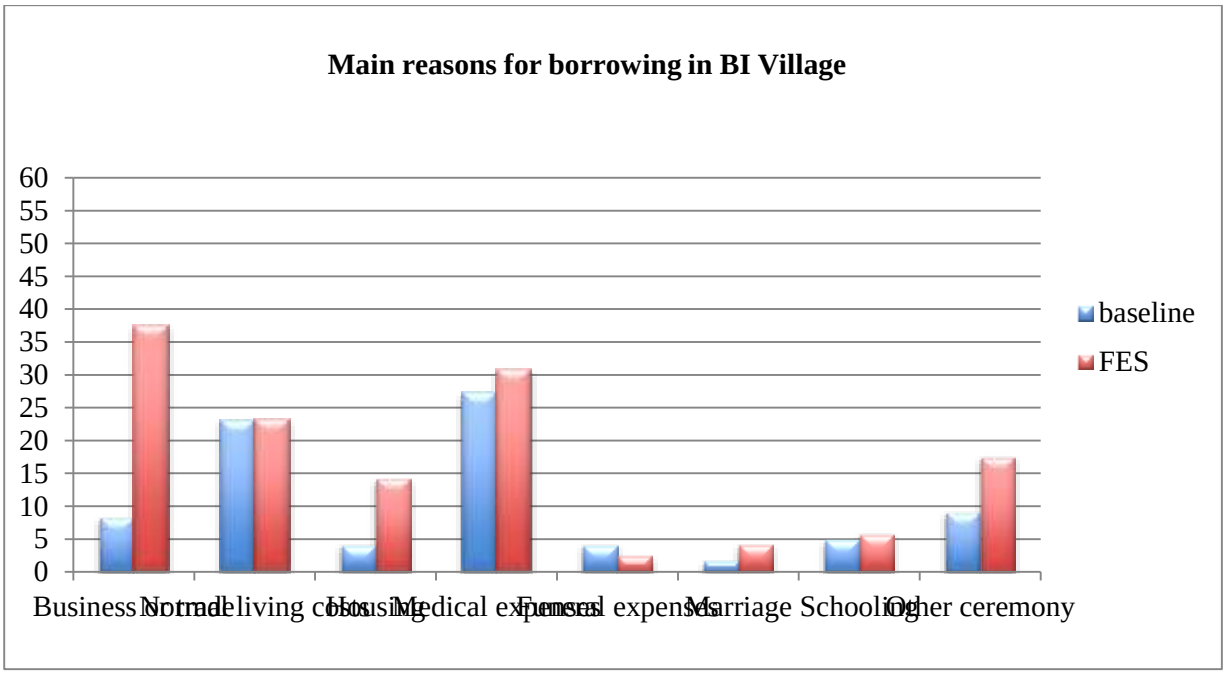
Beyond that, one can only speculate about what was happening. It is possible that basic income recipients borrowed for the various purposes specified but borrowed less for such purposes than others. Or they could have borrowed more because of their increased financial security.

**Figure 9.5.1: Percent of households borrowing money in the past six months, by main purpose of borrowing,**




Source: MPUCT FES, 2012, n = 2034

**Figure 9.5.2- Main reasons for borrowing in BI villages, in General Villages**




Source: MPUCT Baseline & FES n=241

In the tribal villages, the Baseline survey and the FES asked for the main reason for borrowing in order to see the shifts that the basic income transfers could have caused. Table 9.5.1 gives comparative figures for the control and BI villages.

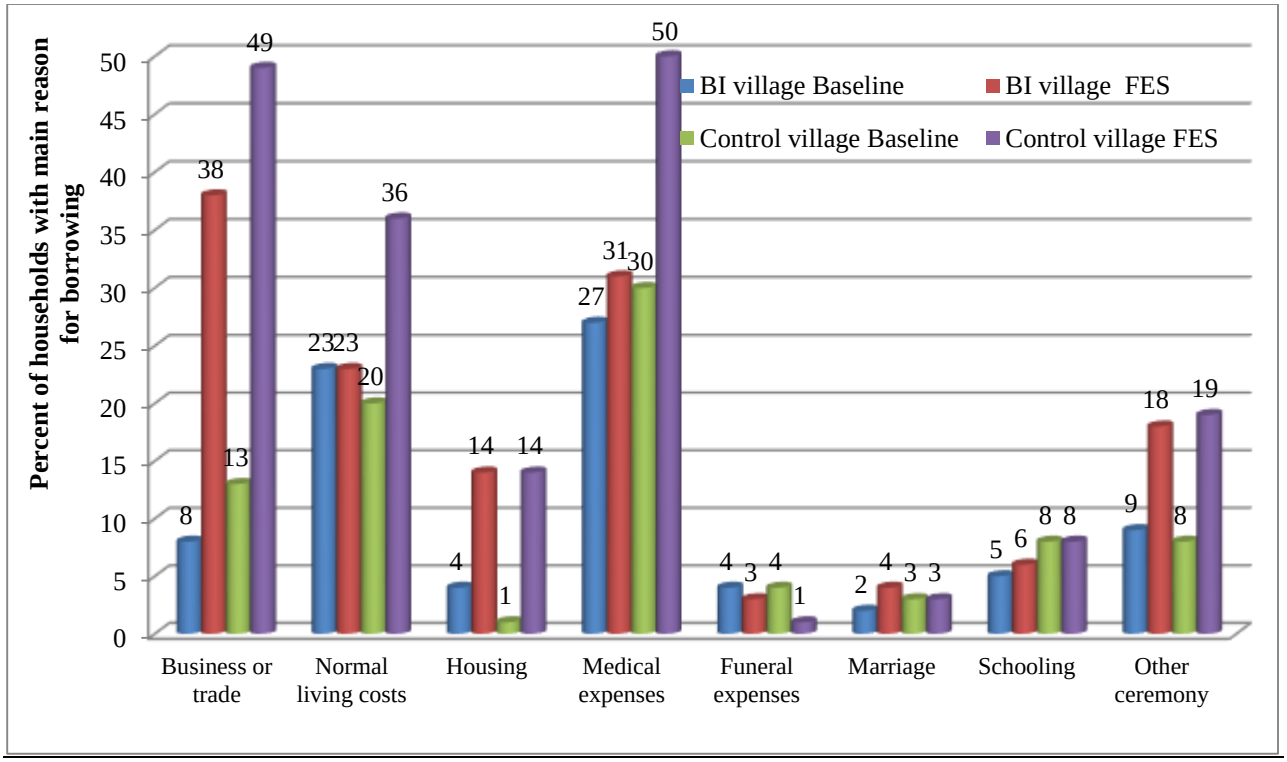
Comparing the borrowing by the difference-in-difference method, there was a significant reduction in borrowing for both normal living expenses and medical expenses among basic income recipients. In the control village, borrowing for living expenses increased from 20% of households to 36%. By contrast, in the basic-income village, the percent doing so remained at 23%. What declined among basic income recipients was classic distress borrowing.

For medical expenses, in the control village the share of households borrowing for that reason increased from 30% to 50%, while in the basic income village, it rose less, from 27% to 31%. In both villages, non-distress borrowing, that is, for business and housing, increased. In the control village, the share of households borrowing for business rose from 13% to 49%, while in the basic income village it went from 8% to 38%. For housing, it rose from 1% to 14% in the control village, and from 4% to 14% in the BI village. This could be money borrowed to supplement the meagre grant they received from the MP government's housing finance scheme.

**Table 9.5.1: Shift in Reasons for Borrowing, in General Villages**

| | Reasons for borrowing in BI Village | | Reasons for borrowing in control Village | |
|---|---|---|---|---|
| | Baseline (in percent) | FES (in percent) | Baseline (in percent) | FES (in percent) |
| Business or trade | 8 | 38 | 13 | 49 |
| Normal living costs | 23 | 23 | 20 | 36 |
| Housing | 4 | 14 | 1 | 14 |
| Medical expenses | 27 | 31 | 30 | 50 |
| Funeral expenses | 4 | 3 | 4 | 1 |
| Marriage | 2 | 4 | 3 | 3 |
| Schooling | 5 | 6 | 8 | 8 |
| Other ceremony | 9 | 18 | 8 | 19 |

**Figure 9.5.3: Tribal Villages: Shift in Reasons for Borrowing in Basic Income Village**




Source: MPUCT FES n=429

In both tribal villages, medical costs were a major reason for indebtedness. The amounts ranged enormously. When it comes to smaller amounts, tribal villagers borrow from neighbours and friends; for bigger amounts, they go to money lenders. Table 9.5.2 and Figure 9.5.3 show the comparative percentages of borrowing sources over the 12 months of the basic income pilot. The most noteworthy change was the reduction of the incidence of borrowing in the basic income village, in sharp contrast with the control village.

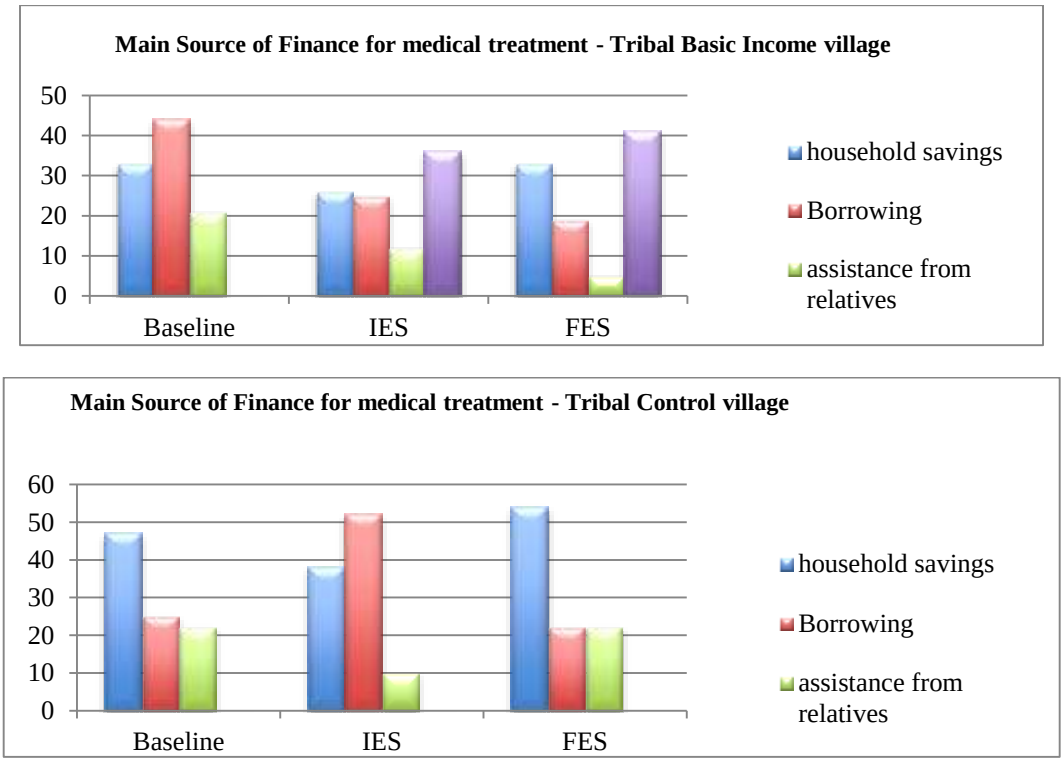
Borrowing here includes loans from employers as well as money lenders, with or without mortgaging assets. It fell from 44% to 25% to 19%. Borrowing from relatives also fell, which could be soft loans with or without interest. Along with this decline, a substantial rise in the number citing the basic income as the main source: from nothing to 36% in the interim survey to 41% in the FES. In the control village, there was a sharp rise of borrowing between baseline and the IES from 25% to 52%, but it returned to 25% in the FES. The share saying relatives as the main source remained about the same between the baseline and the FES.

While household savings remained stable in the control village, accounting for about one-third of all households, it rose from 38% to 54% between IES and FES. So it is clear that the basic income payments had reduced the stranglehold of debt.

**Table 9.5.2: Main source of financing for medical treatment, General Villages**

| Main source of financing for medical treatment, Control Villages | | | |
|---|---|---|---|
| | Baseline | IES | FES |
| Household savings | 47 | 38 | 54 |
| Borrowing | 25 | 52 | 22 |
| Assistance from relatives | 22 | 10 | 22 |
| Sale/mortgage of assets | 3 | 0 | 0 |
| Number | 36 | | 98 |
| Main source of financing for medical treatment, Basic Income Villages | | | |
| | Baseline | IES | FES |
| Household savings | 33 | 26 | 33 |
| Borrowing | 44 | 25 | 19 |
| Assistance from relatives | 21 | 12 | 5 |
| Basic income | n.a. | 36 | 41 |
| Number | 52 | | 115 |

**Figure 9.5.3: Tribal Villages: Main source of finance for medical treatment**



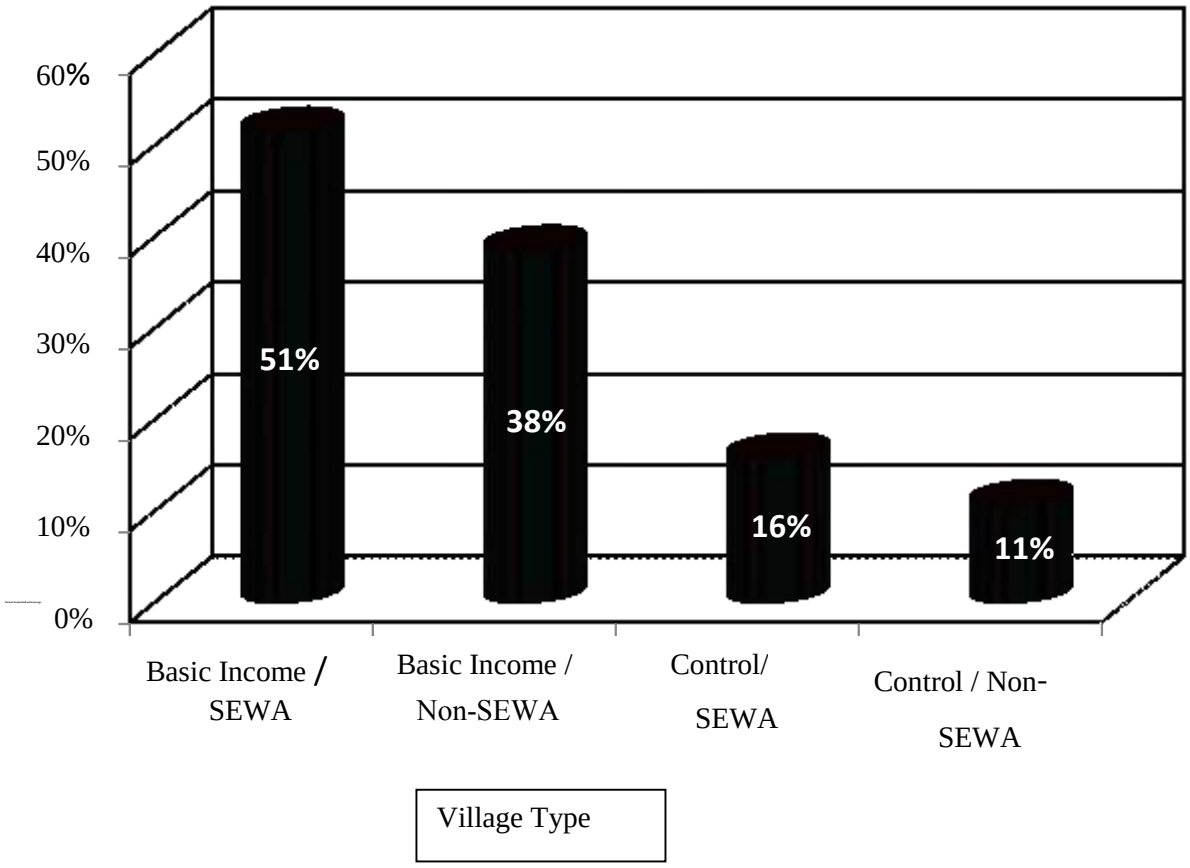

Source- TVFES, 2012, n=840

## 9.6. Savings and Basic Income

Since there is no comprehensive social security system in India, savings in some form is the most common means by which families try to provide themselves with social security against the vagaries of life. Of course, saving takes many forms; it can be cash saved at home, it can take the form of gold or silver, it can be money kept in a post office or bank or other institutional savings or it can be savings in the form of investment in land.

In the MP villages, even though debt was very widespread, quite a few households did manage to save some money. According to the IES, those who had received the basic income were much more likely to have done so (Figure 9.6.1). An interesting aspect of this finding is that there appeared to be a positive influence of both the basic income and membership of SEWA (Table 9.6.1), although we will see shortly that in this respect one should have reservations.

**Figure 9.6.1: Households making savings, by village type, General Villages**




Source: MPUCT IES, 2012, n = 885

**Table 9.6.1: Percent of basic income recipient households with savings in period, by whether in SEWA village, General Villages**

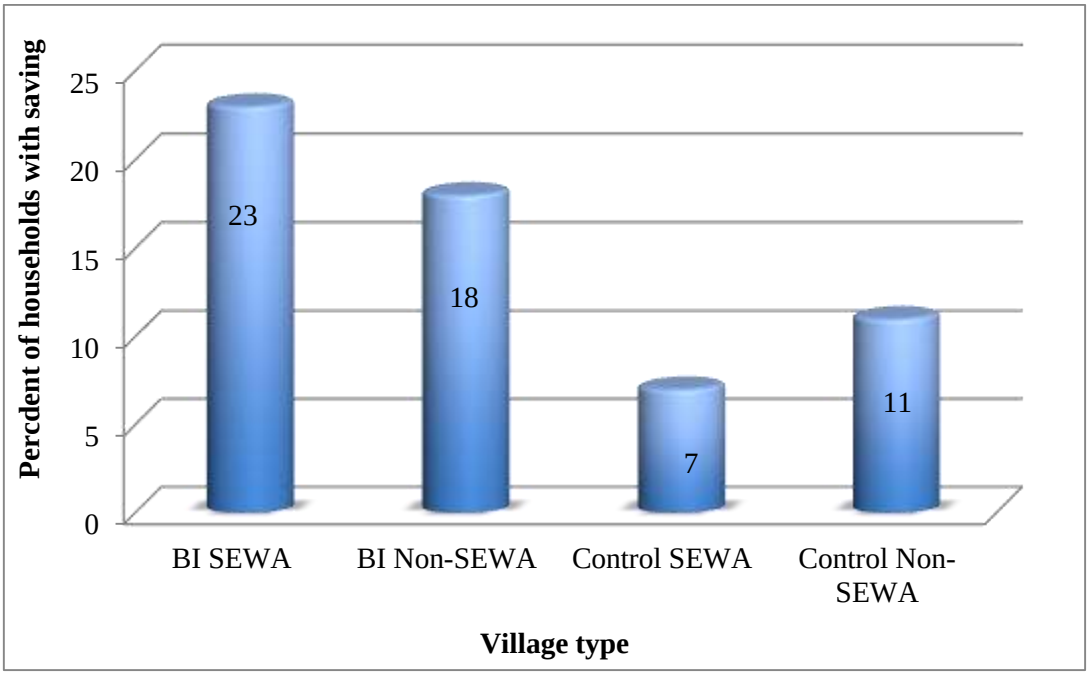
| | SEWA villages | | | |
|---|---|---|---|---|
| | Yes | No | Chi-square | |
| Households saving in period | 51.7% | 39.0% | 7.814 | *** |

Source: MPUCT IES, 2012, n = 482

Overall fewer households reported that they had made savings at the time of the FES (14.3%). Although households receiving the basic income had a significantly greater probability of making savings (Figure 9.6.2), there was no apparent effect from membership of SEWA (Table 9.6.2).

Savings were more common in households that owned or rented land (17.3% vs.10.0%). Respondents were asked if they had saved anything from their income in the past 12 months. Some 15.1% said yes, 18.7% of basic income transfer households and 12.1% of others.

**Figure 9.6.2: Percent of households making savings, by village type, General Villages**




Source: MPUCT FES, 2012, n = 2022

**Table 9.6.2: Percent of households making savings in past 12 months, by whether receiving Basic Income and by SEWA villages**

| | Yes | No | Chi-square | |
|---|---|---|---|---|
| Receiving basic income | 20.5% | 9.0% | 54.543 | *** |
| SEWA village | 14.8% | 13.8% | 0.392 | |

Source: MPUCT FES, 2012, n = 2022

One initial finding was that scheduled tribe and scheduled caste households were less likely to make any savings (7.8% for scheduled tribe households compared with 16.3% of general caste households). This was not surprising, in that they were more likely to be income poor. And low-educated households (defined as having nobody with complete secondary schooling) also seemed less likely than more educated to have saved (6.9% vs.16.2%), again presumably because they were relatively low-income families.

To make better sense of these correlations, we estimated a basic logit function, in which the dependent variable was the probability of making some saving (expressed as a binary, 1,0).

The function included the same set of control variables as for the functions on debt reduction presented earlier.

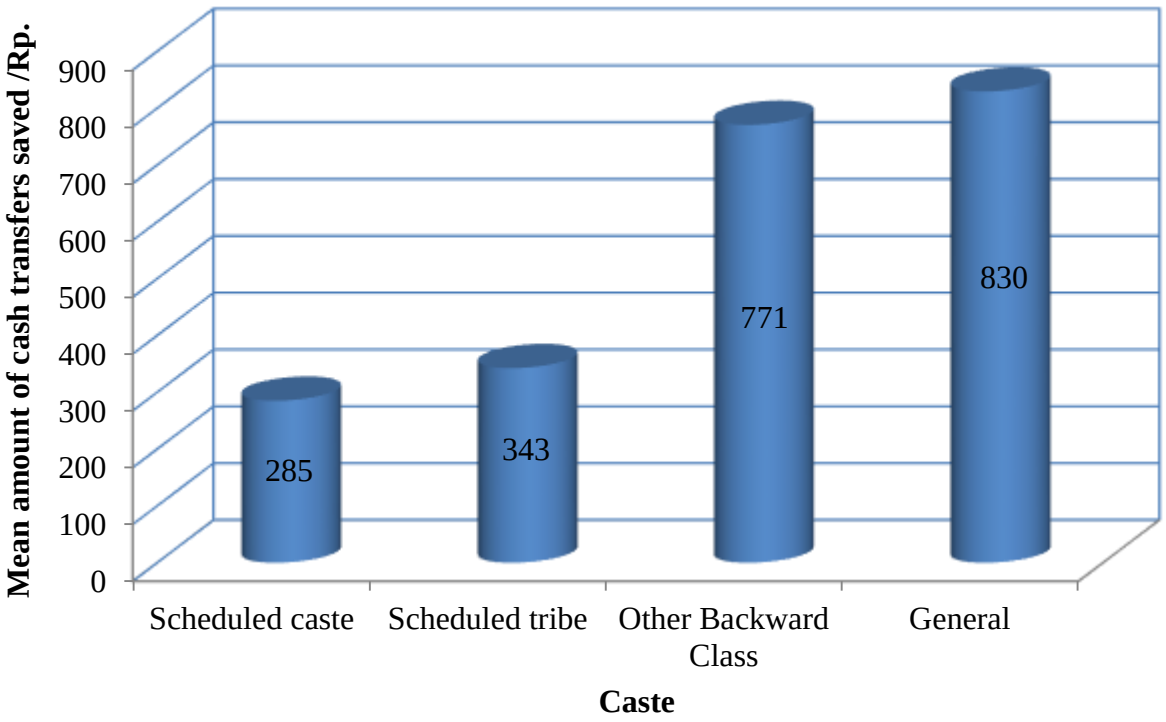
The results, given in Table 9.6.3, show that basic income households were significantly more likely to save, and that the other important factors were household size, caste and landholding.

**Table 9.6.3: Logit function: Probability of saving in past 12 months**

| | ALL | SC&ST | OBC+GEN |
|---|---|---|---|
| Constant | -3.5027*** | -5.0893*** | -2.4768*** |
| Disabled member | -0.2057 | -0.8843 | -0.0635 |
| Household head educated | 0.1632*** | 0.3248*** | 0.1021** |
| Female head | 0.2988 | 1.0915** | 0.0343 |
| child ratio | -0.1075 | -0.1958 | -0.0664 |
| Upper caste | 0.4649** | | |
| Household size | 0.0510** | 0.0316 | 0.0557** |
| Land owning | 0.3061* | 0.5830** | 0.2585* |
| SEWA | 0.0048 | 0.2173 | -0.0755 |
| Basic Income | 0.3863** | 0.5568** | 0.3494** |
| R2 | 0.05 | 0.09 | 0.02 |
| p | 0 | 0 | 0.0009 |
| N | 2000 | 722 | 1278 |

Source: MPUCT FES n=739

**Figure 9.6.3: Mean amount of basic income saved, by caste, in General Villages**



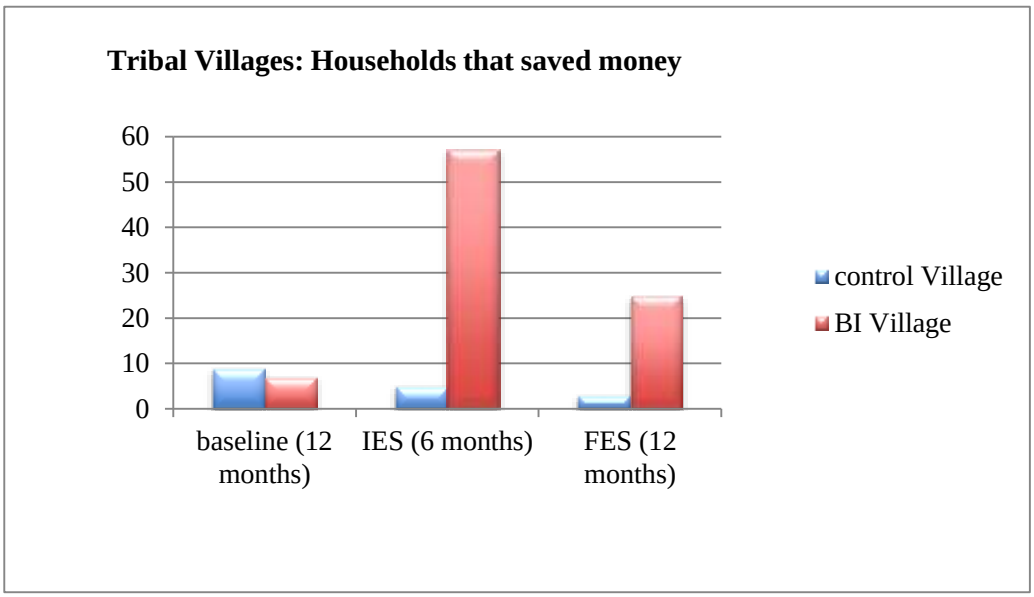

Source: MPUCT FES, 2012, n = 931

The evidence from the FES indicated that saving specifically from the basic income payments was higher in non-SEWA households (694 Rupees) than in SEWA households (586 Rupees). This may be due to the fact that it was easier for women to withdraw money from the SEWA Cooperative than from a bank outside the village.

The story emerging from the tribal villages is broadly similar to the pattern displayed in the 20 villages, although there are slight differences. Tribal families tend to have lower incomes and lower living standards. Most live a hand to mouth existence having to borrow even for their everyday needs.

Nevertheless, the basic income seems to have induced more tribal households to save. Figure 9.6.4 shows the stark contrast between the control village and the basic income village. The percentage of households that saved any money in the control village was 9% at the time of the baseline survey, 5% in the IES and 3% in the FES. In contrast, in the basic income village, the percentage was 7% initially and then rose sharply to 57%, before falling back to 25% (Figure 9.6.4). Whether or not there was a seasonal factor explaining the fall back, it is clear that at both the interim and final evaluation point, the saving propensity was much higher in the basic income village.

**Figure: 9.6.4- Tribal Villages: Households that saved money**




Source: TVUCT

## 9.7. Forms of Saving

The most common forms of savings in India are maintaining a stock of cash in 'the home' and purchasing gold or jewellery. One might anticipate that the basic income transfers would induce some households to shift from at least the former to saving in banks or cooperative saving, particularly as they were linked to banking.

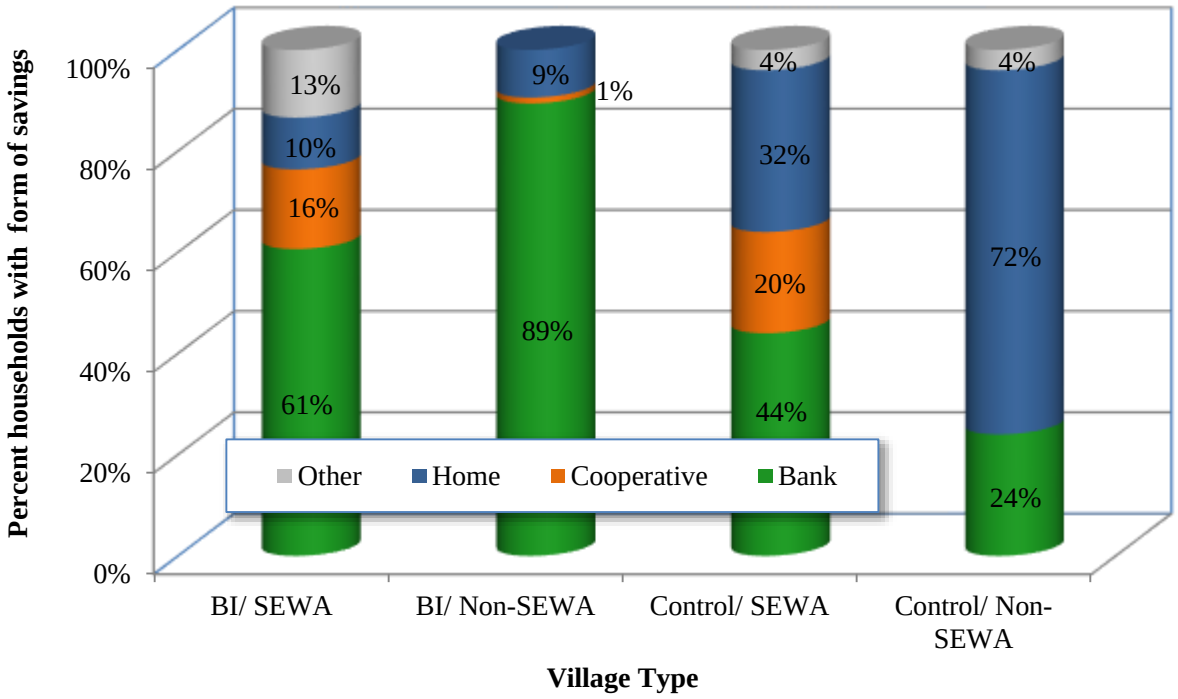
At the time of the IES, not surprisingly – given the requirement to open bank or cooperative accounts — BI recipients were much more likely to have saved in a bank than in their home, only 8.7% doing the latter compared with 41.4% of non-recipients. Figure 9.7.1 shows that the forms varied considerably by type of village.

In effect, the basic income transfers were contributing to a securitisation of saving, a benefit in terms of security if one accepts that savings in banks are more secure and so more valuable. The basic income transfers could be said to boost savings directly through providing more money and indirectly through inducing more financial inclusion or intermediation.

In the FES, we also asked about the form of saving from the cash transfers and what institutions were used for savings from any source. Overall, just over half (52%) of those who saved from the BI did so mainly in bank accounts, while 40% did so mainly in their homes (Figures 9.7.2 and 9.7.3). But according to the second broader question, among BI households who saved any money, 53.1% said they saved in a bank, compared to 30.3% of control village households who saved.

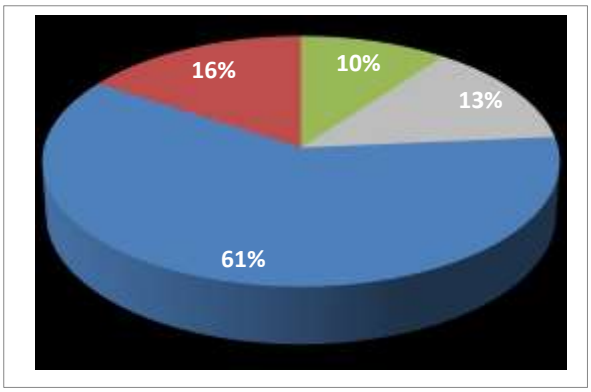
These results are not contradictory. The second question asked if households saved in any of the various possible institutions, whereas the question on saving from the basic income payments asked for the main place of saving. So, for instance, 14.9% of BI recipients said they saved some money in their homes, compared with 38.6% of those who saved among control households. This supports the evidence in chapter 3suggesting that the basic income transfers were encouraging financial securitisation.

**Figure 9.7.1: Percent of households with specified form of savings, by village type, General Villages**

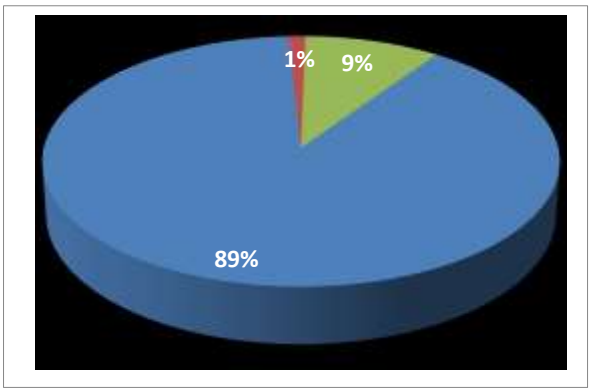



Source: MPUCT IES, 2012, n = 262

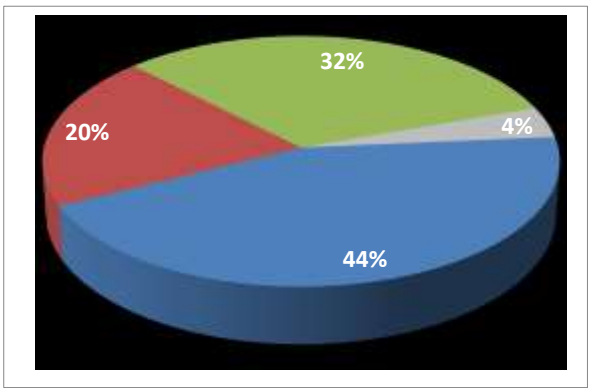
**Figure 9.7.2: Percent of households with specified form of savings, by village type, MPUCT IES, 2012**



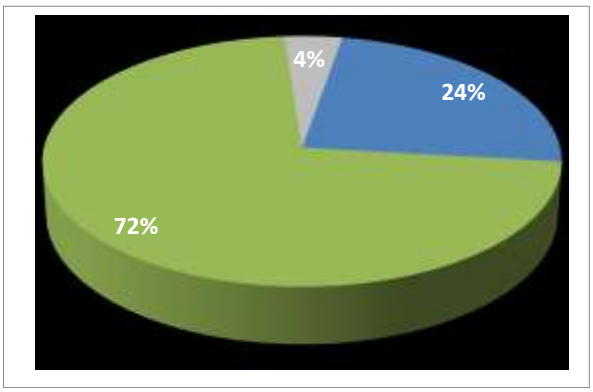

**BI / SEWA**




**BI / Non-SEWA**



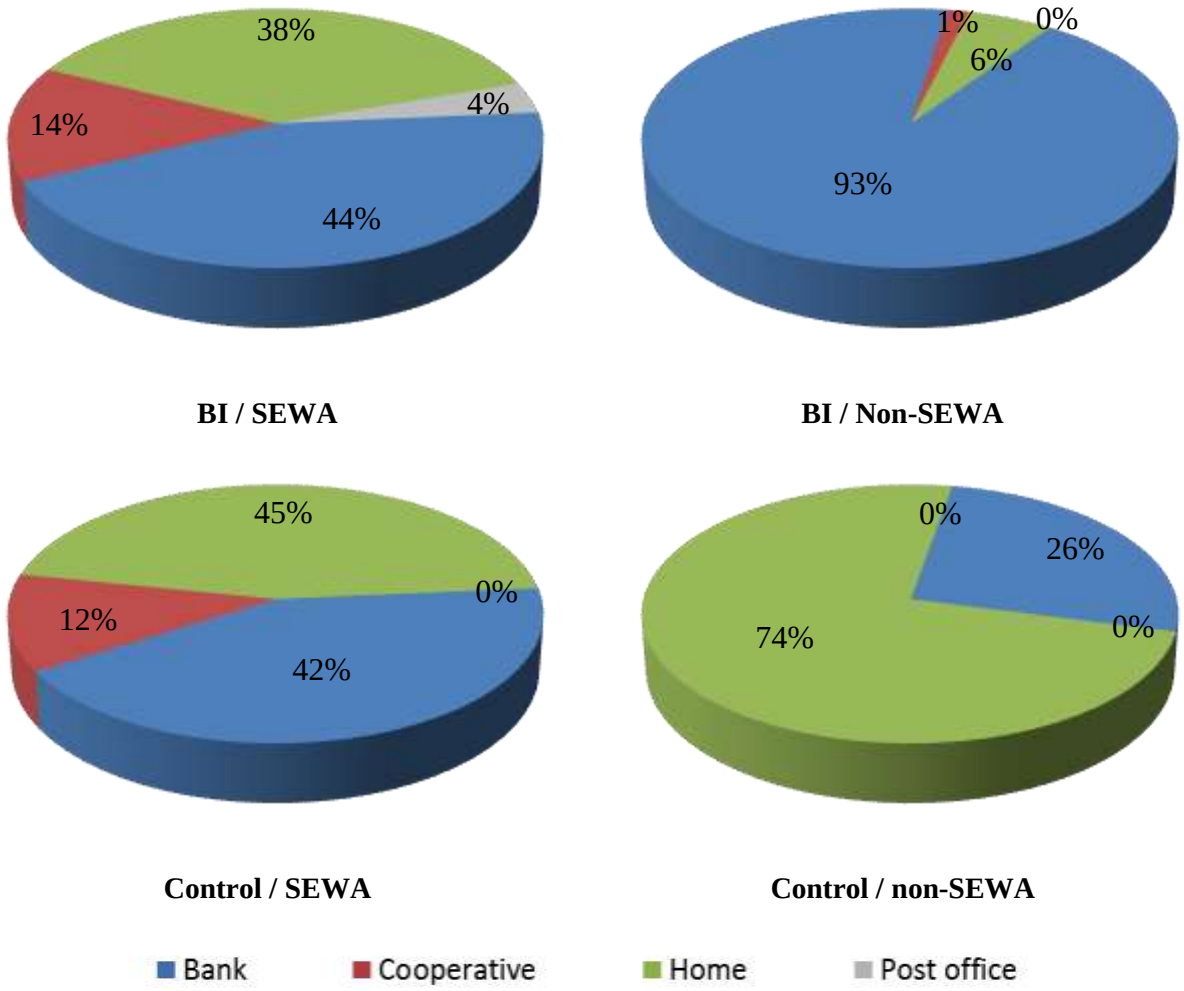

**non-BI / SEWA**




**non-BI / non-SEWA**

Source: MPUCT IES, 2012, n = 262

**Figure 9.7.3: Percent of households with specified form of savings, by village type, in General Villages**




Source: MPUCT FES, 2012, n = 267

Now consider what happened in the tribal villages. An important objective of the drive for financial inclusion is to bring individuals into the financial system in which they can save and borrow more effectively. As noted in chapter 3, most low-income families, when they save at all, save cash at home.

Since the tribal families were not required to open bank accounts in order to receive the basic income transfers very few saved in a bank. However, as the SEWA Co-operative was active in the village, most of the institutional saving that was done was in the Co-operative, with 74% of households saving in the Co-op and 23% at home (Table 9.7.1).

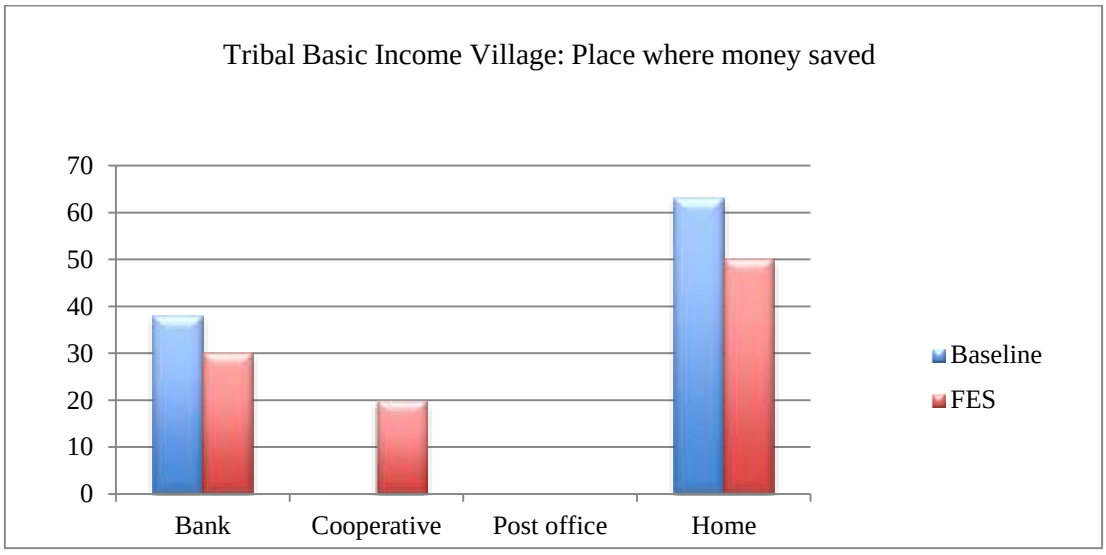
**Table 9.7.1: Tribal Village: Main Place of Saving**

| Where money saved | Male | | Female | | Total | |
|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % |
| Bank | 1 | 1.5 | 1 | 1.7 | 2 | 1.6 |
| Cooperative | 46 | 70.8 | 48 | 80.0 | 94 | 75.2 |
| Post office | 1 | 1.5 | 0 | 0.0 | 1 | 0.8 |
| Home | 17 | 26.2 | 11 | 18.3 | 28 | 22.4 |

Source: TV-IES n=126

During the course of the pilot, there was an interesting development in the savings behaviour in the BI village. In the baseline survey, 38% of households that saved money reported that they saved in a bank and 63% did so at home. By the time of the FES, only 30% saved in the bank, 20% saved in the cooperative and only 50% saved at home (Figure 9.7.4). This shift towards institutional forms of saving was almost certainly due to the active role taken by the SEWA Cooperative in the BI village.

**Figure 9.7.4: Tribal Basic Income Village: Place where money saved**




Source: MPUCT FES, n=38

## 9.8. Intended Use of Savings

In the FES, all households were asked about their plans to use any savings they had. The main response was “keep for security” (59.9%), followed by “nothing in particular” (29.9%). With 4.8% saying ‘don’t know’, we can see that overwhelmingly the primary rationale was to give

themselves some liquidity in case of need. Most commonly, the main reason for saving was for possible illness or medical treatment. A typical situation was that of Radhabai, a Bhil caste member, aged 30, who was mainly a wage labourer. He put it as follows:

> *"Having spent the first few cash transfers on clothes and an ox, the family started to save from them in order to cover for possible illnesses, after several bouts of sickness."*

Of course, retaining liquidity is an important function. Liquidity is essential in circumstances characterized by chronic *uncertainty*, where at any time some unforeseen need will arise. Without ready money, households can easily fall into the hands of unscrupulous moneylenders, which is perhaps why several of that type were reported to have been unhappy about the cash transfer pilot schemes. That should be regarded as good news.

It is possible that rural households more than others see different sources of income in different ways. Some forms of income may be regarded as the source for covering daily, weekly and monthly needs. By contrast, something like a basic income payment may be regarded as essentially a potential source of security, or at least more so. This could apply even though all money as such is fungible. Any enhancement of liquidity represents enhancement of security.

In the tribal villages, all households that saved money were asked the main reason for saving. The main responses were that they saved for security and for investing in income-generating activities (Table 9.8.1). Some reported they had no specific reason in mind, which can also be interpreted as for security. Medical emergencies are what people usually fear, and part of what they called 'security' probably refers to this.

In the IES, 62% reported they were saving for security, 3% for purchasing animals, and 28% for 'no specific reason'. In FES, 47% reported they kept savings for security. Those who saved for purchasing animals or fertilizers rose to 13%. This may reflect the upward swing in the BI village economy in increased cultivation of own farms and increase of livestock population because of new purchases made by several households.

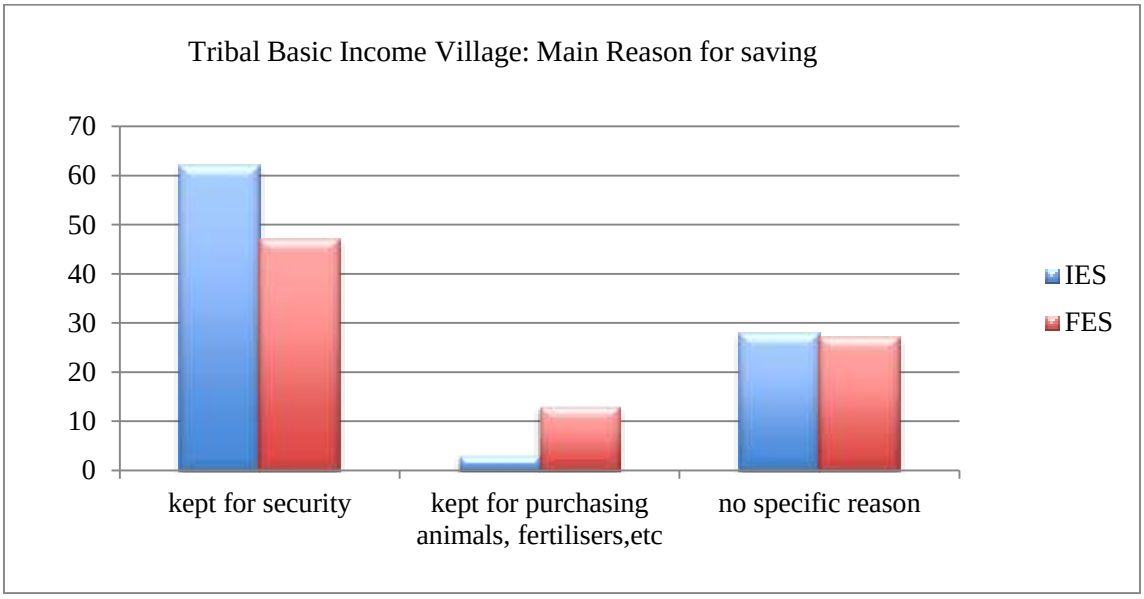
**Table 9.8.1: Tribal Basic Income Village: Main Reason for Saving**

| Main Reason for Saving | IES | FES |
|---|---|---|
| For security | 62 | 47 |
| For purchasing animals, fertiliser, etc | 3 | 13 |

| | | |
|---|---|---|
| No specific reason | 28 | 27 |
| Number who saved | 125 | 30 |

Source: TV-IES, n-155

**Figure 9.8.1: Tribal Basic Income Village: Main Reason for saving**



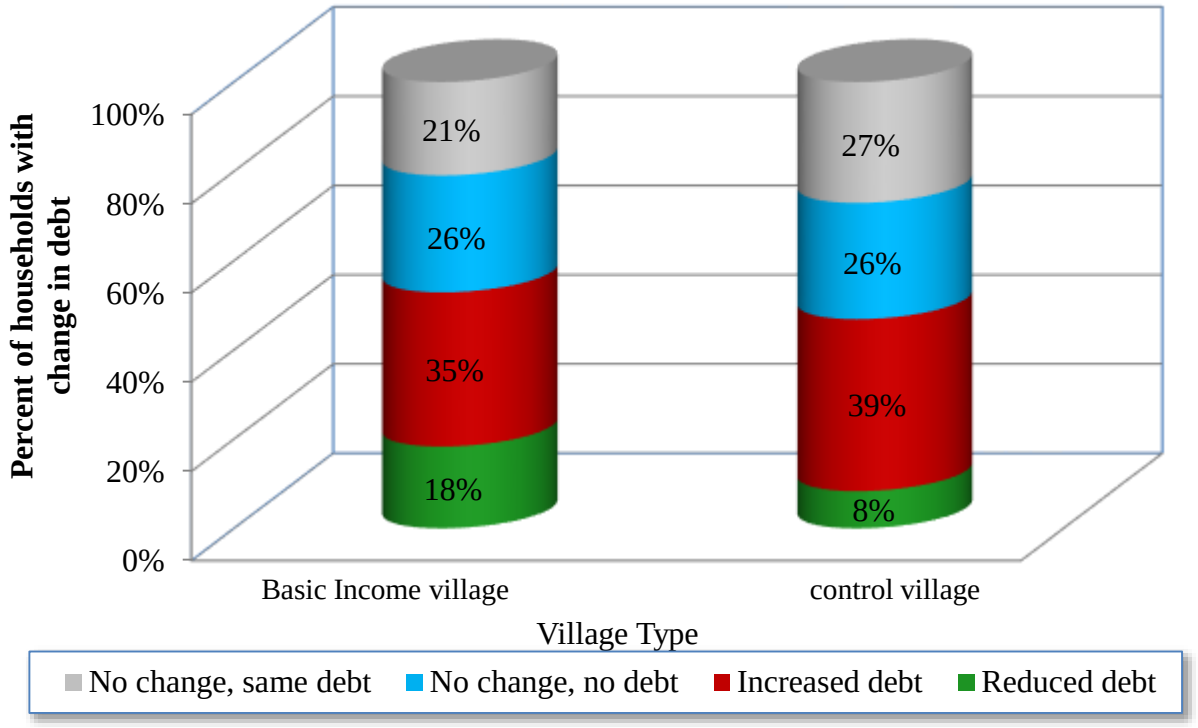

Source: TV-IES, n=155

## 9.9. The Odd Couple: Debt and Saving

Some observers might presume that if a household had substantial debt it would use any cash inflow to reduce the debt. In fact, the calculations made by households are more complex. Families want liquidity, especially to use for unanticipated demands, such as an illness when they need to pay for a visit to the doctor or to buy medicine. Liquidity is vital. But there are strong incentives to reduce debt as well, since most are paying very high rates of interest on outstanding loans.

The result is that families try to do both. In the general villages, according to the FES, 69% of those households that had made savings in the past 12 months also reported that they had substantial debts unpaid. And of those households with debt, 13% also reported making savings, compared with 18.1% of those households that had no debts. Although that difference was statistically significant, the pattern does indicate how debts and savings coincide (Figure 9.9.1).

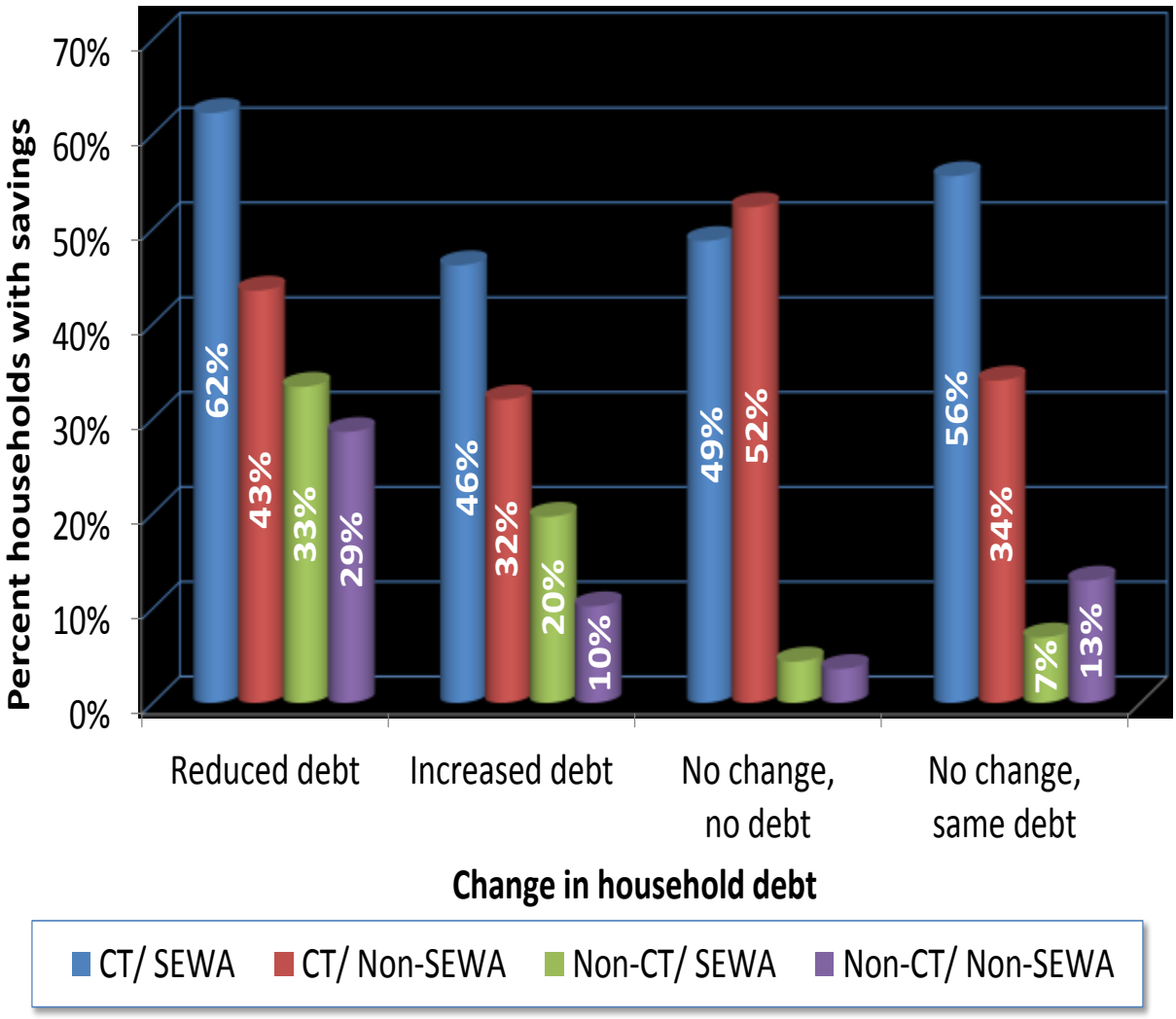
**Figure 9.9.1: Percent of households saving in past 12 months with change in household debt, by basic income receipt**




Source: MPUCT FES, 2012, n = 287

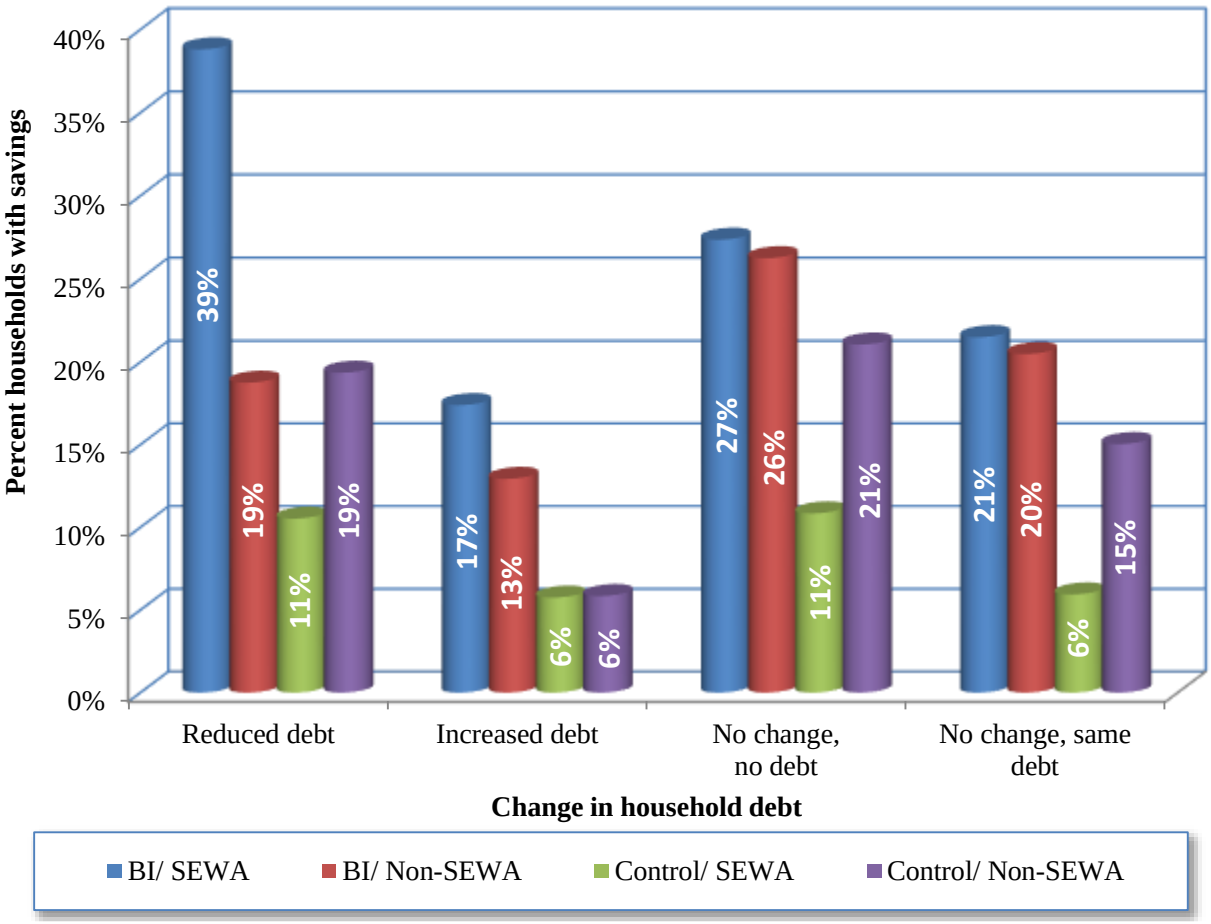
What was more immediately relevant is that those households that had debt had a significantly higher propensity to save if they had been receiving the basic income (19% vs.11%). Although the percentages differ somewhat, the result was similar in the IES and FES (Figures 9.9.2 and 9.9.3). These further testify to the independent effect of basic income on savings behaviour.

**Figure 9.9.2: Percent of households with savings, by change in household debt and village type, MPUCT IES, 2012**




Source: MPUCT IES, 2012, n = 864

**Figure 9.9.3: Percent of households with savings, by change in household debt and village type, in General Villages**




Source: MPUCT FES, 2012, n = 565

## 9.10. Hazards and Shocks: Do Basic Income Transfers Help?

So far we have been considering the existence of debt as a fixed situation and the process of debt reduction and saving. But the really critical aspect is the event of incurring a financial crisis.

Almost all households in rural India experience socio-economic *shocks* – sudden events that threaten them financially and materially – and what we should call *hazards* – events, perhaps desirable in themselves, that come up from time to time that are usually sources of financial stress. The latter include weddings, births and deaths. Some can be quite minor, some very much major.[142]

[142] There are strong grounds for claiming that more measures should be taken to reduce the obligatory costs imposed on low-income households by 'hazards'. This is something that has preoccupied the Madhya Pradesh government, with its financial support for group weddings, for instance, under Mukhya Mantri Kanyadaan Yojana. Official estimates claim that nearly Rs.100 crores was disbursed to 150,000 girls for their wedding expenses by

We have done a rough division of shocks and life-cycle hazards in the following box. A key point is that often a "hazard" is something that is normally welcomed, whereas a shock is an event that is not, however much it might be anticipated.

**Box 9.10.1: Classification of causes of financial crises: Shocks and Life-cycle Hazards**

| **Shocks** | **Life Cycle Hazard** |
|---|---|
| Death of child | Birth of child |
| Medical costs | Marriage costs |
| Crop failure | Funeral costs and all related ceremonies and feast |
| Rising price of goods needed for trade, business or farming | Repayment of loans/debt |
| Loss of job | Children's schooling |
| Death of income earner | |
| Loss of income due to lack of demand for products | |
| Loss of work due to household illness or injury | |
| Natural disaster (flood, draught, etc.) | |
| Ejection or threatened ejection from house | |
| Child stopping work for family | |

There is a module of questions in the FES on shocks and financial crises experienced by households. Such shocks or hazards may be random, or at least be due to events that have nothing to do with the basic income. But the probability of them leading to a financial crisis may be lessened or even avoided if households have the funds or the promise of them to deal with them.

The first key question was whether or not there has been a financial crisis in the past 12 months. In the 20 non-tribal villages, the data from the FES show that 48.2% of all households had experienced at least one major financial crisis in the past 12 months during the pilot.

In this regard, there was no apparent difference by whether or not they had received the basic income transfers (48.1% for basic-income households, 48.3% in control households), as is shown in the logit function results in Table 9.10.1. Although a financial crisis was clearly more likely in households with disabled people in them and if there are more children, in most respects crises per se are quite random. It is how people can cope and recover from them that are so crucial.

MP government between 2006 and 2011. It is also an issue that has been taken up by SEWA, locally and nationally.

**Table 9.10.1: Logit function: Probability of experiencing a financial crisis**

| Logit function: Probability of experiencing a financial crisis | ALL | SC&ST | OBC+GEN |
|---|---|---|---|
| Disabled member | 0.4983** | -0.0268 | 0.8835*** |
| Household head educated | -0.0617** | -0.1202*** | -0.0289 |
| Female headed household | -0.1101 | -0.1126 | -0.1048 |
| Child ratio | -0.2377** | -0.2506* | -0.2294* |
| Upper caste | -0.0715 | NA | NA |
| Household size | 0.0707*** | 0.0972** | 0.0579** |
| Land ownership | 0.0492 | -0.2641 | 0.1769 |
| SEWA | -0.0031 | 0.22 | -0.1304 |
| Basic Income | -0.0371 | -0.0555 | -0.0285 |
| Constant | 0.0294 | 0.0731 | -0.1089 |
| R2 | 0.01 | 0.02 | 0.02 |
| P | 0.0001 | 0.0018 | 0.0005 |
| N | 1981 | 719 | 1262 |

It was not just the evaluation survey data that informed us about household crises. Many case studies revealed how most families experienced one or more financial crises. Take the situation of Ramkanya, a 40-year-old woman, from a scheduled caste, with a small plot of land, having to support a mentally disabled husband and their three adolescent children:

> *"From my cash transfer account, I took out 1,000 Rupees in bulk when suddenly in one week there were two weddings in my husband's family….Also, when the ration shop suddenly provided rations for six months, I had to purchase one quintal and 16kg of wheat, five litres of kerosene and seven kilos of rice at one go. I had to pay 560 Rupees. I used the cash transfer money for that."*

These are instances where, without the basic income money, the options would have been to incur a debt or to do without.

**Shocks and hazards, help from Basic Income**

*Ramesh, aged 45, labourer and farming:*

*"I had sowed a garden of papaya in one bigha of my land during the Holi season (March). The government had provided these plants, fertilizers and pesticides for the cultivation of papaya. Other than that we were given 2-3,000 Rupees for the labour on the papaya field through the 'job card'. We suffered a loss of two crops by sowing papaya- wheat and soya. We get 2 sacks of soybean from this land which is sold for 6,000 Rupees; and 5 sacks of wheat, all of which amounts to 11-12,000 Rupees of loss. Other that this, I had planted chilly among the papaya plants. But it didn't grow because of shade. About 2,000 Rupees were spent in its removal that went from my own pocket. The chilly had been completely spoilt……*

*…..One Seth had come from outside to buy our papaya. He negotiated a price of 3-4 Rupees per kilogram. He also has not returned till now; because the market price for papaya is very less this year. We did a lot of hard work for this crop, but we have suffered a lot of loss due to the low market price. I will never grow papaya again……*

*…..The bank people had come some time back and they were asking for the money. They told us that if we didn't pay back the money, then they would have our land auctioned.*

*The loan that we took from the milk-Seth; we repay it by making mawa (condensed milk). He buys mawa from us at a rate of 150 Rupees per kg. We make 1 kg mawa in a day. The person who goes to Mahu to deliver mawa to the Seth takes 300 Rupees per month. Other than this we also have to buy two sacks of Khali to feed the buffalo. That costs us 2000 Rupees. We keep for ourselves only so much milk as to make tea; and make mawa with the rest of it all and give to the Seth. If still we are unable to repay the debt, then we borrow from here and there to repay the milk Seth's debt.*

*We bought a goat worth 3,000 Rupees with the basic income money; and spent some of the money on children's education. We used 2-3,000 from the basic income money for the buffalo that we bought.*

*This year I have suffered a lot of damage due to the papaya crop; and also have to marry off my three children; one daughter and two sons. For this, we shall have to give 30,000 Rupees to the bride's side. And we'll have to make some money for our daughter. There will be other expenses which may go up to 1 lakh Rupees. I will have to borrow money on interest from some Seth or Sahukaar (money-lender). This year the crop is also not flourishing because of the pond-water being cold. There is also a tradition in our community of giving seven kitchen utensils for the daughter's wedding.*

*After the distribution of this money (basic income transfers), the villagers have started to give 100 Rupees from each house to the family in which there is a marriage. A total of 10,000 Rupees get collected from the whole village like that. This money is enough to pay off the food expenses in the marriage at least. This is a support from the villagers."*

*Source- MPUCT Cases studies,2012*

Clearly, the probability of experiencing a crisis was quite random, or at least not affected by the basic income. However, a crisis associated with a shock rather than a hazard was slightly more likely in basic income villages (62.1%vs.58.2%of the total being attributed to a shock), whereas it was less likely to be associated with a hazard (37.9% vs.41.8%). This suggests that the extra money enabled the households to plan for hazards to a greater extent.

The main shock-related crisis was ill-health, with medical costs accounting for 61.7% of them in the basic income villages compared with over two-thirds (67.4%) of shock-related crises in control villages (Figure 9.10.1). In both cases, crop failure was the second most common.

**Figure 9.10.1: Households with shock as main cause of financial crisis in past 12months, by type of shock, by receipt of basic income, in General Villages**

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Source: MPUCT-FES, 2012, n=587

However, regardless of whether it was a shock or a hazard, it is how people cope with them and recover from them that are crucial. In this regard, all households that had experienced a crisis were asked what had been the main and the second main source of financial support during the most serious crisis in the period.

**Shock- Death of Husband**

*Chanda Ben, Jagmal Pipalya, aged 45, labourer, Balai (SC) caste:*

*"My husband was sick for a long time; nearly two years. He passed away very recently. He had acquired this disease where his whole body had swollen up. We got him admitted to the private hospital at the Bengali Chowraha in Indore. He was there for 15 days post which we were not able to afford further treatment. Finally we managed to borrow some 40-50,000 Rupees from relatives.*

*After having spent that on treatment we had to admit him to the M.Y. government hospital in Indore. He stayed there for a month but no improvement was shown from the treatment.*

*We had no money to get him admitted to a private hospital. His condition kept on deteriorating and within a month of treatment he expired. After that all responsibility of the household came over me. Earlier he used to earn about 24,000 Rupees per year by working as domestic help in some household. After his demise, I and my son Narendra increased our hours of labour but my other son is a little mentally challenged so he is not able to do much labour. He is easily exploited by employers. My three children are studying and we have to bear the expenditure for their education….*

*…..We borrowed money for my husband's treatment. And my husband had also borrowed money for our daughter's wedding. After that we have also borrowed small amounts, and today I have on me a debt of one lakh rupees. I do not know about the rate of interest. Right now our financial situation is very bad. I do not know how I am going to repay my debt.*

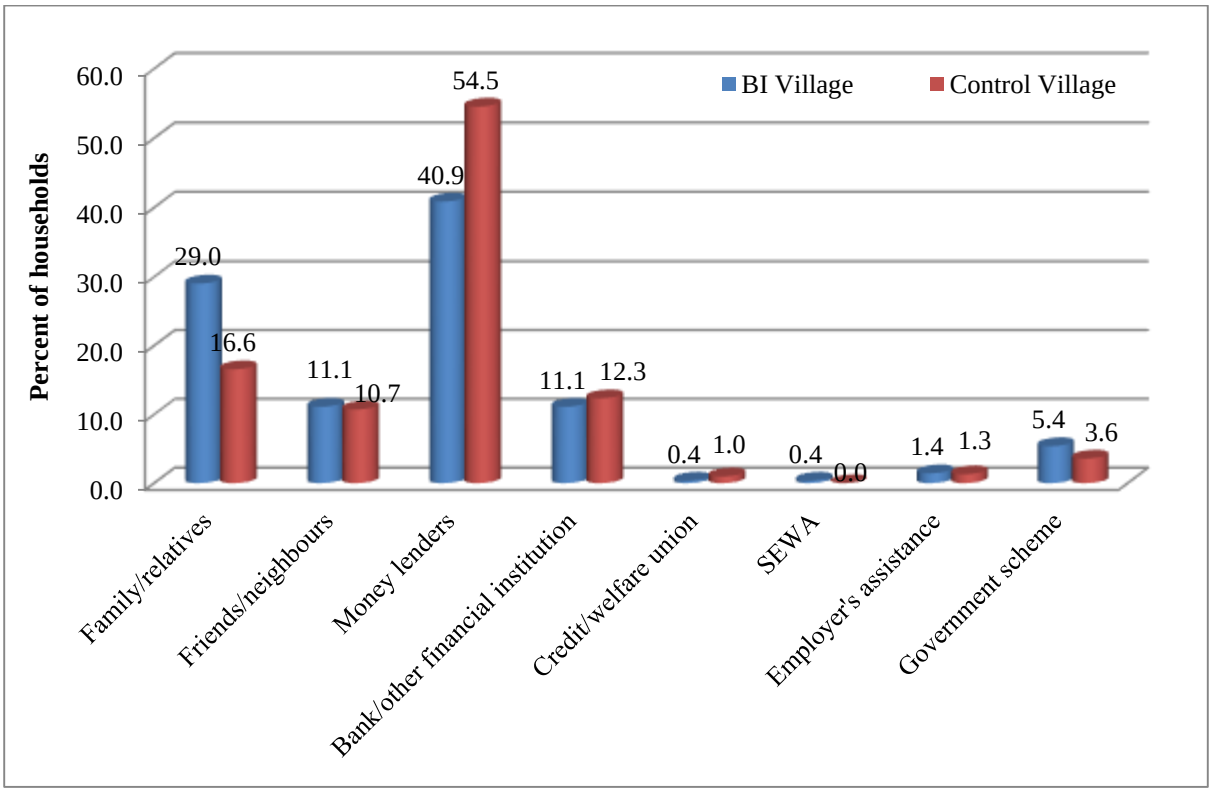
*….The Basic Income transfer money is spent on the food items only. The intake of food has increased a little ever since we started receiving the cash transfers. We have been able to bring the provisions on time. We get basic income money for 5 members in my family. Since my son is mentally challenged, his money is also credited to my account. This money has helped us a lot. If not for this we would have had to send our children for labour work. But because of this money we were able to send them to school. We are happy with SEWA's work. But it would be good if the money increases a little bit as we are in a very difficult situation."*

*Source- MPUCT case studies*

Another issue is whether or not the household had to borrow in response to the main crisis. No less than 92.1% reported that they did borrow, suggesting that this might be how they defined crises. Again, there did not seem to be any difference between basic income households and control households.

However, the key dimension is the type of lender. In theory, the universal character of a basic income means that in times of individual crisis, informal collaboration could rescue families. But money lenders prey on such moments. As it happens, as Figure 9.10.2 indicates, the basic income did seem to enable shock-hit households to keep some of them at bay.

**Figure 9.10.2: Main source of finance during shocks in past 12 months in General Villages**




Source: MPUCT-FES, 2012, n=587

The figure shows that during the most serious shocks, dependence on money-lenders is highest followed by relatives and then friends and neighbours. However, when comparing the basic income villages with the control villages, we see that the latter were more dependent on money lenders (54.5% vs 40.9%). In the BI villages, reliance on relatives was much greater. This points to an important impact of basic income: *It enables people to shift away from harsher forms of borrowings to more benign forms.*

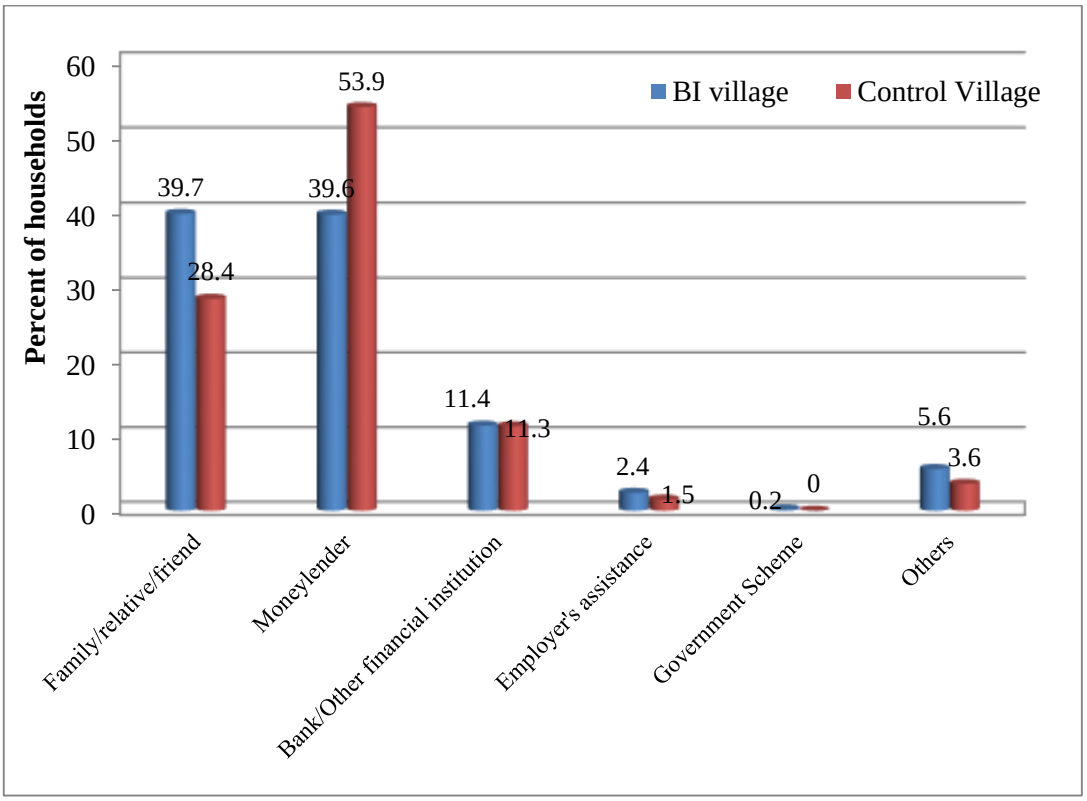
Again, we ran the logit function to see whether or not the basic income lowered the probability of a household hit by a financial crisis going to a moneylender. As can be seen from Table 9.10.2, the basic income was associated with a significantly lower probability of resort to a moneylender, which testifies to the hypothesis that the full value of the basic income is greater than its monetary value, because implicit in this finding is the claim that it lowers the cost of crises, presumably because families can draw on the support of kin and neighbours, whether formally pooling money or providing it as and when needed.

**Table 9.10.2: Logit function: Probability of going to a money lender in most serious financial crisis**

| Logit function: Probability of going to a money lender in most serious financial crisis | ALL | SC&ST | OBC+GEN |
|---|---|---|---|
| Disabled member | -0.2917 | -0.037 | -0.4186 |
| Household head educated | -0.0814** | -0.1359** | -0.0476 |
| Female headed household | -0.8564*** | -1.0724** | -0.7162** |
| Child ratio | 0.1181 | -0.0192 | 0.2117 |
| Upper caste | -0.2271 | | |
| Household size | -0.0263 | 0.0109 | -0.0437 |
| Land owner | -0.3012** | -0.6562** | -0.1813 |
| SEWA | 0.3251** | 0.3613 | 0.2951* |
| Basic Income | -0.513*** | -0.5092** | -0.5124** |
| Constant | 1.5332*** | 1.8345** | 1.0623** |
| R2 | 0.04 | 0.05 | 0.03 |
| P | 0 | 0.0015 | 0.0011 |
| N | 965 | 353 | 612 |

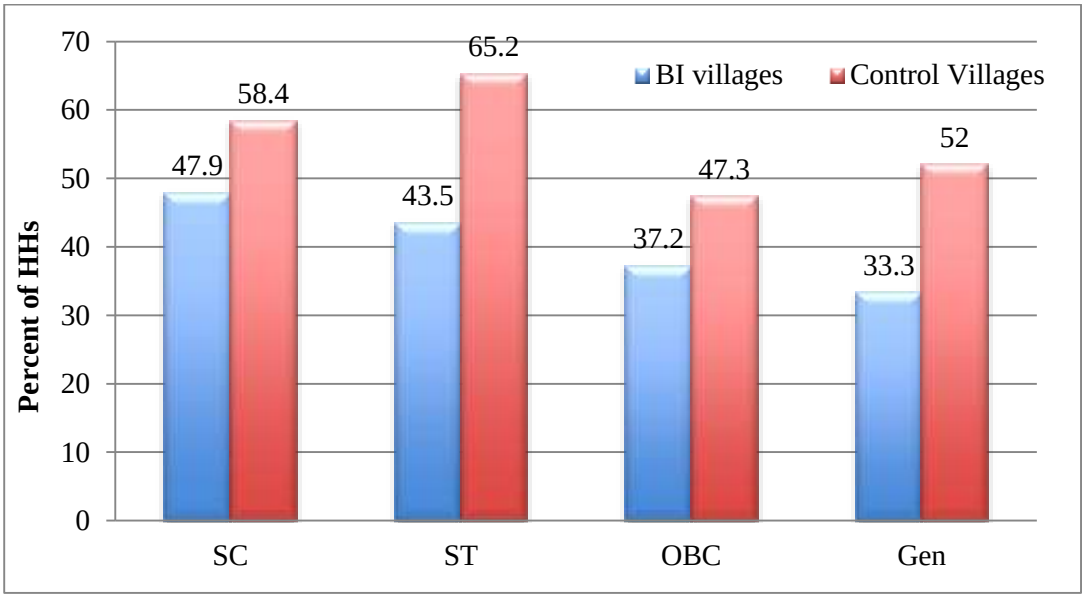
Another issue is whether households hit by a financial crisis had to sell or mortgage assets. This is potentially the most serious aspect of any financial crisis. Some 10.5% of all those hit by a crisis resorted to this, again with no observable difference by whether or not they received basic income payments. We ran a logit function, but in this case the coefficient on basic income was not significant, although it was negative.

**Figure 9.10.3.1: Main source of finance support in most serious crisis, village wise, in General Villages**




Source: MPUCT-FES, 2012, n=978

**Figure 9.10.3.2: Main source of finance support in most serious crisis, category wise, general villages**




Source: MPUCT-FES, 2012, n=978

In the tribal villages, most households in both the basic-income and control villages resorted to moneylenders in response to the major financial crisis. But this reaction was definitely more common in the control village, giving further support to the finding in the non-tribal village that basic income helps avoid the debilitating income extraction by moneylenders.

## 9.11. Liquidity and the Emancipatory Value of Basic Income

By way of conclusion to this chapter, we may offer an interpretation that helps to explain why the basic income is more valuable than it might seem. The essence of the argument is that what we might call the *emancipatory value* of the basic income is much greater than the monetary value. This is a new concept, and requires much more exploration. In a tentatively way, one can say that the emancipatory value exceeds the monetary value because money is a scarce commodity in the village.[143]That scarcity has driven up the cost of loans and indebtedness.

However money pours into a virtually closed economy, an effect is to cheapen the cost of borrowing and credit. So, in the absence of the BI, borrowing may cost as much as 50% per annum, or even much shorter period of repayment. With a basic income, the cost of money or its near substitute drops, raising the emancipatory value, by

- the saving made on reduced loans and debt,
- the saving from reduced interest on outstanding loans,
- the saving from a lower tendency to buy food or other goods on credit, and
- The savings from buying productive inputs such as seeds and fertilizers on credit
- the saving from gaining interest-free loans or transfers from family or neighbours to meet needs arising from "shocks" and "hazards". The last saving is important, for without the availability of pooled money, they would be at the mercy of market-oriented moneylenders who could raise interest rates because of the borrower's urgency of need.

We do not know the full effects of these induced changes, but if, say, 75% of villagers customarily borrow each year, and if we knew how much on average they borrowed and how much the average rate of interest was before the start of the basic income and after some months, we could estimate the emancipatory value of the basic income.

The case studies threw up many instances of how the basic income payments provided the means of reducing outlays, showing just how their emancipatory value exceeded the money value.

**Basic Income means of reducing outlays**

[143] This is related to what is known as the Lauderdale Paradox, formulated in 1804. This states, essentially, that the value of a commodity is increased by making it scarce. In villages, power relations over many generations create and solidify conditions of contrived scarcity, which has created a rent-based system of distribution in which the weaker sections cannot escape.

*Dasrath, a 60-year-old farmer:*

*"The cash transfer money has helped us a lot. We have used this money from time to time as per our requirements. We used to keep each member's money together at home and we used to buy the groceries together for the entire month. Due to this we saved the transportation fare and the trouble of going to market again and again. Earlier we had to go to the market 3-4 times a month and buy stuff in smaller quantities due to the lack of cash in hand. The cash transfer money also helped us in buying seeds, fertilizer and pesticide for farming. We bought 50 kg soybean seed for 2,500 Rupees and 1.5 quintal wheat seed for 3,300 Rupees. We bought this seed in cash with the help of cash transfer money; in the past, we had to buy all this on credit. We had to buy the soybean and wheat seed from the Seth and had to return double the amount of soybean seed and 1.5 times that of wheat. This means that we had to return two quintals of soybean for taking one quintal of soybean on credit and 1.5 quintal of wheat for one quintal of wheat.*

*The cash transfers also helped us during Ajmal's operation.[144] We paid at least 3,000 Rupees from the cash transfer money. Ajmal was admitted in the hospital for 8 days and the household expenditure during this time was solely dependent on the cash transfers. If we weren't getting this money, I don't know how much more loan we would have had to take."*

*Source- MPUCT case studies*

This case highlights the developmental impact. Another interesting perspective was provided by Bhawar Singh, a resident of a non-SEWA basic-income village:

> *"There are a few people in our village who are against cash transfers. This is because these people are money-lenders. When the villagers need 200 or 500 Rupees, then these people lend them money. They take back 220 for 200 and 600 for giving 500 Rupees for a period of a few days. Because of the cash transfers, people have stopped taking these small loans on interest, which is why the money-lenders don't want it to continue. This is one certain benefit that the villagers have had with the cash transfers."*

This indicates how the interest rate is high and rises with the amount borrowed.

**144** Amjal had fallen from a tree and had what seemed to be a tumour. He had injured his head and hand. Hand was successfully treated but the injury on the face became a 'gathaan'- which may be translated as a lump or tumour.

A further point made in section 2 of this chapter, and in chapter 8, is that lending to villagers in return for a commitment to labour as and when needed amounts to super-exploitation. So, if the basic income provides liquidity needed to avoid such "borrowing" that would involve a commitment to labour at a below-market wage (which might be zero), then the full emancipatory value of the basic income should include the monetary difference between what should be called the "locked-in-labour" price (which might be zero) and the "spot-labour" price, perhaps 100 Rupees a day.

In principle, if the data existed to do so, one should be able to estimate that difference. One would also wish to know how much time the villagers typically agree to supply in locked-in labour. Suppose, hypothetically, it was 20 days and the difference between the wage they accept and the market wage was 50 Rupees a day. This would imply a top-up to the emancipatory value of Rs.1000, a substantial amount. It would be useful if we could find out the average amount of time low-income villagers undertake to do such labour.

## 9.12. Concluding Reflections

The main findings of this chapter are that the basic incomes had been a considerable source of comfort for most households and that many used their cash transfers to give themselves liquidity that had enabled them to cut their debts. This is a very rational adaptation to an income flow.

The basic incomes had enabled some households to repay past debt, they had enabled others to avoid incurring new debt, they had enabled many to avoid buying goods or food on credit, and they had enabled households to smooth their purchases, so avoiding debt and extra costs. The total result is that the total financial benefit exceeded the monetary value of the basic income payments per se. This we regard as one of the most noteworthy results of the pilot project.

# Chapter 10: Women's Status and Empowerment

*"For distributive justice, social or collective voice is essential, alongside a system for enhancing individual rights. Basic security is hard to envisage unless the vulnerable in society have their voice to represent them, in challenging alternative knowledge and to bargain on their behalf. Imagine a society in which no organization was allowed to represent anybody in their dealings with others. The strong would tyrannise through their presence, while the weak would see shadows in everything they did."*[145]

## 10.1 Introduction[146]

This is an important chapter from SEWA and UNICEF's point of view, although gender issues figure in every part of this report. In this chapter, we want most of all to see, first, whether or not the payment of individual basic incomes to men and women separately influences the decision-making process in ways that affect women positively or negatively, and second, whether the presence of a women's Voice organisation, in the form of SEWA, significantly affects outcomes for the better.

Some questions relating to these aspects were included in the Interim Evaluation Survey (IES) of both pilots, and more details were covered by the Final Evaluation Survey (FES). In addition, there were detailed questions in the Post-Final Evaluation Survey (PFES). The resultant data are richin potential for future research. Here we will do little more than paint a picture of the main effects, leaving it for subsequent research on the data and case studies to provide a more profound analysis.

It is worth beginning by reiterating that there are four fundamental features of this pilot project that provide women with potential advantages, which are not found in many social policies. First, the payment of money was *individual* – given to women as individuals. The key question then becomes whether or not the woman retains control over it.

Second, the amount was *equal*, the same for men and women, which actually made it automatically progressive in gender terms, since the average income or earnings of women was lower than for men, so that it was worth more for women. As such, it automatically acts to reduce gender-based inequality. Again, the key question then becomes whether or not the woman retains that advantage.

Third, if they are mothers, the women received the basic incomes of their children, giving them greater control, potentially, over spending decisions for and on behalf of their children.

Fourth, and critically, the basic incomes were *unconditional*. It is insufficiently appreciated or emphasised by evaluations that in practice conditional schemes are inequitable as far as women are concerned, since almost invariably they make behavioural demands on women that are not

[145]G.Standing, Beyond the New Paternalism (Verso, London, 2002)

[146]Special thanks are due to RamyaSubrahmanian for ideas for this chapter and for her contribution to a workshop held on the subject.

made on men. It is the women who have to make sure the children attend school and go to clinics. CCTs can easily lead to more "feminisation of responsibility and obligation".[147] This can produce deplorable intra-family dynamics that are rarely given the serious attention they should be given.[148] However, the key question raised by the unconditionality applied in these pilots is whether or not women do take rationally good decisions in such circumstances.

So, in particular, conditional cash transfer schemes make demands on the time of women, above all when entitlement is based on participation in particular programmes. Too often evaluations of conditional schemes claim they are successful because they result in improved access to resources without recognising the potentially negative consequences of the extra time demanded from the women.

## 10.2. Empowerment and Citizenship

There is a veritable industry of studies on women's "empowerment", with a number of competing, if not conflicting, definitions and measurements. In this chapter, we simply cannot do justice to that literature, and will not try. Some scholars have differentiated between empowerment and agency, others between empowerment, agency and well-being.[149] Note that Ibrahim and Alkire listed 32 different definitions mainly around "agency, autonomy, self-direction, liberation, participation, mobilisation and self-confidence".[150] One other aspect that should be included is *accountability*, the ability to hold institutions to account.

For our purposes, suffice to state that the following sections examine women's empowerment, which may be summarized as transformative changes in individual consciousness and capabilities. We further look at women's citizenship rights within the villages, with citizenship being expressed through the exercise of civil, social, cultural, economic, financial and political rights.

It will try to make that relevant to the specific circumstances of women in the general and tribal villages. And it will do so through the device of conceptualising "citizenship", the ability of women to be equal to men with regard to specific decision making and actions.

### 10.2.1 Empowerment and Voice

Empowerment and the exercise of rights derive from *individual* resilience and from *collective* strength, the latter being the capacity to exercise resilience and undertake action as a group when perceived as necessary. It may be said that empowerment is the outcome of changes

[147] Sylvia Chant, cited in M.Molyneux, *Mothers at the Service of the New Poverty Agenda: Progresa/Oportunidades, Mexico's Conditional Cash Transfer Programme*, Social Policy and Administration, Vol.40, No.4, 2006, p.440.

[148]For example, suppose a woman 'fails' to make sure her son goes to school and as a result the family loses the conditional cash transfer, thereby further impoverishing the family. This intensifies the stress for the mother and creates a potential situation of abuse by father or husband or both.

[149] A.M.Golla, A.Malhotra, P.Nanda and R.Mehra, "Understanding and measuring women's economic empowerment", International Centre forResearch on Women, 2012.
http://www.icrw.org/publications/understanding-and-measuring-womens-economic-empowerment

[150] For a fairly exhaustive review of the definitions, see S.Ibrahim and S.Alkire, "Agency and Empowerment: A proposal for internationally comparable indicators", OPHI Working Paper Series, Oxford, 2008.

within the individual and of shifting relations within families, whereas exercise of rights depends on opportunity structures in communities and the wider society. These are often mutually reinforcing with empowerment and changing family relations often leading to assertion of citizenship rights, while new opportunities within the wider society combined with a collective voice may bring about a transformation in individual consciousness.

It is in the latter sense that the roles of SEWA come into focus. Recall that in 2011-12 at the time of the pilots, SEWA had about 600,000 women registered as members across the state of Madhya Pradesh. SEWA was set up as a body for advancing and defending women's entitlements as workers. But it soon became a body for advancing and defending women's social, cultural, civil, political and economic rights in general.

Once women organize and mobilize, they tend not to confine themselves to labour issues, but become more aware of their denied rights as citizens. Community citizenship and community mobilization became part of SEWA's organizing agenda. Women in urban slums have organized for access to water and toilets, while rural women have been demanding that and access to forests and public land to collect firewood, fodder and minor forest produce. Even during the course of this pilot, there were documented struggles and successes in many villages across the State.

SEWA believes in the joint action of struggle and development and helps its members to form co-operative organizations in order to pool their resources and be able to compete in the markets with more powerful entities, and has promoted more than a hundred co-operatives. The savings-and-credit co-operative in MP (*Swashrayee Mahila Saakh Sahakarita Maryadit, called the 'SEWA Co-operative)* is particularly active in Indore district where the pilots were implemented.

So, in short, SEWA exists as a general association for social struggle for women's rights and as such could be expected to have a series of independent effects on women's agency and status. The broad hypothesis was that its presence would increase the positive effects of the basic incomes on a broad range of issues.

### 10.2.2 : Identity as a sense of self

Most women in India, particularly those in villages, do not have an identity separate from their household. They are generally known in relation to their 'head of household', as wife, daughter or daughter-in-law, or in relation to their children, as mother or grand-mother.

This may sound normal. After all, everybody is partially defined by their relationships to others. But it is the degree to which a woman's personality and self-perception are submerged in the norms of traditional relations that is so suffocating and debilitating. Emancipation is ultimately about having a separate set of identities, understood by the woman herself and by others in their dealings with her as a human being.

The idea of identity involves four dimensions – as an individual, as someone within the context of a family or household, as someone participating within the public community and as a worker in workplaces. When commentators refer to women's *invisibility*, they really mean that

they lack identity and citizenship – the capacity to be an individual with equal rights – in all or most of those respects.

What the pilots were trying to do was to see whether the basic income, particularly when combined with membership of SEWA, enabled women to develop a greater sense of empowerment and a broader identity. To return to our overriding theme, it was about enhancing women's sense of emancipation, while helping in capability development and enabling women to participate in economic growth.

Another way of putting the challenge is to postulate the desirable and optimal situation as where men and women enjoy equal *citizenship rights*. Citizenship has several dimensions – financial, civil, social, cultural, economic and political. It is about rights in all these respects. Just as men and women of different classes and castes have to struggle to obtain and maintain equal rights with their equivalents in other social groups, so women in general have to struggle for equal rights, as individuals, within their households and wider families, and outside in various public spheres, including workplaces.

This is partly a struggle within the mind, requiring an escape from a subordinated consciousness that stems from generations of diverse forms of oppression. No single policy or institutional change by itself could be expected to break that psychological barrier to emancipation. All one could hope is that they would begin to do so.

### 10.2.3: Within the Family

A person's identity is closely tied up with the relations within the family, with an individual's sense of self being formed in childhood. In India, women's low status starts as soon as she is born, with the sex ratio at birth being 904 girls born per 1000 boys according to the 2011 census. Although across the world more boys than girls are born, the ratios are abnormally low in India. In most countries of the world (other than South and East Asia), the ratio is much higher. In the United Kingdom, for example, 952 girls are born per thousand boys.

The structural discrimination continues with higher infant mortality rates for girls—113 girls under five per thousand compared to 104 for boys –and then to lower school enrolment, especially in secondary school and higher classes.

Girls are also married earlier, and have fewer opportunities to participate in the labour force. These figures reflect deep-rooted attitudes and beliefs within the family, where girls and women are treated as inferior to boys and men, and decision making and control remains out of their reach. The main decision maker in the family is the 'head of household', usually a man; over 80% of the household heads in the pilots were men, with female-headed households mainly appearing with widows or when there was no older male in the family.

## 10.3. Social Citizenship

Being a social citizen means having equal rights to develop and remain a viable member of society. This encompasses the right to be born, be adequately fed, be able to go to school on

the same basis as others, with as good facilities, to be able to live as healthily as others, to be able to obtain healthcare on the same favourable basis as others.

All of these are partly the result of family norms and attitudes, partly the result of social and community pressures and structures, partly the result of the design of government policies and special schemes, and partly the result of women's own consciousness, shaped by generations of stereotype images and behavioural norms and expectations.

Being a social citizen is also about having equal rights to social benefits,social services and opportunities to develop and maintain capabilities. In the pilot villages, some of the many government schemes were targeted on low-income women or on all women. The trouble was that mostremained on paper.

Social services included access to the public distribution system, to subsidised public health care, to free public schools, to anganwadis for children under five and to subsidised infrastructure in the form of water and sanitation.

Although the gender dimensions of all these have been covered in preceding chapters, this section merely tries to summarise what happened.

### 10.3.1. Eating better

In general in Indian villages nutrition for girls and women is considered less important than that for men. Women eat after the men have finished, and girls are required to serve their brothers before they themselves eat. This results in a higher malnutrition rate for girl children and a situation where women accept their lower status.

However, there is encouraging evidence that girl infants benefited a great deal from the basic incomes, and the z-score index outcomes suggested that girls experienced a greater drop in malnutrition than boys of the same age group.

The evaluation survey found that the children between the ages of seven months and five years in the basic income villages experienced a shift towards normal weight significantly more than in the control villages. The z-scores presented in Chapter 5 (Table 5.5.3) show the z-scores for girls in villages that received basic incomes, disaggregated by whether or not they lived in villages where SEWA was active. While the proportion of girls with normal weight for age increased considerably in basic income villages, the improvement observed in SEWA villages was significantly greater (from 34.1% to 61.1% - an increase of 27 percentage points) than in non-SEWA villages (from 46.7% to 66.6% - an increase of nearly 20 percentage points).

The age-factor here is relevant. At seven months most children shift to solid food and by the age of two years they begin receiving food from the anganwadi. This usually continues until they are five years old, after which they begin school. So, improved nutrition often depends on how well the local anganwadi is run. In the SEWA villages, the members and leaders became participants in making the system work better.

As one of SEWA agewans, Lakhina, reported:

*"In our village there is lot of casteism. The anganwadi teacher was a Brahmin and she did not allow scheduled caste children in the anganwadi, so children who needed it most were deprived. I went and met the teacher and tried to talk to her. But instead of listening to me she started threatening the families in the SC locality and told them to not to complain, as she had connections with the higher-ups, she was not afraid of the SEWA workers. So in our next meeting in SEWA at Indore, I brought this up and a written complaint went to the local supervisor of ICDS. Later along with SEWA organizer and some women from the village I met the supervisor and we said that she should resolve the issue otherwise a written complaint would be lodged to the Principal Secretary of the department and the concerned minister. Hearing this, the supervisor got scared and immediately went to Jagmal Piplya and convinced the anganwadi teacher and on the next day we sent SC children to the anganwadi and continuously monitored the issue. The mid-day meal was also not cooked daily, less amount of food was being cooked and the food was not properly cooked either. With the help of the Supervisor, this issue was also resolved and I was asked to supervise the cooking daily. I ensured that the children were having enough food every day."*

There was also some evidence that girls gained parity in diets and as a result gained in relative terms. Into adulthood, there was evidence that women in general – and disabled women in particular – gained relatively in terms of access to food and in their dietary balance.

One of the reasons for better nutrition among women in the basic income villages was that they had more choice and could buy more both from the open market and from the public distribution system. Basic income households were more likely to buy grain from the ration shops than non-BI households, and SEWA-BI households were even more likely to use ration shops. (see chapter 5)

Although most families with BPL or even APL cards, do use the ration shops, they have many complaints about the quality and quantity of grain and the harassment they face. One of the reasons that SEWA households continue to use the ration shops and in fact use it more, is that SEWA mobilization ensured that some of the harassment decreased and the quality improved.

As the SEWA coordinator for Madhya Pradesh, Shikha Joshi, reported:

*"Fair Price Shops in almost all the villages did not open on time. In some of the villages they were far away from the residents and the sisters had to face a lot of difficulties in reaching there. Fair price shopkeeper would open the shops as per their own convenience. At times people would reach the shop at the allotted time and it remained closed, resulting in wastage of time and money. As they would not be able to go to work after this, it caused them a loss of the wage for the whole day. When we went to the villages women would complain. So we had a meeting in Indore with all the agewans from the villages. We wrote a letter to the Food Commissioner signed by all villagers The Food Commissioner took action against the defaulting shopkeepers and they were instructed to open the shops on time. In the village the SEWA agewans were trained to see to it that the Fair Price Shops*

*open on time and the right quantity of food grains are distributed. Gradually there came about a change."*

### 10.3.2 Improving Health

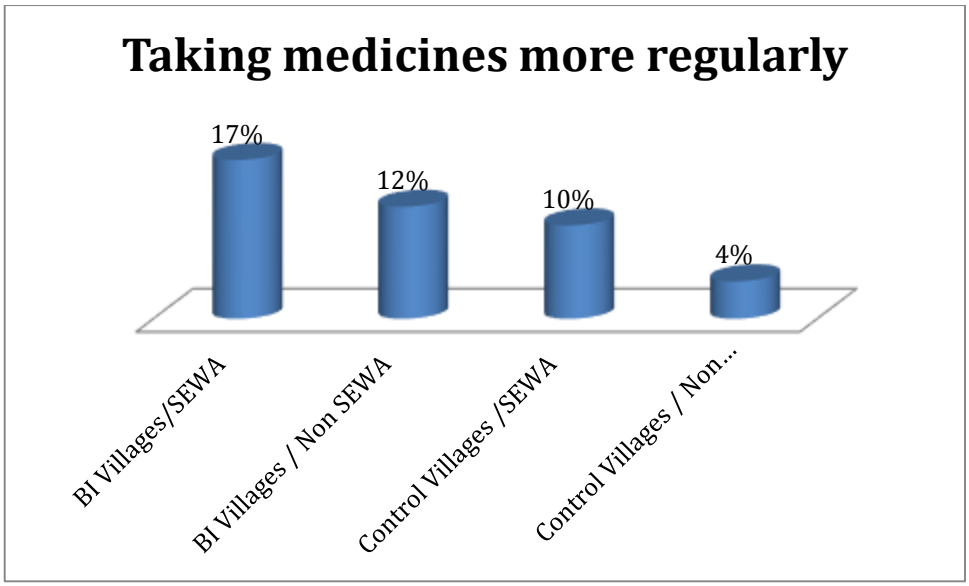
One powerful indication of the lower status of women is that when, as is the norm, there are scarce resources in the house it is customary to allocate first use of resources for the men. Illness tends to use up all the resources of a family, and so when a woman falls ill she is less likely to see a doctor and more likely to just wait out her illness.

This difference emerged in the tribal villages in responses to the relevant question. In the baseline, when the respondent was asked what form of medical treatment was first taken, 22% of women in GhodaKhurd said that they tried "home remedies", whereas only 8% of men said that.

However, by the end of the year at the time of the FES, this had changed significantly, with less than 2% of the women saying their first option was home remedy. Like the men, they too went to the local medical practitioner or to the private or Government hospital. This should be seen as a step towards empowerment, even though there was still a difference, since more women were receiving medical advice from the chemist shop, while men went to a doctor.

The combination of women getting some cash and being a member of SEWA results in some important changes in their care of the health of the women. Households belonging to basic income SEWA villages said that their health had improved, some of them have increased their private care (see Chapter 6), but the suggestion of a SEWA effect was especially visible in the more regular use of medicines.

**Figure 10.3.1: General Villages: Regularity of taking medicine**




Source: MPUCT FES, 2012; n=2035

As far as health and healthcare are concerned, the chief beneficiaries seem to have been disabled women, who were able to use their basic incomes to have greater priority in access to treatment and medicines. This is a group that is too often neglected.

### 10.3.3. A More Educated Future

The Government of Madhya Pradesh was the first to pass a Right to Education Act, which ensured primary schools within near each village. The government funds public secondary and high schools near most villages. This type ofschooling is practically free, and in addition children receive a mid-day meal and Government support for uniforms and books. Yet the lamentable fact is that traditionally girls' enrolment in school drops sharply relative to boys at secondary school level, that is, after age 13.

There are a number of reasons for this. First, parents complain that teachers do not come in time, or leave early or sometimes do not come at all. Even when they are present, they do not teach properly or discriminate against girl children. Second, there is sometimes not enough infrastructure; schoolrooms are too small or in some cases do not exist at all. Third, some secondary or high schools are too far for the children to walk from the village,while there is often no proper transport. In such cases, girls' education is commonly discontinued. And finally, many families do not value education for girls and rather than spend money on educating them would prefer to marry them off early.

However, a major difference that the basic income made was to induce families to send their girls to school. While only 36% of girls in control villages were enrolled in schools at the secondary level, nearly 65% of girls of the same age cohort were going to school in BI villages at the time of FES (Table 7.5.1). The enrolment levels of girls in SEWA villages which received basic income was significantly higher than any other group.. Further, expenditure on schooling of girls was decidedly higher among households receiving the basic income, more so among households in SEWA villages (Table 7.3.4). However, it was still lower than the amount spent on sending boys to school.

Major differences were observed in schooling variables between villages getting basic income and the control villages. The joint effect of voice and basic income resulted in increased enrolment especially among girls, and in a better attendance record, resulting in less absenteeism, among both boys and girls.

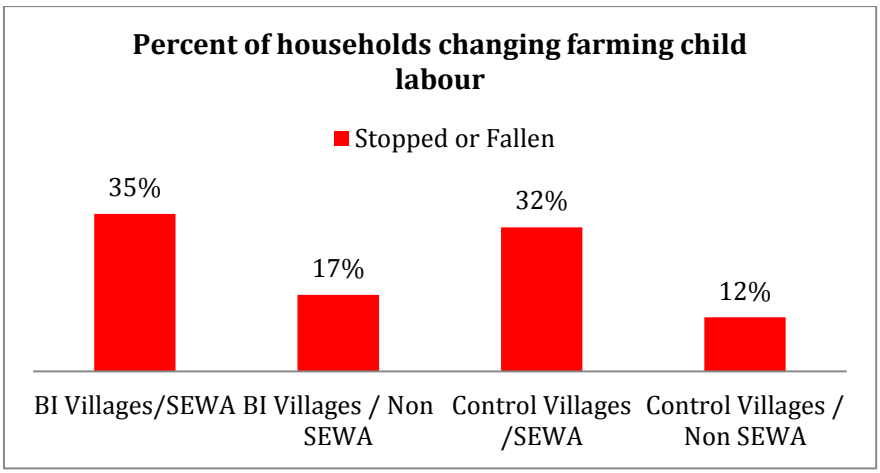
This change may be attributed to the individual cash transfers. Parents tended to feel that the children's transfers should be used for the education of the children.Of course, this did not happen in every family, but did so in enough to cause a significant change in enrolment and attendance figures among adolescent girls. In the SEWA villages, an additional factor was awareness campaigns carried out by SEWA and the mobilization to improve quality of Government schools.

In the village of Dhaturia, for example, the teacher himself did not come to the school and he had engaged one young person on his behalf, to which he paid Rs. 1000 per month. The teacher used to come once in a month and obtain signatures on the attendance register by visiting each

and every household. On getting this information, a written complaint was sent to the Education Department, which transferred the erring teacher. SEWA agewans suggested that the young person who had been appointed by the teacher should apply for the job full time. As a result, he obtained the job, the school started functioning regularly and the children also started going to school on a daily basis once more.

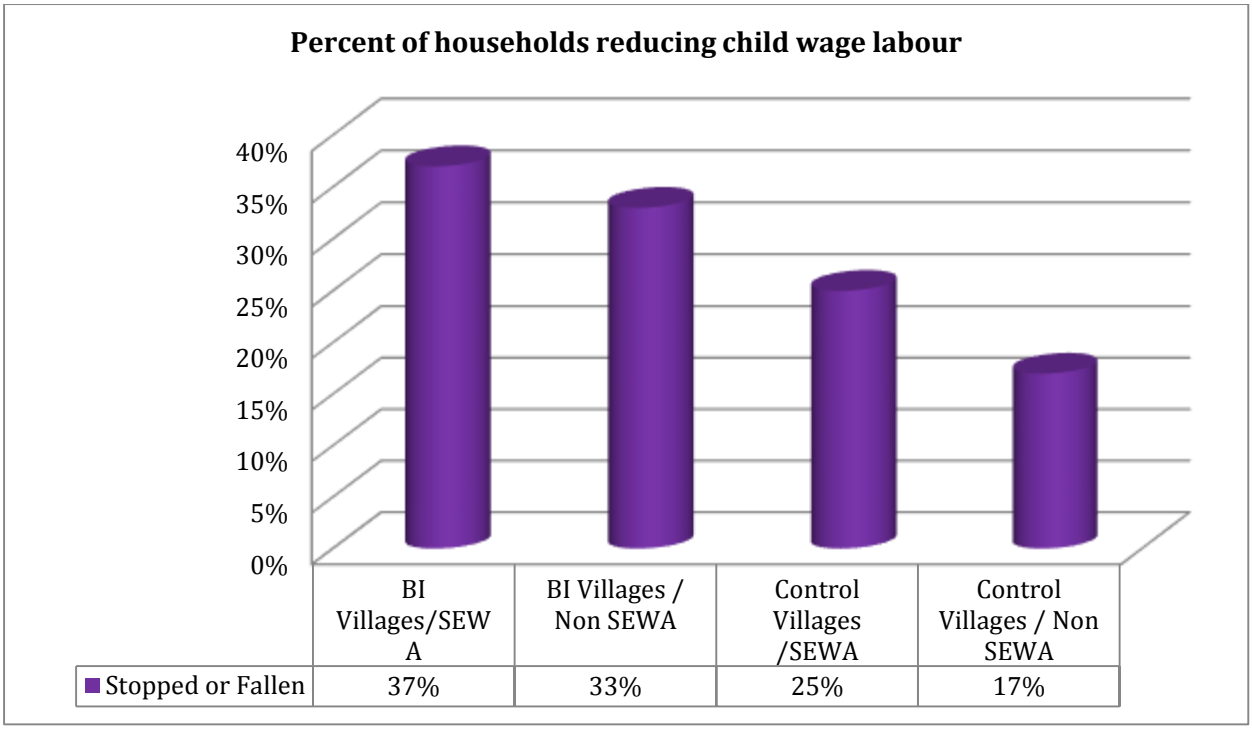
The emphasis on sending children to school also helped reduce the incidence of child labour in the village. Households where children went out to labour began sending their children to school and where children were working on their own farms, the level of work expected from the child reduced or was completely stopped. As the two figures below show, child labour came down in villages that received basic income transfers, and also where SEWA was active. In short, the basic income effect was enhanced by the SEWA effect.

**Figure 10.3.2: General Villages: Percent of households changing farming child labour**




.Source: MPUCT FES, 2012; n=155

**Figure 10.3.3: General Villages: Percent of householdsreducing child wage labour**




Source: MPUCT FES, 2012; n=135

## 10.4. Becoming a Financial Citizen

To be a financial citizen is to enjoy the rights of having access to financial services on an equal footing to others around you. Financial citizenship is an under-estimated part of society. Increasingly, the financial sector shapes economic, social and even political structures and exclusion from accessing finance curtails the exercise of other citizenship rights. Although access to financial systems is a de jure right of every citizen, the financial structures across the country have ensured that poorer villagers and most women are unable to access these rights de facto.

In 2012, across India only 59% of all households had any bank account and only 54% of rural households had one. Where a family had an account, it was usually in the name of the man or 'household head'. According to the RBI and World Bank, only 26% of all these bank accounts belong to women and only 14% of Indian women had a bank account.

Implicit in the project was a question whether the basic income would enhance women's *financial citizenship*. Recall that the larger pilot required recipients to open a bank or co-operative account, and so it almost imposed a need to develop a financial identity. During the first few months of the pilot,separate bank or co-operative accounts were opened for all men and women. It inevitably involved teething problems, but financial citizenship was an implicit objective.

In this regard, the SEWA impact in the area of financial inclusion was relatively strong. This was partly because SEWA directly provided a range of financial services through its Co-

operative, and partly because having an "account of her own" was something a woman could control as an individual, allowing her to make decisions and have an identity outside family and other traditional norms.

### 10.4.1: Individual Identity through Financial Inclusion

As will be recalled from chapter 3, during the course of the first year of the pilot bank accounts or co-operative accounts were opened for all individuals. The most difficult part of opening a bank account is the "Know Your Customer" (KYC) requirement of producing an identity proof and a residence proof, and it is more difficult for women to establish a separate identity outside the family. The involvement of SEWA is captured well by the oral statement made by Ramabai, who described herself to the case study team as a garment stitcher:

> *"My neighbour brought me to a meeting in SEWA; it was the first time that I had come to a meeting. We were asked to introduce ourselves and I was struck dumb, I could not say my own name. You know, in our families no one calls us by name. My mother in law calls me "bahu", my children call me "mother", and other family members call me "bhabhi". I had almost forgotten my name! And anyway, in my father's house my name was Leela, after marriage my name was changed to Ramabai. Now when I stand up and say my name in meetings, I feel a change has come over me."*

This sense of a named identity is taken for granted by most people in urban areas, but in a tradition-bound rural context it can represent a personal breakthrough with life-defining ramifications. The combination of that involvement with a sudden ability to have an independent source of money is surely likely to be powerful and easily underestimated by outsiders who, understandably, might think only of the one factor.

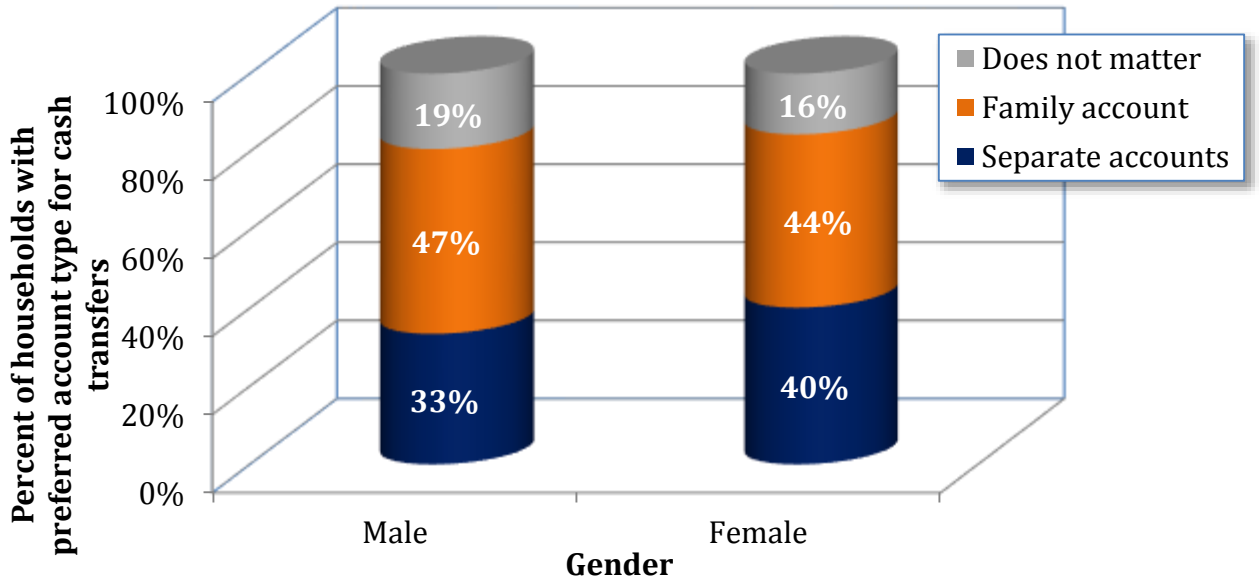
One objective of those wishing to roll-outcash transfers across India is to extend financial inclusion through inducing more rural and low-income people to open and use bank accounts. Awidely-heldview in policy circles is that there is resistance to opening bank accounts, from the banks themselves as well as from poorer sections of society, who supposedly find banks difficult to use. Indeed, in November 2012, it was reported that at least four State governments said they could not operationalize direct cash transfers because of difficulties in opening bank accounts.

In that context, a basic income could be a trigger for action to open accounts that could be of more general benefit for villagers. Within a few months of the start of the pilot, almost all adults had accounts. In SEWA villages, the number of women having savings accounts before the project started was relatively high, because long before the project, SEWA had mobilized women in villages where they worked to open savings accounts with its Thrift Credit Cooperative. Before the pilot started, only 63 women in non-SEWA villages had a bank account, although 305 in SEWA villages had one. But within a few months, 1,660 women had opened accounts, meaning that financial inclusion had been rapid and extensive.

Opening individual accounts required carving out an independent identity. Controlling and operating an individual account leads to empowerment.Recall that respondents were asked

whether they preferred a family or individual account. Fewer women preferred a family account—40% as compared to 47% of men, whereas more women were likely to prefer an individual account.

**Figure 10.4.1: General Villages: Preferred account type for Basic Income, by gender of respondent (% of households)**




Source: MPUCT FES, 2012, n = 925

The question on whether the money should be given to the household head or the individual yielded a similar pattern of responses, with over 42% of women preferring individual transfers compared to 34% of men. An equal number, about 18%, said it did not matter.

Being a member of SEWA seemed to have an effect as women in SEWA households indicated a preference for separate payments, while those in non SEWA households were more likely to prefer payments to the head.

**Table 10.4.1: General Villages: Recipient of Basic Income, by Gender and Village Type**

| | | Each adult separately | Household head | Does not matter |
|---|---|---|---|---|
| SEWA | Women | 43% | 38% | 20% |
| | Men | 35% | 49% | 15% |
| Non SEWA | Women | 41% | 43% | 15% |
| | Men | 32% | 50% | 18% |

Source: MPUCT FES, 2012, n = 938

Women in all strata tend to be structurally disempowered. But changed circumstances could move them to action. Women in richer households were no exception. There was considerable inequality in the pilot villages. A few households owned large tracts of land, had big houses and businesses in the city. Some of these refused to take the basic income, saying it meant nothing to them. However, within a few months the women in such households in one village contacted the team to say they wanted to open accounts and wanted the money even though it was modest. 'We have enough material goods', one said, 'but we do not own anything ourselves, not even a bank account. It is a small independence for us.'

To complete the picture, we asked the respondents whether they preferred their basic income monthly or as a lump-sum every three months. Women were more likely than men to prefer the monthly payments and in SEWA villages, a majority of women preferred the monthly payment. It is a desire for liquidity that is revealed in that pattern of responses, but women tend to make smaller purchases, more often, as compared to men.

**Table 10.4.2: General Villages: Cash Intervals Preferred, by gender and type of village**

| | | Monthly | Every three months | Does not matter |
|---|---|---|---|---|
| SEWA | Women | 54% | 26% | 20% |
| | Men | 38% | 43% | 19% |
| Non SEWA | Women | 40% | 46% | 14% |
| | Men | 36% | 47% | 17% |

Source: MPUCT FES, 2012, n = 938

## 10.4.2: Dealing with Financial Institutions

Another dimension of financial citizenship is the ease or otherwise of dealing with the financial institutions. It was shown in chapter 3 that most men and women had initial difficulties, but that overall the difficulties were not insurmountable.

SEWA's role was important here, because women who could open a Co-operative account had more choice than those who had a bank account. Bearing in mind the high illiteracy among women, fewer women using the Co-operative had difficulty in opening accounts, with only 30% saying they had difficulty, compared to 56% who had difficulty in doing so with a bank.

While most women were able to deal with banks without difficulty, some did have difficulty. Nearly 60% of those said the main difficulty they faced when they went to withdraw or deposit money was an inability to fill forms. Many relied on other customers or brought along literate family members; just over a quarter said bank staff helped them. By contrast, most illiterate women using the Co-operative said staff helped them fill out forms.

Women also had easier access to the SEWA Co-operative. Due to the Coop's visits to villages, 86% of women in SEWA villages used their account frequently, compared to only 44% of women who had a bank account in non-SEWA villages. At the time of the FES, almost all respondents who had SEWA accounts said they had no difficulty in withdrawing money,

whereas nearly a third of women who had bank accounts said they faced some difficulty. Problems included being told to come back later, being told that money had not arrived in their accounts or being told that they had to maintain a minimum balance, even in no-frill accounts.

**Table 10.4.3: General Villages: Main difficulty with the Bank or Co-operative, 2012**

| | | BI SEWA | | BI Non-SEWA | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| | | % | % | % | % |
| 1 | Unable to fill forms | 35.6 | 12.3 | 45.9 | 57.3 |
| 2 | Waiting in queues | 32.7 | 46.2 | 23.2 | 15.0 |
| 3 | Bank far from residence | 13.2 | 4.4 | 10.8 | 11.3 |
| 4 | Loss of wages | 1.0 | 4.0 | 2.1 | 2.7 |
| 5 | Other | 3.9 | 2.0 | 2.0 | 5.5 |
| 6 | None | 13.2 | 31.2 | 16 | 8.2 |
| | Total | 99.6 | 100.1 | 100 | 100 |

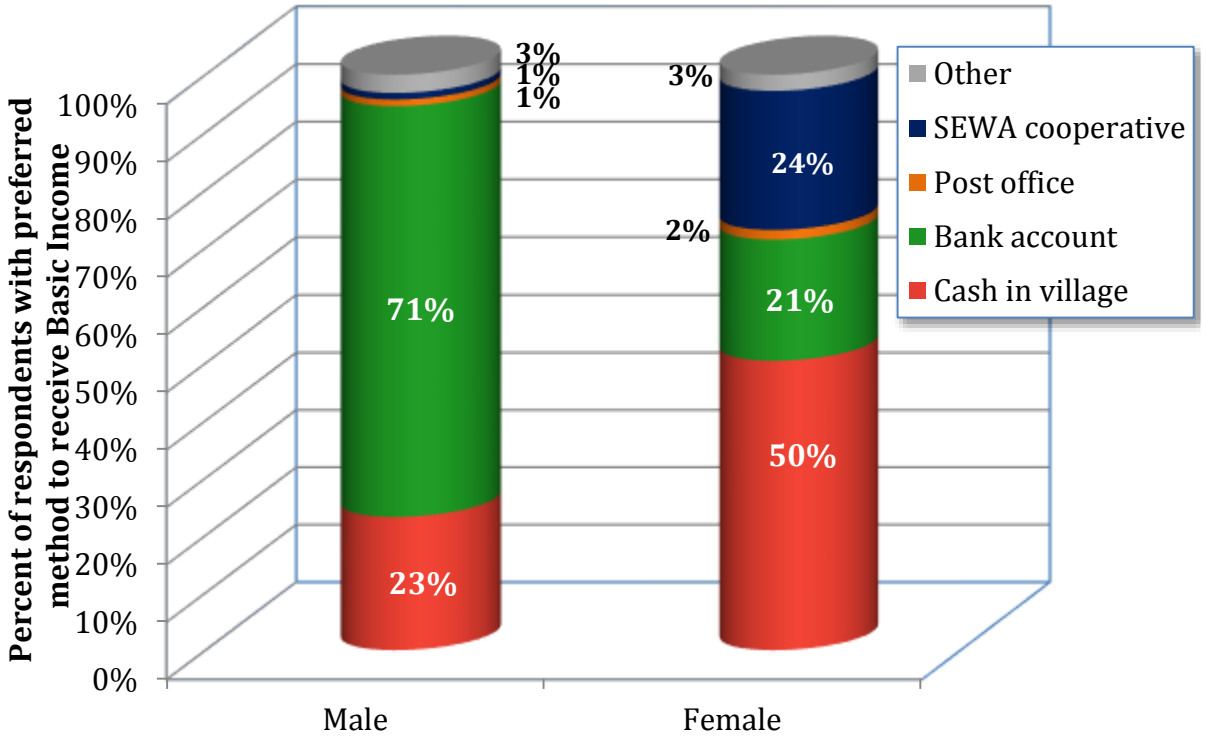
Source: MPUCT FES 2012, n=921

The picture was partially captured by the experience ofMaanguben, who worked mainly as an agricultural labourer:

> *"The Cooperative comes to my village twice in a month and we can withdraw or deposit our money. The banks are far from our village. So, we have to walk 3 kilometres to reach the point of 'Tata magic' [private bus] and then go to the bank. It takes lots of time and money in travel. The bank staff do not behave well. My husband has an account in the bank and, without checking in the computer, they tell him that the transfer money has not come. Also, we always have to ask other customers for help in filling the withdrawal form. But with SEWA the staff helps us. The Cooperative also provides us with loans on very low interest rate, minimum documents and repayment in monthly instalment. It is our Co-operative. It believes that we, the poor, will repay the loan, and of course, we will."*

Actually, after 18 months of experience of receiving the basic incomes mainly in bank accounts, 50% of women and 23% of men still preferred the option of having the money delivered directly in cash form. From their point of view, receiving it that way would have cut out the transaction costs, in terms of time and money of going to a bank to obtain their money.

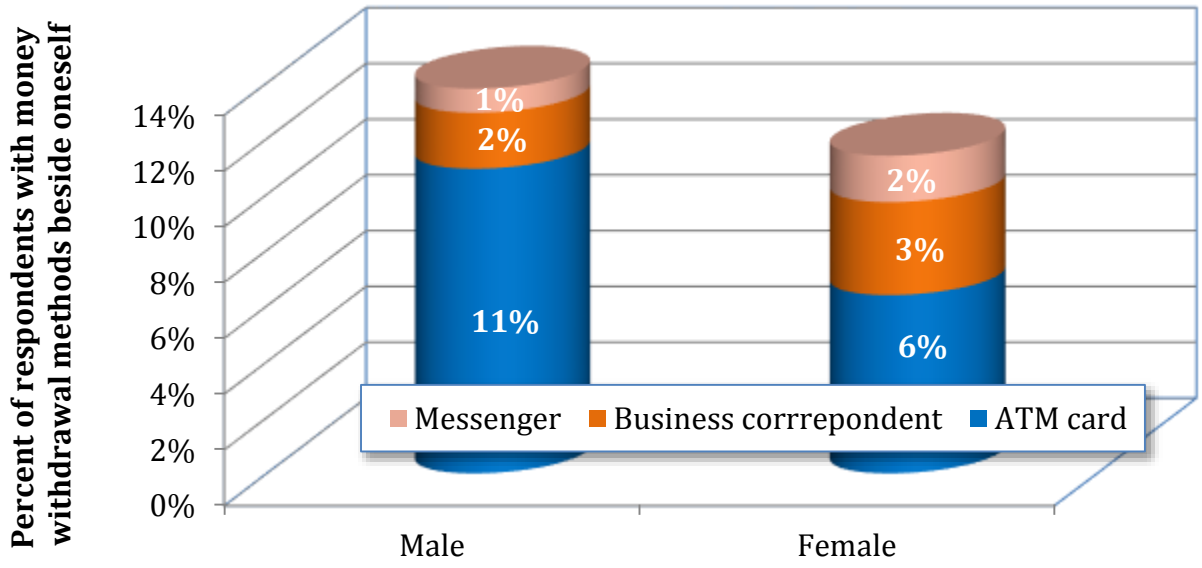
**Figure 10.4.2: General Villages: Preferred method of receiving Basic Income, by gender**




Source: MPUCT PFES, 2012, n = 706

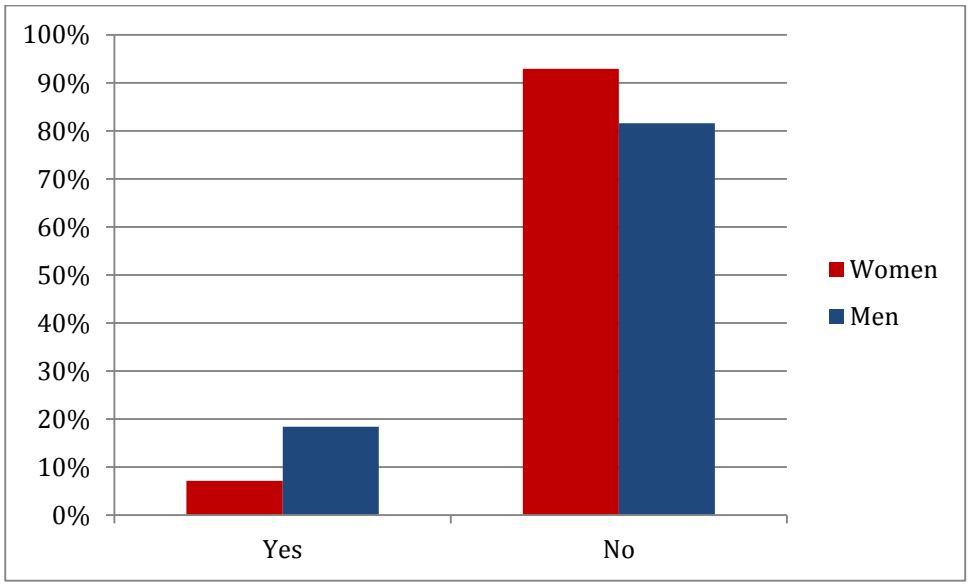
One of the reasons why people do not prefer banks is that for all their financial dealings they have to travel to the bank branch, which is often a waste of time and money. Very few people are able to use other forms of cash deposit or withdrawal. In spite of the Reserve Bank's focus on business correspondents less than 3% of the respondents actually used them. However, an encouraging trend is the use of ATM cards, with 11% of men and 6% of women using them.

**Figure 10.4.3: General Villages: Use of methods besides direct applications for withdrawing basic income, by gender**




Source: MPUCT PFES, 2012, n = 708

**Figure 10.4.4: General Villages: Knowledge of an ATM, by gender**




Source: MPUCT (2012) n=2030

## 10.4.3: Financial Inclusion through Savings and Credit

From the earlier analysis, we know that basic income households were more likely to save. But equally important is the *form* of savings. The most common forms in India are keeping cash in 'the home' and purchasing gold or jewellery. But as we saw earlier, the basic income induced many households to shift to saving in banks or the cooperative.

In the FES, respondents were asked about the form of saving. Among basic income households who saved any money, 53% said they saved in a bank, compared to 30% of control village households who saved. A typical situation was that of Ramkayabai, a woman in the Boyi caste:

> *"I put the money back in my account. I have saved the money for the past 4 months. My husband and I are vegetable vendors. We leave at 4 am each morning in the milk van to Indore. We go to the market, buy vegetables and sell them at various places in the city and return home. I want to save my money so that I can use it to set up a shop. I was to have a settled shop in one place instead of changing places each day. It is so difficult to walk around all day. Each day I buy vegetables worth 1500 to 2000 Rupees. We stay until the stock is completely sold and only then return home. Sometimes we return after 8 pm. It costs 15 Rupees by share-auto rickshaw to come from Indore to Malibadodiya."*

In effect, the basic income contributed to a securitisation of saving, a benefit in terms of security if one accepts that savings in banks are more secure and so more valuable. The basic income boosted savings directly by providing more money and indirectly by inducing more financial inclusion.

In the evaluation surveys, saving was considered as a *household* activity but also as an individual one. Women now had their own accounts and were able to save individually. Women often hid savings from other family members and used them for purposes that the household head might not approve. Sangeeta Chouhan, an anganwadi worker, said that she wanted her daughters to study and be independent, although that was not a part of the household plan. She said,

> *"We did not plan for my daughters' studies because there is not enough income. The girls know about the cash transfer, but they never ask for this money. However, I wanted to spend it only on them. I had to do it quietly. I have two accounts, one opened for the cash transfer in Bank of India and the other in State Bank of India as an Anganwadi worker. I withdrew the money in my Bank of India account and put it in my State Bank of India account. This is because when my husband saw the Bank of India passbook, he demanded that money. So to save it, I used to take it out and put it in my other account; and with the help of this money, my daughter did a Beauty Parlour Course. Now she can start her own beauty parlour in Indore. This course cost 5,000 Rupees and I used the cash transfer money to pay for it."*

Being part of the financial system enabled more women to borrow at reasonable rates of interest. But even if they have bank accounts, women are less likely to obtain loans from financial institutions as they do not own assets and so cannot offer security. Banks have no incentives to offer them loans, and, although Government stipulates that a certain share of loans must go to women, it is just 5%. Alternate forms of financial institution—self-help groups, micro-finance institutions and co-operatives—empower women more. As shown earlier, loans through the SEWA Co-operative increased economic opportunities and choices.

## 10.5 Becoming an Economic Citizen

Being an economic citizen is about being able to practise the work one wishes to undertake and to decide on how to develop oneself through work, labour, education and leisure.

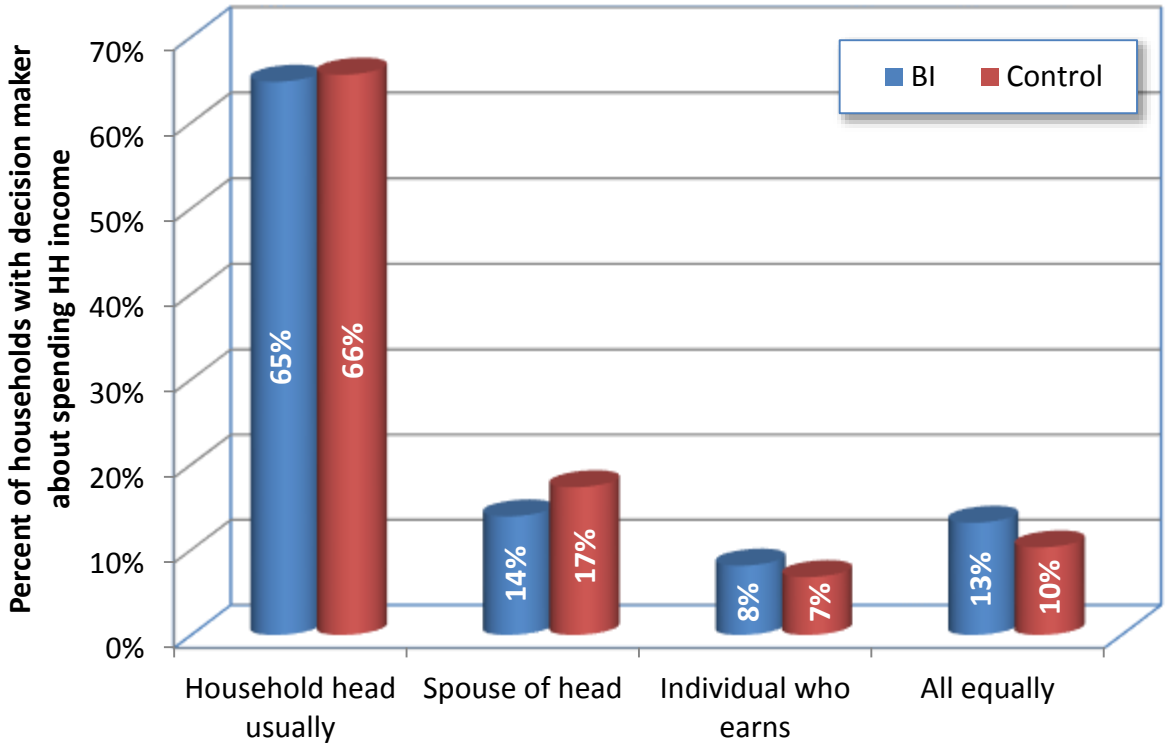
We can consider five aspects of economic citizenship – consumption spending decisions, economic activity and forms of work and labour, asset formation (notably productive assets), debt reduction and savings behaviour.

### 10.5.1. Consumption Decisions and Resource Sharing

Economic citizenship starts inside the home, with an understanding of power and control within a family. Control may be revealed by, first, how intra-family resources, including money, are allocated, second, on how decisions are made, and third, what degree of support is given to meet individual needs or foster opportunities. If all or most decisions on spending are taken by others, such as the husbands or fathers, then one should be inclined to presume that the woman's status as an economic citizen would be weak at best.

Although these are hard to measure, several proxy indicators of intra-family decision making were considered in the evaluation surveys and case studies. In general it is the household head who usually makes the decisions on household spending, and there is not much difference between the basic income and control villages.

**Figure 10.5.1: General Villages: Usual main decision maker on spending household income, by village type (Percent of households)**

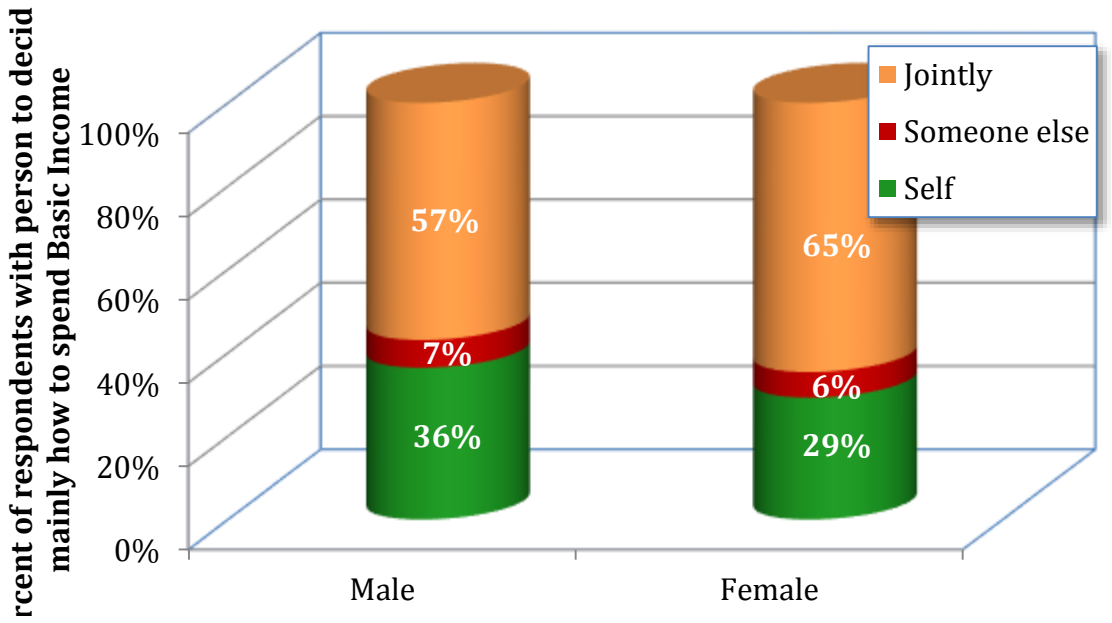



Source: MPUCT FES, 2012, n = 2024, Chi-Square = 8.648**

However, in the basic income villages there was a perception among the women, that decision making about expenditure of basic income was more equally shared. 65% of women thought the decision making on expenditure was taken jointly, compared to 57% of the men.

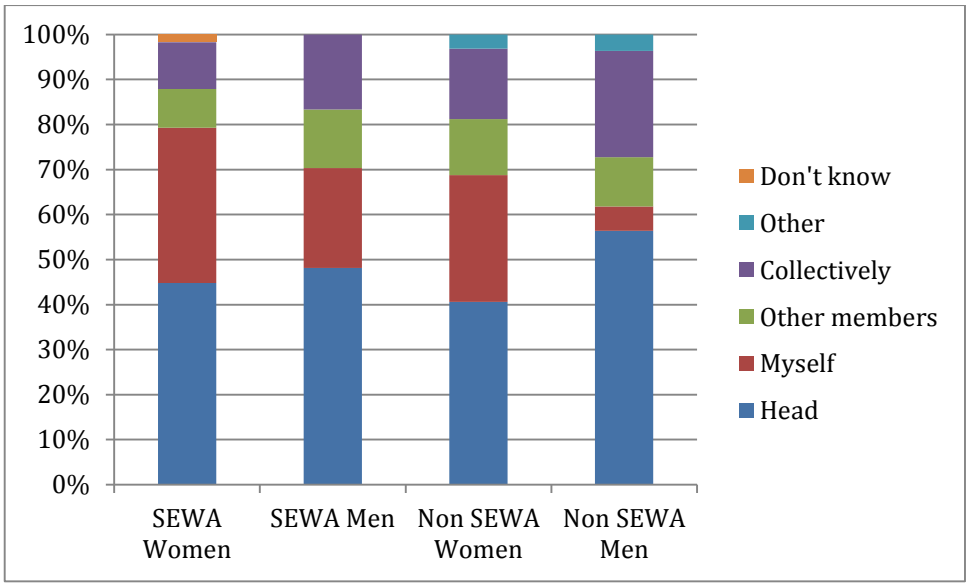
The empowerment effect of both the basic income and SEWA is seen in the decisions on pooling of the basic income received. Although it refers only to those who reported that they pooled the basic income money it suggests a degree of democratic decision making in households, rather than complete male domination. In SEWA villages women were more likely to make the decision to pool than in non-SEWA villages, but overall 34% of the women said that they themselves had made the decision to pool, as compared to 20% of the men, who felt that decisions were made by others or collectively.

**Figure 10.5.2: General Villages: Main intra-family decision-making on spending Basic Income, by gender of respondent**




Source: MPUCT PFES, 2012, n = 705

**Figure 10.5.3: General Villages: Main decision-maker on pooling basic incomes, by gender and type of village (% of households that pooled money)**

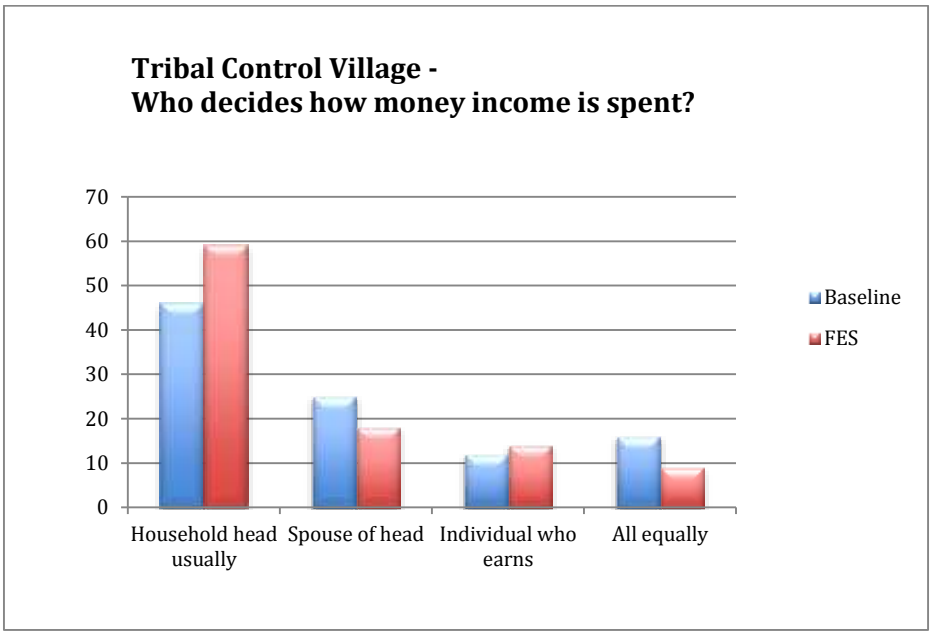


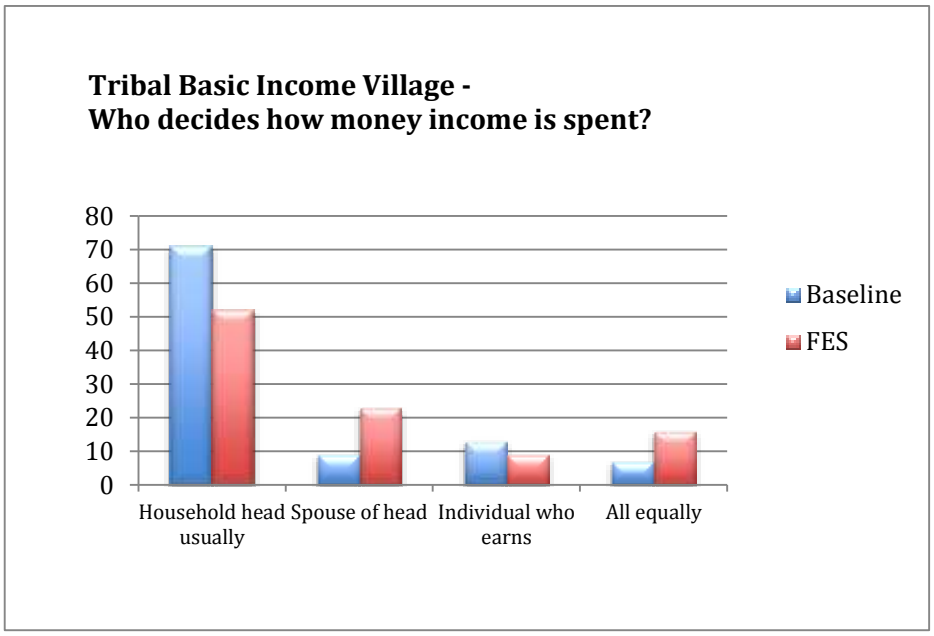

Source: MPUCT FES, 2012, n = 262

Another way of looking at the decision-making dynamics was taken in the tribal villages. Between the time of the baseline before the pilot began and the end of the pilot one year later, in the basic income village there was a perceptible shift from a strong norm of the household head deciding on how income was spent to a weaker norm and a relative shift towards equal decision making, decisions by the individual himself or herself and the wife (Figure 10.5.5).

In the tribal villages, the evaluation survey questionnaire included a question on who made the decisions on using the money income which accrues to the family. In the baseline, 71% of respondents said that it was the household head, whereas by the end of the year only 52% said the household head. The change within the basic income households as compared to the control households was highly significant statistically. Over the year, some respondents felt that decision making had shifted, with decisions being made more equally or even by the spouse rather than household head.

**Figure 10.5.4: Tribal Villages: Who decides how income is spent?**




Source: TVUCT (2012,2013); control village: N = 179; basic income village,N=236.

Another proxy that has been used in the study is the sharing of income within the family, and whether the receipt of basic income has made the sharing of overall income more equal. The findings are positive for intra-family equity. The majority of families in the basic income villages tended to share more equally, whereas in the control villages the men tended to take more of the household income. Those who had received the basic income were much more likely to report that they were sharing earnings, with 54% of basic income families saying they shared earnings equally compared to 39%in the control group. This represented a clear gain for women.

The shift occurred in all social groups, including the poorest, notably among scheduled tribe households, where 60% of basic income families shared compared to just over 40% of the control group. Among the better-off general (upper) castes, 63% of basic income families shared equally, compared to just over 30% of the control families.

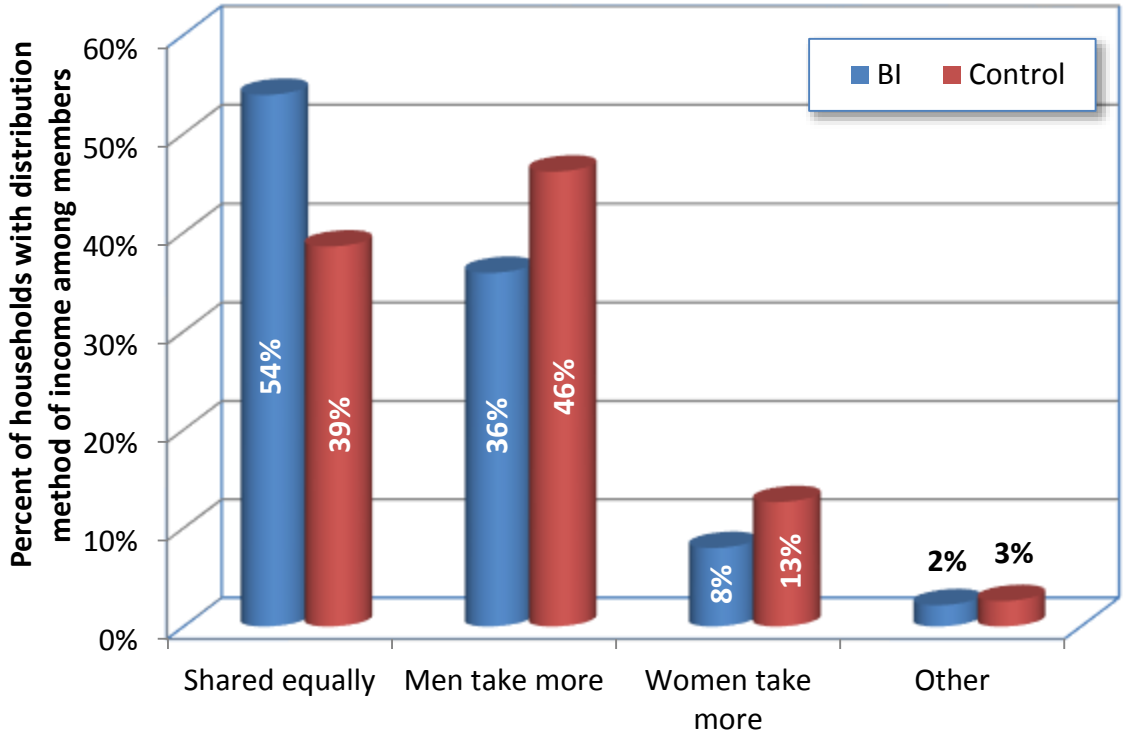
Women who earned an income were more likely to say that family earnings were shared. But regardless of that, the basic income made a difference. Over 50% of non-earning woman who received it said that all earnings were shared in the family, as compared to under a third of similar women in the control group. Evidently, the basic income strengthened women's voice on domestic finance, especially among those who were previously not able to contribute income to the family. As one woman, Harlibai, a labourer from the Bhil tribe, put it:

> *"'We use the cash transfer money mainly on food, then on health, and on clothes if any money is left. There is a lot of change happening in our family, in terms of food and health aspects. Now even the children are well aware of the cash transfer. We have had discussions about it with all the family. Everyone asks questions."*

Respondents were also asked whether the basic income had changed their role in decision making within the family. Roughly the same number of men and women, over 60%, thought it had enabled them to have more influence on household spending. One might interpret this as reflecting the fact that the increased availability of money enhanced their ability to make consumption decisions rationally.

What is encouraging from a gender equity perspective is that most women thought decisions on spending their basic income were shared within the family. It appeared to have tilted decision making in the direction of gender equity.

**Figure 10.5.5: General Villages: How household income was shared, by village type (Percent of households)**




Source: MPUCT FES, 2012, n = 2010.

## 10.5.2. Economic Activity

There are several dimensions of economic activity to consider when assessing women's economic status. As shown in chapter 8, women who had received the basic income increased their labour and work relative to women who had not, particularly in the tribal village where women's labour participation increased by 16%, while it scarcely changed for men.

One reason for the increase in women's income-earning activity was simply more opportunity, where the role of SEWA in mobilizing became relevant. This may even have extended to access to public works. According to one SEWA coordinator:

> *"In our village, we all have MGNREGA job-cards but no work has come to the village. After we started getting the cash transfer we were discussing and thought we should apply for work. So we all got together and applied. Fifteenpeople got some days of road construction*

*work, 15 got work making hedging and 15 got work under the Kapildhara [well-digging] scheme, but in all it was not many days."*

A much more important reason is that many women had increased own-account activity. While casual labour was uncertain, involved hard manual work and paid women less than men, own-account work gave them more control of their time and production. The shift to own-account work was particularly significant in the tribal village where the share of women doing it rose from 40% to 60%, while in the control village it actually shrank.

One reason for the shift was that small-scale and marginal farmers were able to farm their land. They used the basic income to buy seeds, fertilizers and other inputs. The presence of SEWA freed them from exploitative money lenders, allowing them to borrow at reasonable rates. The results were amazing. The share of women whose primary activity was farming almost doubled, rising from 39% to 66%. This was a much greater increase than for men. This was both emancipatory and developmental, helping boost work and economic growth.

Usually, small-scale tribal farmers with about three bighas cultivate soya-bean for sale and wheat and maize for consumption. But as they lack capital to purchase inputs, they must borrow at very high interest. So, traditionally many left the land fallow, migrating for labour rather than take the risk of farming.

**Table 10.5.1 Main occupation of women in Tribal Villages (Percentage distribution of responses)**

| | Baseline | | FES | |
|---|---|---|---|---|
| Occupation | Basic Income | Control | Basic Income | Control |
| Farmer | 39.1 | 34.8 | 65.7 | 33.3 |
| Wage Labour | 55.4 | 56.5 | 25.4 | 50.6 |
| Other | 5.5 | 8.7 | 8.9 | 16.0 |

Source: TVUCT (2012,2013) n= 161; n-305

Actions to break this debt cycle, or that offered loans at lower interest rates, helped to disrupt a structural impasse. SEWA's intervention here was crucial. Apart from the fact that its loanswere usually for six months with a monthly repayment schedule, the interest rate was much lower and on a declining balance, making repayment more feasible. In the basic income tribal village, loans of up to 6,000 Rupees coupled with the basic income made a big difference to sustainable incomes.

The combination of loans from SEWA's Co-operative and the basic income seemed to prompt more cultivation. Altogether, thirty-three families opted to take loans in the basic income tribal village during the course of the pilot. As one womanincluded in the case studies, Radhabai, who had two bighas of land, put it:

> *"My husband has taken a water contract with a landlord in BassiPipri. He is away most of the time. I manage the house and also do the farming.We have some landbut don't have legal documents [patta], so we are not eligible for credit from the Farmer Credit Society. Earlier, we took loans from the moneylenders from other villages for seeds and fertilizers and had to pay 5% monthly interest. This year we took a loan of 5,000 Rupees from SEWA and are saving money due to the lower interest. With that and the basic income, we purchased seeds and fertilizer and produced 10 bori[10 quintals] of maize. We are repaying monthly, so the interest cost does not keep going up. Before, we had to repay to money lenders at one go with capital and interest, so almost nothing remained after we sold the grain. That is why we used to prefer to do labour rather than farm our own land. Now we have maize for consumption and also to sell."*

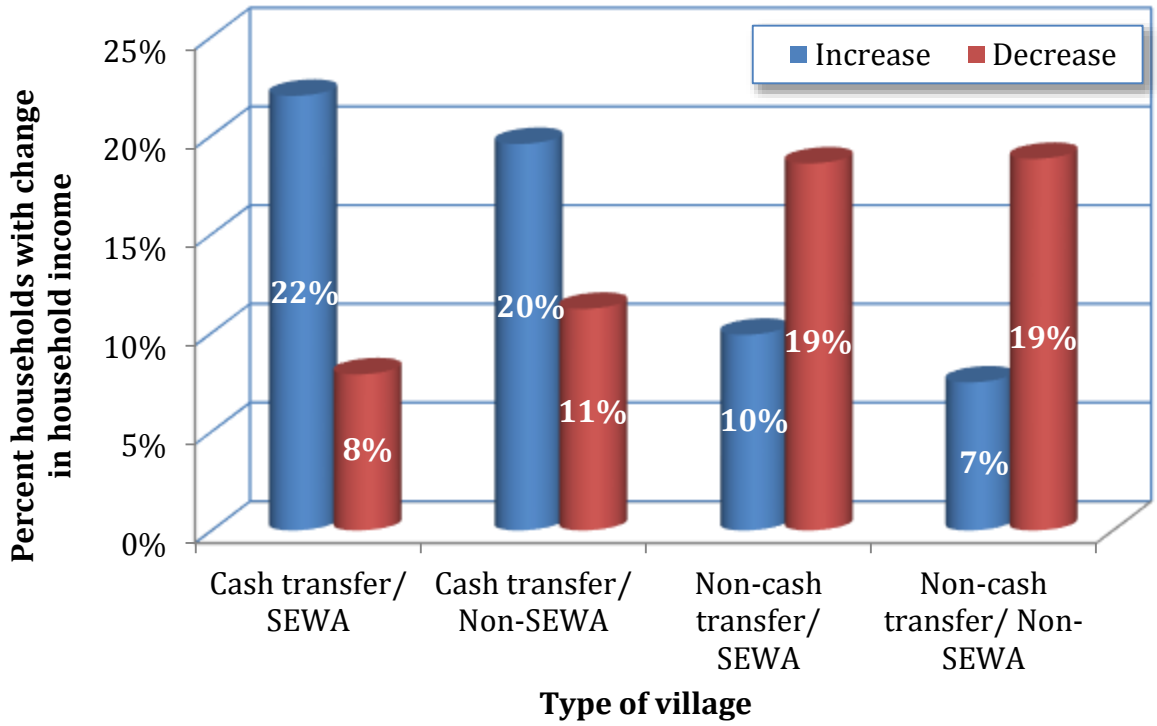
Loans for such purposes were also made in the control village, but there were fewer of them. It seems the basic income made villagers more confident in taking the risk of borrowing for production. A similar trend was observed in non-tribal SEWA villages, where a combination of the basic income and access to cheaper Cooperative credit seemed to result in more spending on farm inputs and hence an increase in income.

Beyond that, there were a significant number of households that started new business or economic activities, and the most relevant point here is that this was more common in basic income villages where SEWA had been operative for some time. Given that there was other evidence that much of the new economic activity was geared to women themselves, like new small shops and the purchase of sewing machines.

As with other aspects of the gender developments, there is a women's story and a household story here. The latter arises from the role of SEWA. Because of its lending practices and because of some educational activity, it appears that it had some positive effect on households' income earning, probably due primarily to its lending, as discussed in the following sub-sections.

The point can be illustrated by Figure 10.5.6, which suggests that while household earned incomes increased in all basic income villages on average, there was less likelihood of a fall in SEWA basic income villages and more likely to be a rise. The differences were modest, but in net terms equivalent to five percentage points.

**Figure 10:5.6: General Villages: Households with change in earned income, by village type**




Source: MPUCT FES, 2012, n = 2034

## 10.5.3. Asset formation

The links between asset acquisition and economic output and women's economic citizenship are complicated. But the data from the evaluation surveys and case studies point to a rather positive set of outcomes. The key findings of direct relevance relate to the purchase of small capital goods and construction of facilities for women to work, notably shops.

The links between asset acquisition and retention, production and women's economic citizenship are complex. But the data from the evaluation surveys and case studies point to a positive set of outcomes.

They showed that purchase of small capital goods and the construction of facilities for women to work, notably involving home-based shops. Households in basic-income villages also purchased sewing machines, with the maximum happening in SEWA villages. There was a6% increase in households owning sewing machines among basic income households, whereas the number fell among the control group. Having an asset like a sewing machine spurs the desire to start an income-generating activity.

As Laxmibai, a 43-year-old woman who was an own-account farmer and reared animals, described her situation:

*"All of us used the cash transfers to buy our own things. We bought some clothes and*

*shoes. We were thinking of buying a sewing-machine for a long time for our daughters.Now we have been able to buy one for 3,000-3,500 rupees after saving some of the cash transfer. The men's share mostly gets spent on transport fare and petrol, so all the women's share was pooled."*

Without the individual basic income it is unlikely that those sewing machines would have been bought. As 26-year-old Leelabai, the wife of a bus driver, said:

*'These men always make arguments, so that they don't have to buy a sewing machine. How feasible is your project of tailoring? Will it get you income? People will not pay for your clothes. I say, 'Why will they not pay?' Look at how much I pay to get my blouses and children's clothes stitched. But I have stopped arguing and now I am now buying my sewing machine with my own money.'*

However, as shown in chapter 8, the major shift in assets came from the purchase of livestock. Although they are household assets, in reality it is the women who spend their time and energy in looking after the animals, in collecting fodder, cleaning and milking them.

In sum, through increasing and diversifying their economic roles and through acquiring assets oriented to women as workers, there was a considerable improvement in the economic citizenship of women in these villages. There was no doubt a long way to go to reach anything like equality. But the emancipation was there, while women had been enabled to contribute substantively to economic growth within these communities.

There is also a heart-warming story. Women with physical or other disabilities are among those who could benefit most from acquiring something like a sewing machine. And the case illustrated in the accompanying photograph conveys that with a precision that words themselves cannot. Here is a woman able to put her crutches aside, metaphorically and literally, who can become an economic citizen in her community.

### 10.5.4. Debt management

There are several aspects of debt that relate to economic citizenship. People who are so chronically in debt that they cannot have any economic independence obviously lack economic rights. But there is also the capacity to borrow for productive purposes, or for extra consumption. This second ability depends on credit-worthiness and on access to the means of affordable loans. In this section, we wish to highlight the latter, since the chronic debt situation was covered extensively earlier.

As shown in chapter 9, structural inequality is maintained through exploitative debt. This is debt with extremely high interest rates, debt linked to basic goods such as seeds that require double repayment in kind, debt that has to be repaid by labour at below market wages, debt that forces families into near-bondage.

Actions to break this cycle of debt, or that offer loans at lower interest rates, help to disrupt this structural impasse. SEWA, mainly through its co-operative but also by linking its members with Banks and Government programs of SHGs, has been able to reduce exploitative debt levels, and help members get loans which are productive and increase their incomes.

Usually small-scale tribal farmers with 3 or 4 bighas try to cultivate soya-bean for sale and wheat and maize for their own consumption. However, as they lack capital to purchase inputs, they must borrow – either money to purchase them or directly borrow inputs from the big landlords in the neighbouring villages. These agriculture related borrowing have very high interest rates in that once one bag of soya is borrowed from a landlord, the farmer must repay two bags; and in the case of cash, they must pay a flat interest rate of up to 5% a month. Given the vagaries of rainfall and irrigation, if there is a crop failure, the farmer is hit very badly.

SEWA's intervention here is a strategic one. Apart from the fact that SEWA loan is for six months with a monthly repayment schedule, the fixed 2% interest payment makes repayment feasible. For instance, for a loan of Rs.3,000, the repayment schedule is 560+550+540 and so on for six months. Altogether the interest that a farmer pays SEWA is Rs.210 on a loan of Rs.3,000, i.e., about 7%, as opposed to the double that they have to pay to the money lender. In the basic income tribal village, small loans of Rs.6,000 and Rs.3,000 coupled with the basic income made a significant difference to sustainable incomes.

### 10.5.5. Savings

The impact of basic income on savings has been told in detail in chapter 9. The sole point that needs to be made here is that the combination of the basic income and SEWA enabled many women to save, often with the clear intention of using savings for the benefit of their children.

The fact that in many cases they had control over the savings from their children's basic income money as well as over their own enabled them to save more than men did.

## 10.6. Civiland Political Citizenship

The other great rights and forms of citizenship are civil, political and cultural. The nature of the pilots and the data give us relatively little on these dimensions. But there are some indicators. Civil rights stem from being treated as an equal before the law. This is a matter for government. But whatever the laws might be, exercising one's claim on rights depends on having the confidence and means to do so.Having a basic income did have a positive effect on those; belonging to SEWA should have had similar effects.

Political rights come from being entitled to vote and to participate as an equal in the political, decision-making spheres of society. We have seen how the basic income induced more financial citizenship, and in doing so must have had some positive effect on the capacity to be a public person in other ways. But women suffer from lack of political rights in being frozen out of public amenities.

In some villages, women were effectively banned from using public places. The village *choupal* or square is used for meetings, or to just sit together, relax and talk. But this right is reserved for men. Women were not allowed to use the *choupal*. On rare occasions when an all-village meeting was called, some were summoned to sit at the edges. Women have to cover their faces when they go out. And higher-caste and richer women were rarely allowed to leave their houses. This changed through the basic income, especially when SEWA was involved and when women laid claim to the choupal. As a SEWA organiser described what happened in one village:

> *"I had noticed that women in Jagmal pipliya were not allowed on the choupal. Men used to sit on it, talk and gamble. We needed a place to have the awareness meeting and for the first three months we needed a place to give out cash. The sisters from the Co-operative also needed to operate. So we chose the Choupal. We started cash transfers there and women began coming. At first the men tried to stop them from climbing onto the chaupal but we sat right in the middle so they had to come. Then meetings were conducted by SEWA there and slowly the chaupalwas used by all. However, it remained a partial victory. Today, all are allowed to come when SEWA Co-operative comes to the village, but for other occasions only older women are allowed."*

There also remains a great deal of untouchability in these villages. Dalit and adivasi families are still very poor, and are ostracized by higher castes, who do not allow dalits into their houses or eat with them.

SEWA has tried to tackle this issue. Some anganwadis were not encouraging dalit children to come or made them sit outside. In one village, after SEWA intervened, all dalit children were admitted to the centre and a dalit helper was appointed, enabling them to eat food cooked by her. In some anganwadis, dalit children were made to wash their own plates. This practice was stopped when SEWA objected.

SEWA organisers also raised the issue of temples. Dalits were not allowed in the main village temples, so for opening accounts SEWA organisers sat outside the temple where there was

open space. Slowly dalit women and then men came. Some higher castes objected. But dalits came to the space and prayed in the temple itself.

Although Indian laws criminalise all forms of violence, many women have to endure violence within their homes. According to NFHS surveys (NFHS 3), 51% of women and 59% of men still believe domestic violence is justified if women disrespect their in-laws or if the husband suspects infidelity. Questions of violence were not included in the project, but anecdotal evidence suggests that SEWA helped some women to deal with domestic violence.

Finally, there is surely a right to basic amenities to ensure a disease-free life. Most villages are unclean, with garbage piling up, stagnant water breeding mosquitoes, open defecation and lack of clean drinking water. These circumstances, especially open defecation, are most harmful for women as they can only go under cover of darkness and so suffer during the day. Worst affected are older women, pregnant women and sick women. The basic income did bring about some changes, as more households invested in toilets and in drinking water. However, much of the problem is due to lack of public sanitation, and here the SEWA effect was beneficial as well, as demonstrated by what happened in the village of Malibadodiya.

In the village, Sareeta, who ran a small shop, and Maangu, who earned her living from agricultural labour, told the enumeration team that in their view the main problem in their village was lack of drainage. Dirty water collected in front of their houses or in public places, and was mixed with urine. Mosquitoes, flies, dengue and malaria were rampant. People had to wade through filthy water to travel out of the village. Sareeta said that after the basic income started, she became more active and confident and decided to make a drain in front of her house for disposal of dirty water. She made it herself, from her house all the way down to the outside of the village.

Her neighbours asked her why she was doing all that work, even implying that was only done by low-caste persons. She replied that it was for the health of her family and the village. When they had seen the effect, others began making drains as well.

Maangu said that the dirty water from their village would run downhill and collect in a hollow in front of the shop. She convinced the shopkeeper to cooperate in putting some rubble there so that puddles did not form. The collective action resulted in sand and rubble covering the hollow. But as there was still no place for the water to go it collected in other hollows. So when Annapurna, the SEWA organizer, came to the village the women went to the sarpanch, who is from another village, and on their urging, he used money from the Panchayat to put rubble all down the main path.

Still there was no proper drain, which required real investment. So again all the women in that neighbourhood went to the Sarpanch, apparently many times. In the end, he had a resolution passed in the panchayat and a request for drainage funds was sent to the Tehsil. By the end of the pilot, that had been sanctioned and the road was all dug up. It was hoped that drain lines would be laid soon.

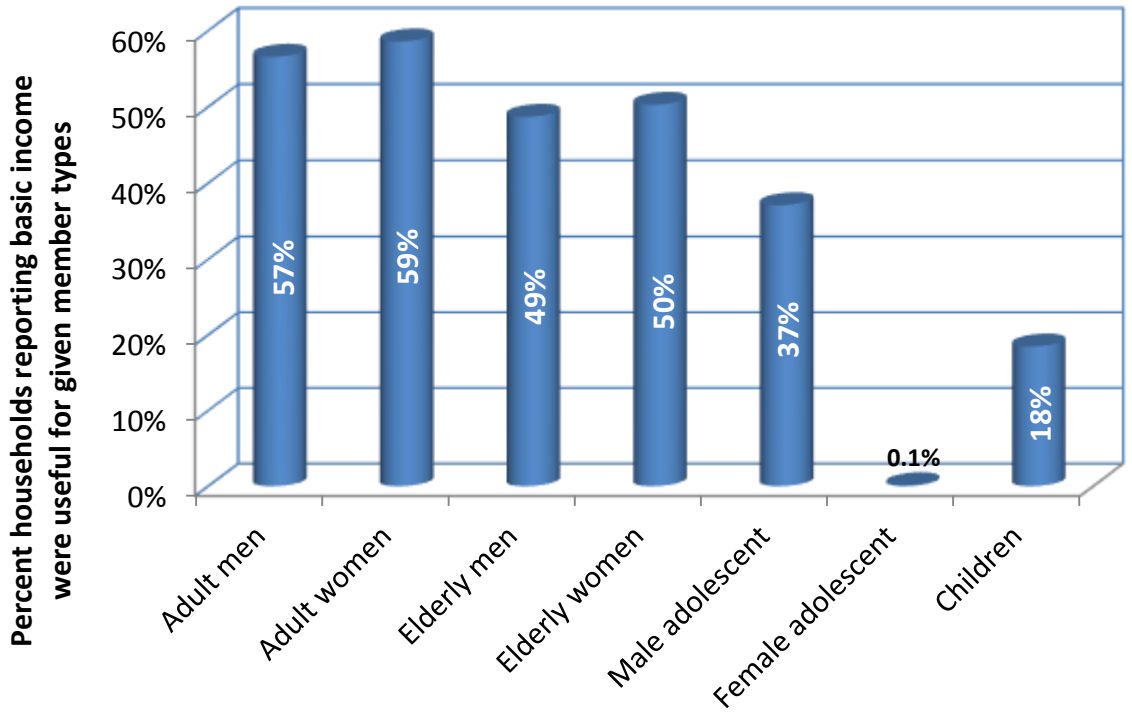
This is a powerful example of collective agency, and one can surmise that it was aided by the confidence gained by having a greater sense of individual economic and social status.

## 10.7. Who Benefitted

One of the questions asked in the PFES was who benefitted most from the basic income. It was encouraging that more households reported in the PFES that women benefited personally from the basic income more than men, although a majority of both did so (Figure 10.7.1 and Table 10.7.1).Although more respondents said that women benefited more than men, most said it was about equal Note that households were asked which members benefited most, and in many cases two or more were cited. The only disappointing point is that female adolescents did not figure at all. Also, the lower the income level, the less the apparent benefit to women (Figure 10.7.2).

More women than men felt that their personal status had improved. Some 22% of women said their status had risen, whereas only 11% of men said so. However, both men and women agreed that women's status had increased due to the basic income relative to men. (Figure 10.7.4) Both men and women felt that this was due to better food and better health care, but for women better health care was more important than for men (Figure 10.7.5).

**Figure 10.7.1: General Villages: Percent of households reporting basic income was useful for given members**



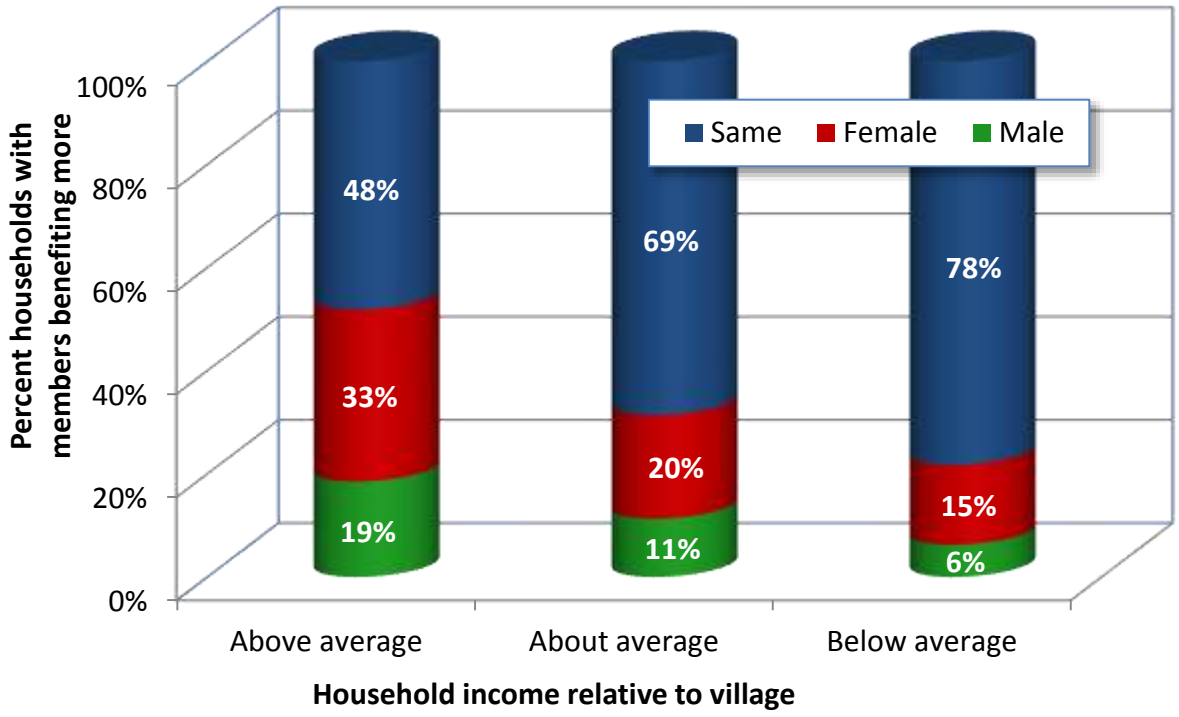

Source: MPUCT PFES, 2012, n = 698

**Table 10.7.1: General Villages: Percent of households reporting basic income useful for given member types, by village type**

| Village type / Member type | SEWA | non-SEWA |
|---|---|---|
| Adult men | 54% | 60% |
| Adult women | 61% | 56% |
| Elderly men | 53% | 45% |
| Elderly women | 56% | 45% |
| Male adolescent | 40% | 35% |
| Female adolescent | 0% | 0% |
| Children | 22% | 14% |

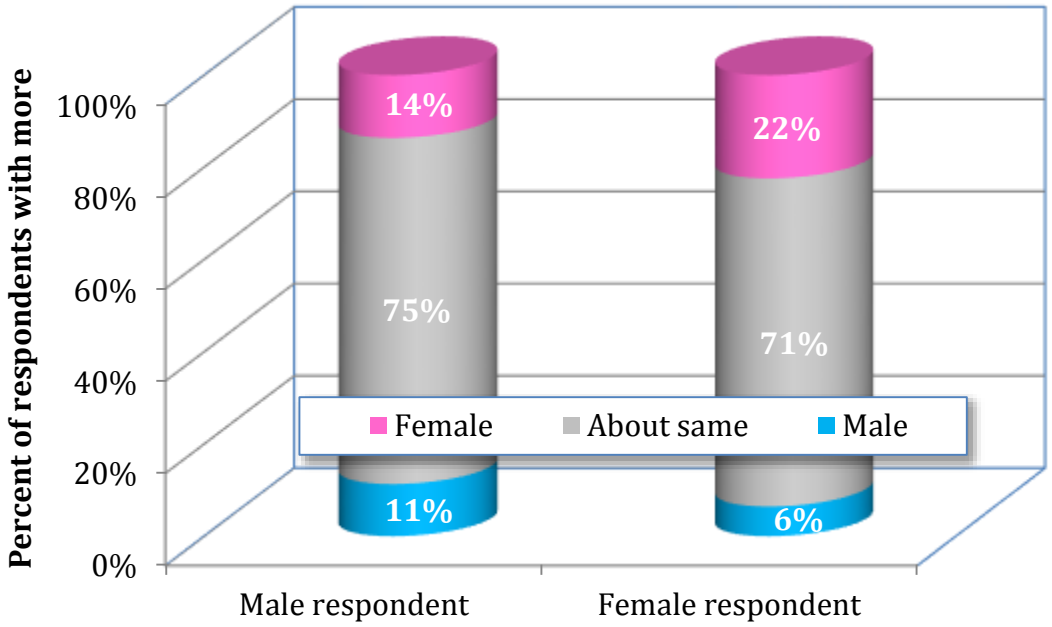
Source: MPUCT PFES, 2012, n = 730

**Figure 10.7.2: General Villages: Households saying male or female benefiting more from basic income, by household relative income in village**



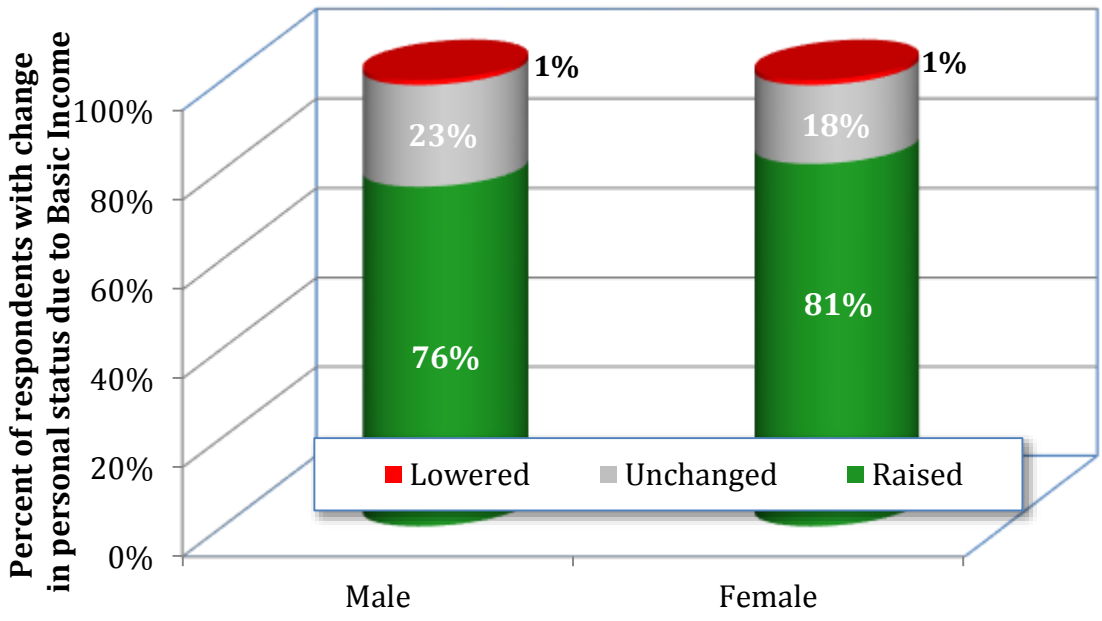

Source: MPUCT PFES, 2012, n = 691

**Figure 10.7.3: General Villages: Do male or female household members gain more from the basic income, by gender**



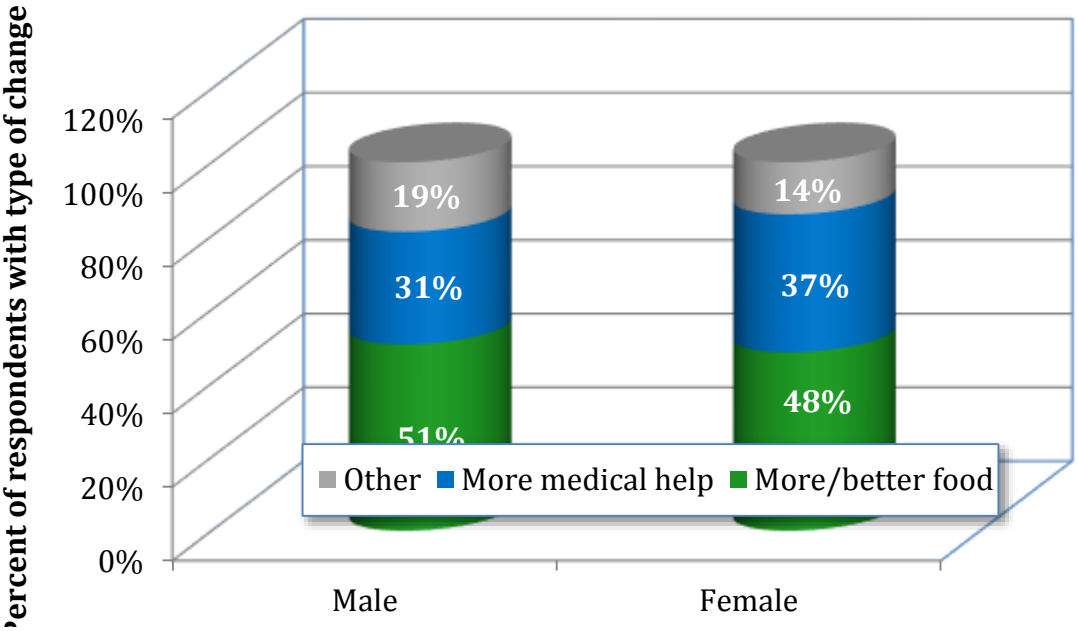

Source: MPUCT PFES, 2012, n = 702

**Figure 10.7.4: General Villages: Percent of respondents reporting change in personal status due to Basic Income, by gender**




Source: MPUCT PFES, 2012, n = 695

**Figure 10.7.5: General Villages: Main Aspect of Improved Status due to Basic Income, by gender**




Source: MPUCT PFES, 2012, n = 548

We may conclude this section with a poignant case study that pinpoints how one category of woman in particular could gain social citizenship, albeit briefly for the duration of the pilot, as a result of something as simple and transparent as a modest basic income.

Surmabai, an elderly widow, told her story to the case study team, as it happened while being interviewed during the pilot and in retrospect when interviewed after the pilot had ended. She had four sons and a daughter, all married and away from where she was residing. The first part of her story was what she said when interviewed initially, the last part afterwards:

> *"My sons provided me with my monthly ration. I live alone. My sons live separately and none of them looks after me or gives me any money. I manage my own expenses. I do not own any land or animals. My main source of income is money received from the cash transfer. I also collect some food from fields, after seeking the owner's permission…….I do not have a ration card, but sometimes the shop owner gives me free kerosene….*
>
> *"Cash transfer money, I use just for food. This money is really helpful. I have biscuits too. I like biscuits. Since receiving this money, I am having whatever and whenever I want. I don't have to ask my sons for help for food…..*
>
> *"Now that the money has stopped coming, I have to be dependent on my sons again. Whatever they bring, I have to do with that. There has been no kind of support from government. I do not receive an old-age pension."*

This may seem a very simple story. But it contains some salient lessons. There is a tendency among policy makers and social scientists to portray all or most Indian families as close knit and extended, over several generations and with many siblings able and willing to provide mutual support and solidarity. But by no means does everybody live like that. By them, isolated and left out of the comfort zone of family, life can be brutish. For such people, a basic income can be literally vital.

## 10.8. Concluding Reflections

This chapter has merely opened up the picture of the emerging gender dynamics due to the influx of a basic income and its combination with SEWA involvement. In general, the conclusion is positive, in that women have benefited relatively and absolutely.

SEWA undoubtedly enabled women to become more like financial citizens, and given the absence of an equivalent Voice organisation oriented to men, one may conclude that women fared better than men in some respects, particularly in ease of access to formal banking facilities due to the greater informality and accessibility of the SEWA Cooperative, and the lower costs of obtaining loans or credit from that body. By organizing and bringing women together it creates a pressure on local Government to perform.

In tribal villages, receiving a basic income could be expected to lead to a certain sense of empowerment for families in general, since it liberated cash-strapped tribal families from the need to go into debt and be obligated in many ways to more powerful forces. But women seemed to have benefited relatively and absolutely, having more involvement in economic and social decision-making and having better access to healthcare and, in the case of adolescent girls, more access to secondary schooling. Above all, the basic incomes gave elderly women and disabled women greater social citizenship and greater economic citizenship. That is surely something to celebrate.

## Chapter 10: Women's Status and Empowerment

*"For distributive justice, social or collective voice is essential, alongside a system for enhancing individual rights. Basic security is hard to envisage unless the vulnerable in society have their voice to represent them, in challenging alternative knowledge and to bargain on their behalf. Imagine a society in which no organization was allowed to represent anybody in their dealings with others. The strong would tyrannise through their presence, while the weak would see shadows in everything they did."*[151]

### 10.1 Introduction[152]

This is an important chapter from SEWA and UNICEF's point of view, although gender issues figure in every part of this report. In this chapter, we want most of all to see, first, whether or not the payment of individual basic incomes to men and women separately influences the decision-making process in ways that affect women positively or negatively, and second, whether the presence of a women's Voice organisation, in the form of SEWA, notably affects outcomes for the better.

Some questions relating to these aspects were included in the Interim Evaluation Survey (IES) of both pilots, and more details were covered by the Final Evaluation Survey (FES). In addition, there were detailed questions in the Post-Final Evaluation Survey (PFES). The resultant data are richin potential for future research. Here we will do little more than paint a picture of the main effects, leaving it for subsequent research on the data and case studies to provide a more profound analysis.

It is worth beginning by reiterating that there are four fundamental features of this pilot project that provide women with potential advantages, which are not found in many social policies. First, the payment of money was *individual* – given to women as individuals. The key question then becomes whether or not the woman retains control over it.

Second, the amount was *equal*, the same for men and women, which actually made it automatically progressive in gender terms, since the average income or earnings of women was lower than for men, so that it was worth more for women. As such, it automatically acts to reduce gender-based inequality. Again, the key question then becomes whether or not the woman retains that advantage.

[151]G.Standing, Beyond the New Paternalism (Verso, London, 2002)

[152]Special thanks are due to RamyaSubrahmanian for ideas for this chapter and for her contribution to a workshop held on the subject.

Third, if they are mothers, the women received the basic incomes of their children, giving them greater control, potentially, over spending decisions for and on behalf of their children.

Fourth, and critically, the basic incomes were *unconditional*. It is insufficiently appreciated or emphasised by evaluations that in practice conditional schemes are inequitable as far as women are concerned, since almost invariably they make behavioural demands on women that are not made on men. It is the women who have to make sure the children attend school and go to clinics. CCTs can easily lead to more "feminisation of responsibility and obligation".[153] This can produce deplorable intra-family dynamics that are rarely given the serious attention they should be given.[154] However, the key question raised by the unconditionality applied in these pilots is whether or not women do take rationally good decisions in such circumstances.

So, in particular, conditional cash transfer schemes make demands on the time of women, above all when entitlement is based on participation in particular programmes. Too often evaluations of conditional schemes claim they are successful because they result in improved access to resources without recognising the potentially negative consequences of the extra time demanded from the women.

### 10.2. Empowerment and Citizenship

There is a veritable industry of studies on women's "empowerment", with a number of competing, if not conflicting, definitions and measurements. In this chapter, we simply cannot do justice to that literature, and will not try. Some scholars have differentiated between empowerment and agency, others between empowerment, agency and well-being.[155] Note that Ibrahim and Alkire listed 32 different definitions mainly around "agency, autonomy, self-direction, liberation, participation, mobilisation and self-confidence".[156] One other aspect that should be included is *accountability*, the ability to hold institutions to account.

For our purposes, suffice to state that the following sections examine women's empowerment, which may be summarized as transformative changes in individual consciousness and capabilities. We further look at women's citizenship rights within the villages, with citizenship being expressed through the exercise of civil, social, cultural, economic, financial and political rights.

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[153] Sylvia Chant, cited in M.Molyneux, *Mothers at the Service of the New Poverty Agenda: Progresa/Oportunidades, Mexico's Conditional Cash Transfer Programme*, Social Policy and Administration, Vol.40, No.4, 2006, p.440.

[154]For example, suppose a woman 'fails' to make sure her son goes to school and as a result the family loses the conditional cash transfer, thereby further impoverishing the family. This intensifies the stress for the mother and creates a potential situation of abuse by father or husband or both.

[155] A.M.Golla, A.Malhotra, P.Nanda and R.Mehra, "Understanding and measuring women's economic empowerment", International Centre forResearch on Women, 2012.
http://www.icrw.org/publications/understanding-and-measuring-womens-economic-empowerment

[156] For a fairly exhaustive review of the definitions, see S.Ibrahim and S.Alkire, "Agency and Empowerment: A proposal for internationally comparable indicators", OPHI Working Paper Series, Oxford, 2008.

It will try to make that relevant to the specific circumstances of women in the general and tribal villages. And it will do so through the device of conceptualising "citizenship", the ability of women to be equal to men with regard to specific decision making and actions.

### 10.2.1 Empowerment and Voice

Empowerment and the exercise of rights derive from *individual* resilience and from *collective* strength, the latter being the capacity to exercise resilience and undertake action as a group when perceived as necessary. It may be said that empowerment is the outcome of changes within the individual and of shifting relations within families, whereas exercise of rights depends on opportunity structures in communities and the wider society. These are often mutually reinforcing with empowerment and changing family relations often leading to assertion of citizenship rights, while new opportunities within the wider society combined with a collective voice may bring about a transformation in individual consciousness.

It is in the latter sense that the roles of SEWA come into focus. Recall that in 2011-12 at the time of the pilots, SEWA had about 600,000 women registered as members across the state of Madhya Pradesh. SEWA was set up as a body for advancing and defending women's entitlements as workers. But it soon became a body for advancing and defending women's social, cultural, civil, political and economic rights in general.

Once women organize and mobilize, they tend not to confine themselves to labour issues, but become more aware of their denied rights as citizens. Community citizenship and community mobilization became part of SEWA's organizing agenda. Women in urban slums have organized for access to water and toilets, while rural women have been demanding that and access to forests and public land to collect firewood, fodder and minor forest produce. Even during the course of this pilot, there were documented struggles and successes in many villages across the State.

SEWA believes in the joint action of struggle and development and helps its members to form co-operative organizations in order to pool their resources and be able to compete in the markets with more powerful entities, and has promoted more than a hundred co-operatives. The savings-and-credit co-operative in MP (*Swashrayee Mahila Saakh Sahakarita Maryadit, called the 'SEWA Co-operative)* is particularly active in Indore district where the pilots were implemented.

So, in short, SEWA exists as a general association for social struggle for women's rights and as such could be expected to have a series of independent effects on women's agency and status. The broad hypothesis was that its presence would increase the positive effects of the basic incomes on a broad range of issues.

### 10.2.2 : Identity as a sense of self

Most women in India, particularly those in villages, do not have an identity separate from their household. They are generally known in relation to their 'head of household', as wife, daughter or daughter-in-law, or in relation to their children, as mother or grand-mother.

This may sound normal. After all, everybody is partially defined by their relationships to others. But it is the degree to which a woman's personality and self-perception are submerged in the norms of traditional relations that is so suffocating and debilitating. Emancipation is ultimately about having a separate set of identities, understood by the woman herself and by others in their dealings with her as a human being.

The idea of identity involves four dimensions – as an individual, as someone within the context of a family or household, as someone participating within the public community and as a worker in workplaces. When commentators refer to women's *invisibility*, they really mean that they lack identity and citizenship – the capacity to be an individual with equal rights – in all or most of those respects.

What the pilots were trying to do was to see whether the basic income, particularly when combined with membership of SEWA, enabled women to develop a greater sense of empowerment and a broader identity. To return to our overriding theme, it was about enhancing women's sense of emancipation, while helping in capability development and enabling women to participate in economic growth.

Another way of putting the challenge is to postulate the desirable and optimal situation as where men and women enjoy equal *citizenship rights*. Citizenship has several dimensions – financial, civil, social, cultural, economic and political. It is about rights in all these respects. Just as men and women of different classes and castes have to struggle to obtain and maintain equal rights with their equivalents in other social groups, so women in general have to struggle for equal rights, as individuals, within their households and wider families, and outside in various public spheres, including workplaces.

This is partly a struggle within the mind, requiring an escape from a subordinated consciousness that stems from generations of diverse forms of oppression. No single policy or institutional change by itself could be expected to break that psychological barrier to emancipation. All one could hope is that they would begin to do so.

### 10.2.3: Within the Family

A person's identity is closely tied up with the relations within the family, with an individual's sense of self being formed in childhood. In India, women's low status starts as soon as she is born, with the sex ratio at birth being 904 girls born per 1000 boys according to the 2011 census. Although across the world more boys than girls are born, the ratios are abnormally low in India. In most countries of the world (other than South and East Asia), the ratio is much higher. In the United Kingdom, for example, 952 girls are born per thousand boys.

The structural discrimination continues with higher infant mortality rates for girls—113 girls under five per thousand compared to 104 for boys –and then to lower school enrolment, especially in secondary school and higher classes.

Girls are also married earlier, and have fewer opportunities to participate in the labour force. These figures reflect deep-rooted attitudes and beliefs within the family, where girls and women are treated as inferior to boys and men, and decision making and control remains out

of their reach. The main decision maker in the family is the 'head of household', usually a man; over 80% of the household heads in the pilots were men, with female-headed households mainly appearing with widows or when there was no older male in the family.

## 10.3. Social Citizenship

Being a social citizen means having equal rights to develop and remain a viable member of society. This encompasses the right to be born, be adequately fed, be able to go to school on the same basis as others, with as good facilities, to be able to live as healthily as others, to be able to obtain healthcare on the same favourable basis as others.

All of these are partly the result of family norms and attitudes, partly the result of social and community pressures and structures, partly the result of the design of government policies and special schemes, and partly the result of women's own consciousness, shaped by generations of stereotype images and behavioural norms and expectations.

Being a social citizen is also about having equal rights to social benefits,social services and opportunities to develop and maintain capabilities. In the pilot villages, some of the many government schemes were targeted on low-income women or on all women. The trouble was that mostremained on paper.

Social services included access to the public distribution system, to subsidised public health care, to free public schools, to anganwadis for children under five and to subsidised infrastructure in the form of water and sanitation.

Although the gender dimensions of all these have been covered in preceding chapters, this section merely tries to summarise what happened.

### 10.3.1. Eating better

In general in Indian villages nutrition for girls and women is considered less important than that for men. Women eat after the men have finished, and girls are required to serve their brothers before they themselves eat. This results in a higher malnutrition rate for girl children and a situation where women accept their lower status.

However, there is encouraging evidence that girl infants benefited a great deal from the basic incomes, and the z-score index outcomes suggested that girls experienced a greater drop in malnutrition than boys of the same age group.

The evaluation survey found that the children between the ages of seven months and five years in the basic income villages experienced a shift towards normal weight significantly more than in the control villages. The z-scores presented in Chapter 5 (Table 5.5.3) show the z-scores for girls in villages that received basic incomes, disaggregated by whether or not they lived in villages where SEWA was active. While the proportion of girls with normal weight for age increased considerably in basic income villages, the improvement observed in SEWA villages was significantly greater (from 34.1% to 61.1% - an increase of 27 percentage points) than in non-SEWA villages (from 46.7% to 66.6% - an increase of nearly 20 percentage points).

The age-factor here is relevant. At seven months most children shift to solid food and by the age of two years they begin receiving food from the anganwadi. This usually continues until they are five years old, after which they begin school. So, improved nutrition often depends on how well the local anganwadi is run. In the SEWA villages, the members and leaders became participants in making the system work better.

As one of SEWA agewans, Lakhina, reported:

> *"In our village there is lot of casteism. The anganwadi teacher was a Brahmin and she did not allow scheduled caste children in the anganwadi, so children who needed it most were deprived. I went and met the teacher and tried to talk to her. But instead of listening to me she started threatening the families in the SC locality and told them to not to complain, as she had connections with the higher-ups, she was not afraid of the SEWA workers. So in our next meeting in SEWA at Indore, I brought this up and a written complaint went to the local supervisor of ICDS. Later along with SEWA organizer and some women from the village I met the supervisor and we said that she should resolve the issue otherwise a written complaint would be lodged to the Principal Secretary of the department and the concerned minister. Hearing this, the supervisor got scared and immediately went to Jagmal Piplya and convinced the anganwadi teacher and on the next day we sent SC children to the anganwadi and continuously monitored the issue. The mid-day meal was also not cooked daily, less amount of food was being cooked and the food was not properly cooked either. With the help of the Supervisor, this issue was also resolved and I was asked to supervise the cooking daily. I ensured that the children were having enough food every day."*

There was also some evidence that girls gained parity in diets and as a result gained in relative terms. Into adulthood, there was evidence that women in general – and disabled women in particular – gained relatively in terms of access to food and in their dietary balance.

One of the reasons for better nutrition among women in the basic income villages was that they had more choice and could buy more both from the open market and from the public distribution system. Basic income households were more likely to buy grain from the ration shops than non-BI households, and SEWA-BI households were even more likely to use ration shops. (see chapter 5)

Although most families with BPL or even APL cards, do use the ration shops, they have many complaints about the quality and quantity of grain and the harassment they face. One of the reasons that SEWA households continue to use the ration shops and in fact use it more, is that SEWA mobilization ensured that some of the harassment decreased and the quality improved.

As the SEWA coordinator for Madhya Pradesh, Shikha Joshi, reported:

> *"Fair Price Shops in almost all the villages did not open on time. In some of the villages they were far away from the residents and the sisters had to face a lot of difficulties in reaching there. Fair price shopkeeper would open the shops as per their own convenience. At times people would reach the shop at the allotted time and it remained closed, resulting*

*in wastage of time and money. As they would not be able to go to work after this, it caused them a loss of the wage for the whole day. When we went to the villages women would complain. So we had a meeting in Indore with all the agewans from the villages. We wrote a letter to the Food Commissioner signed by all villagers The Food Commissioner took action against the defaulting shopkeepers and they were instructed to open the shops on time. In the village the SEWA agewans were trained to see to it that the Fair Price Shops open on time and the right quantity of food grains are distributed. Gradually there came about a change."*

### 10.3.2 Improving Health

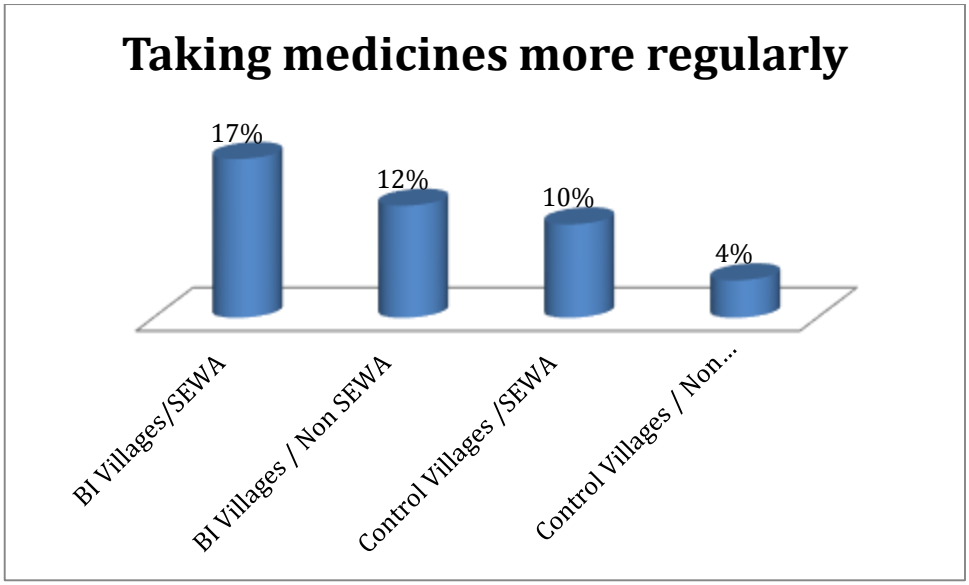
One powerful indication of the lower status of women is that when, as is the norm, there are scarce resources in the house it is customary to allocate first use of resources for the men. Illness tends to use up all the resources of a family, and so when a woman falls ill she is less likely to see a doctor and more likely to just wait out her illness.

This difference emerged in the tribal villages in responses to the relevant question. In the baseline, when the respondent was asked what form of medical treatment was first taken, 22% of women in GhodaKhurd said that they tried "home remedies", whereas only 8% of men said that.

However, by the end of the year at the time of the FES, this had changed significantly, with less than 2% of the women saying their first option was home remedy. Like the men, they too went to the local medical practitioner or to the private or Government hospital. This should be seen as a step towards empowerment, even though there was still a difference, since more women were receiving medical advice from the chemist shop, while men went to a doctor.

The combination of women getting some cash and being a member of SEWA results in some important changes in their care of the health of the women. Households belonging to basic income SEWA villages said that their health had improved, some of them have increased their private care (see Chapter 6), but the suggestion of a SEWA effect was especially visible in the more regular use of medicines.

**Figure 10.3.1: General Villages: Regularity of taking medicine**




Source: MPUCT FES, 2012; n=2035

As far as health and healthcare are concerned, the chief beneficiaries seem to have been disabled women, who were able to use their basic incomes to have greater priority in access to treatment and medicines. This is a group that is too often neglected.

### 10.3.3. A More Educated Future

The Government of Madhya Pradesh was the first to pass a Right to Education Act, which ensured primary schools within near each village. The government funds public secondary and high schools near most villages. This type ofschooling is practically free, and in addition children receive a mid-day meal and Government support for uniforms and books. Yet the lamentable fact is that traditionally girls' enrolment in school drops sharply relative to boys at secondary school level, that is, after age 13.

There are a number of reasons for this. First, parents complain that teachers do not come in time, or leave early or sometimes do not come at all. Even when they are present, they do not teach properly or discriminate against girl children. Second, there is sometimes not enough infrastructure; schoolrooms are too small or in some cases do not exist at all. Third, some secondary or high schools are too far for the children to walk from the village,while there is often no proper transport. In such cases, girls' education is commonly discontinued. And finally, many families do not value education for girls and rather than spend money on educating them would prefer to marry them off early.

However, a major difference that the basic income made was to induce families to send their girls to school. While only 36% of girls in control villages were enrolled in schools at the secondary level, nearly 65% of girls of the same age cohort were going to school in BI villages at the time of FES (Table 7.5.1). The enrolment levels of girls in SEWA villages which received basic income was significantly higher than any other group.. Further, expenditure on schooling of girls was decidedly higher among households receiving the basic income, more so among

households in SEWA villages (Table 7.3.4). However, it was still lower than the amount spent on sending boys to school.

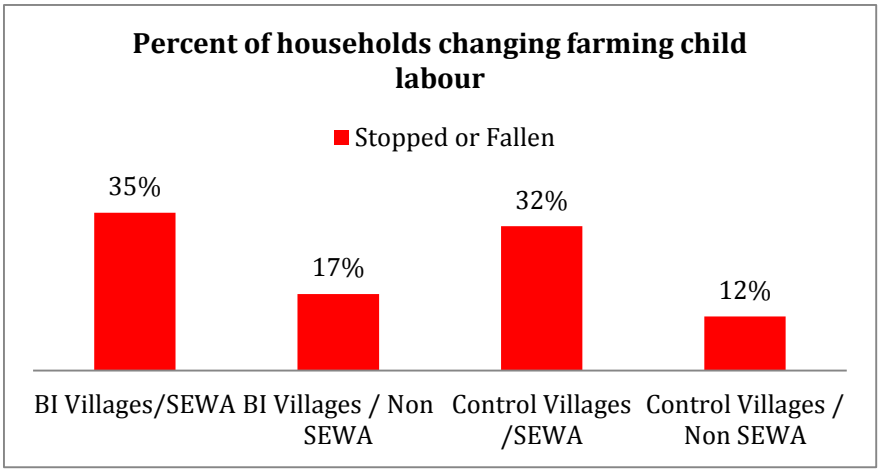
Noteworthy differences were observed in schooling variables between villages getting basic income and the control villages. The joint effect of voice and basic income resulted in increased enrolment especially among girls, and in a better attendance record, resulting in less absenteeism, among both boys and girls.

This change may be attributed to the individual cash transfers. Parents tended to feel that the children's transfers should be used for the education of the children.Of course, this did not happen in every family, but did so in enough to cause a significant change in enrolment and attendance figures among adolescent girls. In the SEWA villages, an additional factor was awareness campaigns carried out by SEWA and the mobilization to improve quality of Government schools.

In the village of Dhaturia, for example, the teacher himself did not come to the school and he had engaged one young person on his behalf, to which he paid Rs. 1000 per month. The teacher used to come once in a month and obtain signatures on the attendance register by visiting each and every household. On getting this information, a written complaint was sent to the Education Department, which transferred the erring teacher. SEWA agewans suggested that the young person who had been appointed by the teacher should apply for the job full time. As a result, he obtained the job, the school started functioning regularly and the children also started going to school on a daily basis once more.

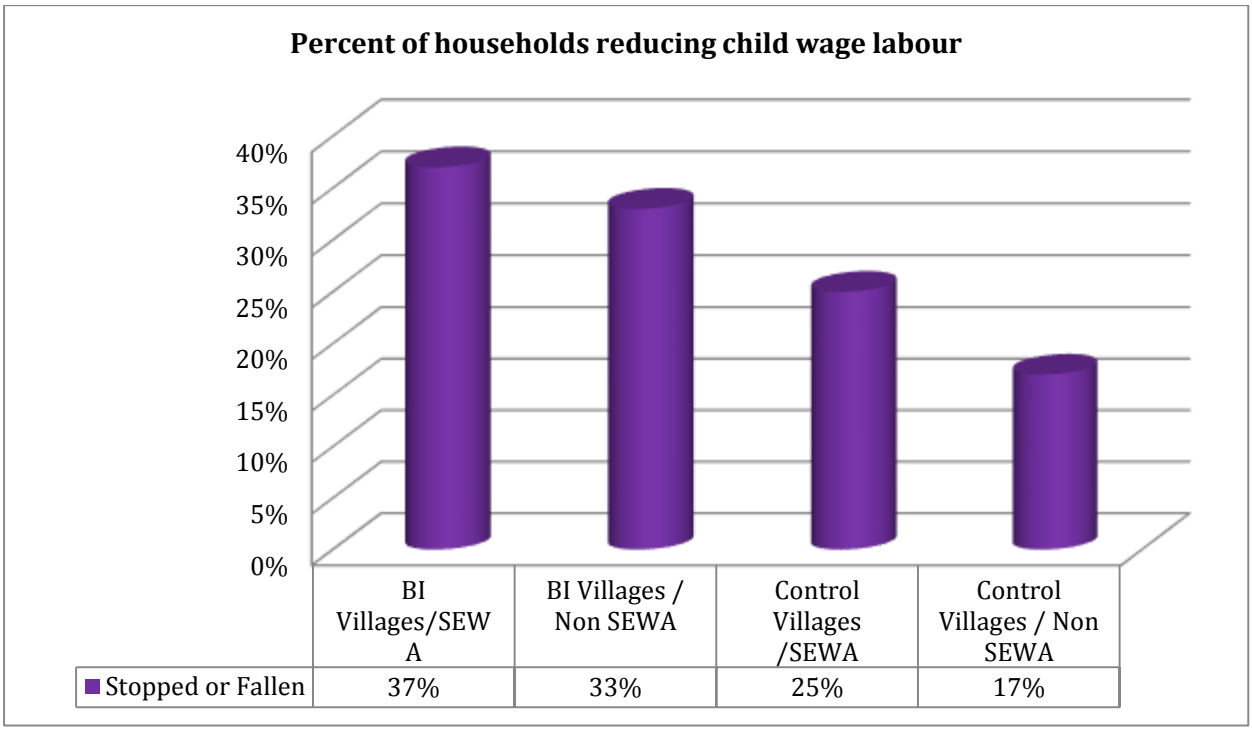
The emphasis on sending children to school also helped reduce the incidence of child labour in the village. Households where children went out to labour began sending their children to school and where children were working on their own farms, the level of work expected from the child reduced or was completely stopped. As the two figures below show, child labour came down in villages that received basic income transfers, and also where SEWA was active. In short, the basic income effect was enhanced by the SEWA effect.

**Figure 10.3.2: General Villages: Percent of households changing farming child labour**




.Source: MPUCT FES, 2012; n=155

**Figure 10.3.3: General Villages: Percent of householdsreducing child wage labour**




Source: MPUCT FES, 2012; n=135

## 10.4. Becoming a Financial Citizen

To be a financial citizen is to enjoy the rights of having access to financial services on an equal footing to others around you. Financial citizenship is an under-estimated part of society. Increasingly, the financial sector shapes economic, social and even political structures and exclusion from accessing finance curtails the exercise of other citizenship rights. Although access to financial systems is a de jure right of every citizen, the financial structures across the country have ensured that poorer villagers and most women are unable to access these rights de facto.

In 2012, across India only 59% of all households had any bank account and only 54% of rural households had one. Where a family had an account, it was usually in the name of the man or 'household head'. According to the RBI and World Bank, only 26% of all these bank accounts belong to women and only 14% of Indian women had a bank account.

Implicit in the project was a question whether the basic income would enhance women's *financial citizenship*. Recall that the larger pilot required recipients to open a bank or co-operative account, and so it almost imposed a need to develop a financial identity. During the first few months of the pilot,separate bank or co-operative accounts were opened for all men and women. It inevitably involved teething problems, but financial citizenship was an implicit objective.

In this regard, the SEWA impact in the area of financial inclusion was relatively strong. This was partly because SEWA directly provided a range of financial services through its Co-operative, and partly because having an "account of her own" was something a woman could control as an individual, allowing her to make decisions and have an identity outside family and other traditional norms.

### 10.4.1: Individual Identity through Financial Inclusion

As will be recalled from chapter 3, during the course of the first year of the pilot bank accounts or co-operative accounts were opened for all individuals. The most difficult part of opening a bank account is the "Know Your Customer" (KYC) requirement of producing an identity proof and a residence proof, and it is more difficult for women to establish a separate identity outside the family. The involvement of SEWA is captured well by the oral statement made by Ramabai, who described herself to the case study team as a garment stitcher:

> *"My neighbour brought me to a meeting in SEWA; it was the first time that I had come to a meeting. We were asked to introduce ourselves and I was struck dumb, I could not say my own name. You know, in our families no one calls us by name. My mother in law calls me "bahu", my children call me "mother", and other family members call me "bhabhi". I had almost forgotten my name! And anyway, in my father's house my name was Leela, after marriage my name was changed to Ramabai. Now when I stand up and say my name in meetings, I feel a change has come over me."*

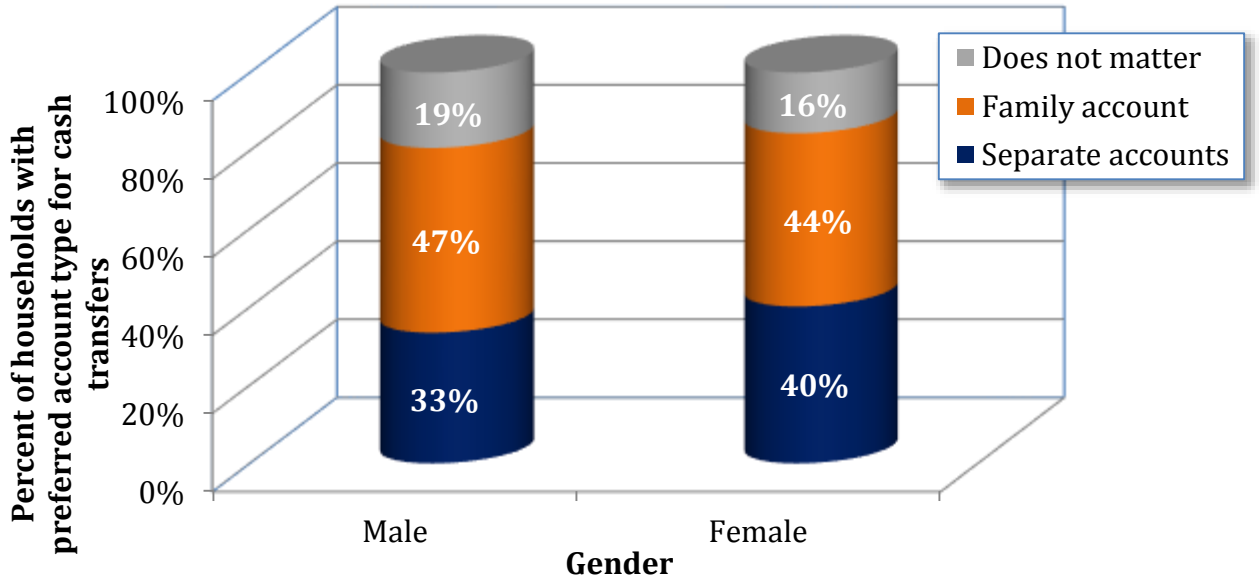
This sense of a named identity is taken for granted by most people in urban areas, but in a tradition-bound rural context it can represent a personal breakthrough with life-defining ramifications. The combination of that involvement with a sudden ability to have an independent source of money is surely likely to be powerful and easily underestimated by outsiders who, understandably, might think only of the one factor.

One objective of those wishing to roll-outcash transfers across India is to extend financial inclusion through inducing more rural and low-income people to open and use bank accounts. Awidely-heldview in policy circles is that there is resistance to opening bank accounts, from the banks themselves as well as from poorer sections of society, who supposedly find banks difficult to use. Indeed, in November 2012, it was reported that at least four State governments said they could not operationalize direct cash transfers because of difficulties in opening bank accounts.

In that context, a basic income could be a trigger for action to open accounts that could be of more general benefit for villagers. Within a few months of the start of the pilot, almost all adults had accounts. In SEWA villages, the number of women having savings accounts before the project started was relatively high, because long before the project, SEWA had mobilized women in villages where they worked to open savings accounts with its Thrift Credit Cooperative. Before the pilot started, only 63 women in non-SEWA villages had a bank account, although 305 in SEWA villages had one. But within a few months, 1,660 women had opened accounts, meaning that financial inclusion had been rapid and extensive.

Opening individual accounts required carving out an independent identity. Controlling and operating an individual account leads to empowerment.Recall that respondents were asked whether they preferred a family or individual account. Fewer women preferred a family account—40% as compared to 47% of men, whereas more women were likely to prefer an individual account.

**Figure 10.4.1: General Villages: Preferred account type for Basic Income, by gender of respondent (% of households)**




Source: MPUCT FES, 2012, n = 925

The question on whether the money should be given to the household head or the individual yielded a similar pattern of responses, with over 42% of women preferring individual transfers compared to 34% of men. An equal number, about 18%, said it did not matter.

Being a member of SEWA seemed to have an effect as women in SEWA households indicated a preference for separate payments, while those in non SEWA households were more likely to prefer payments to the head.

**Table 10.4.1: General Villages: Recipient of Basic Income, by Gender and Village Type**

| | | Each adult separately | Household head | Does not matter |
|---|---|---|---|---|
| SEWA | Women | 43% | 38% | 20% |
| | Men | 35% | 49% | 15% |
| Non SEWA | Women | 41% | 43% | 15% |
| | Men | 32% | 50% | 18% |

Source: MPUCT FES, 2012, n = 938

Women in all strata tend to be structurally disempowered. But changed circumstances could move them to action. Women in richer households were no exception. There was considerable inequality in the pilot villages. A few households owned large tracts of land, had big houses and businesses in the city. Some of these refused to take the basic income, saying it meant nothing to them. However, within a few months the women in such households in one village contacted the team to say they wanted to open accounts and wanted the money even though it was modest. 'We have enough material goods', one said, 'but we do not own anything ourselves, not even a bank account. It is a small independence for us.'

To complete the picture, we asked the respondents whether they preferred their basic income monthly or as a lump-sum every three months. Women were more likely than men to prefer the monthly payments and in SEWA villages, a majority of women preferred the monthly payment. It is a desire for liquidity that is revealed in that pattern of responses, but women tend to make smaller purchases, more often, as compared to men.

**Table 10.4.2: General Villages: Cash Intervals Preferred, by gender and type of village**

| | | Monthly | Every three months | Does not matter |
|---|---|---|---|---|
| SEWA | Women | 54% | 26% | 20% |
| | Men | 38% | 43% | 19% |
| Non SEWA | Women | 40% | 46% | 14% |
| | Men | 36% | 47% | 17% |

Source: MPUCT FES, 2012, n = 938

## 10.4.2: Dealing with Financial Institutions

Another dimension of financial citizenship is the ease or otherwise of dealing with the financial institutions. It was shown in chapter 3 that most men and women had initial difficulties, but that overall the difficulties were not insurmountable.

SEWA's role was important here, because women who could open a Co-operative account had more choice than those who had a bank account. Bearing in mind the high illiteracy among women, fewer women using the Co-operative had difficulty in opening accounts, with only 30% saying they had difficulty, compared to 56% who had difficulty in doing so with a bank.

While most women were able to deal with banks without difficulty, some did have difficulty. Nearly 60% of those said the main difficulty they faced when they went to withdraw or deposit money was an inability to fill forms. Many relied on other customers or brought along literate family members; just over a quarter said bank staff helped them. By contrast, most illiterate women using the Co-operative said staff helped them fill out forms.

Women also had easier access to the SEWA Co-operative. Due to the Coop's visits to villages, 86% of women in SEWA villages used their account frequently, compared to only 44% of women who had a bank account in non-SEWA villages. At the time of the FES, almost all respondents who had SEWA accounts said they had no difficulty in withdrawing money,

whereas nearly a third of women who had bank accounts said they faced some difficulty. Problems included being told to come back later, being told that money had not arrived in their accounts or being told that they had to maintain a minimum balance, even in no-frill accounts.

**Table 10.4.3: General Villages: Main difficulty with the Bank or Co-operative, 2012**

| | | BI SEWA | | BI Non-SEWA | |
|---|---|---|---|---|---|
| | | Male | Female | Male | Female |
| | | % | % | % | % |
| 1 | Unable to fill forms | 35.6 | 12.3 | 45.9 | 57.3 |
| 2 | Waiting in queues | 32.7 | 46.2 | 23.2 | 15.0 |
| 3 | Bank far from residence | 13.2 | 4.4 | 10.8 | 11.3 |
| 4 | Loss of wages | 1.0 | 4.0 | 2.1 | 2.7 |
| 5 | Other | 3.9 | 2.0 | 2.0 | 5.5 |
| 6 | None | 13.2 | 31.2 | 16 | 8.2 |
| | Total | 99.6 | 100.1 | 100 | 100 |

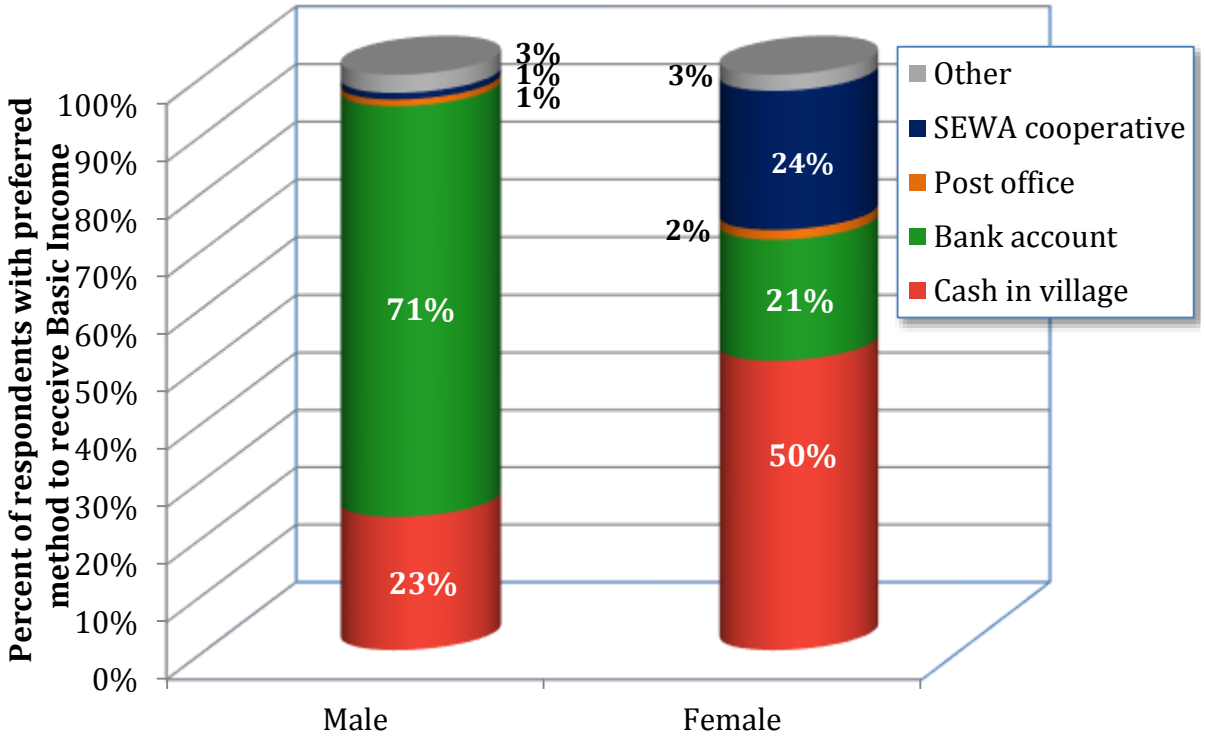
Source: MPUCT FES 2012, n=921

The picture was partially captured by the experience ofMaanguben, who worked mainly as an agricultural labourer:

> *"The Cooperative comes to my village twice in a month and we can withdraw or deposit our money. The banks are far from our village. So, we have to walk 3 kilometres to reach the point of 'Tata magic' [private bus] and then go to the bank. It takes lots of time and money in travel. The bank staff do not behave well. My husband has an account in the bank and, without checking in the computer, they tell him that the transfer money has not come. Also, we always have to ask other customers for help in filling the withdrawal form. But with SEWA the staff helps us. The Cooperative also provides us with loans on very low interest rate, minimum documents and repayment in monthly instalment. It is our Co-operative. It believes that we, the poor, will repay the loan, and of course, we will."*

Actually, after 18 months of experience of receiving the basic incomes mainly in bank accounts, 50% of women and 23% of men still preferred the option of having the money delivered directly in cash form. From their point of view, receiving it that way would have cut out the transaction costs, in terms of time and money of going to a bank to obtain their money.

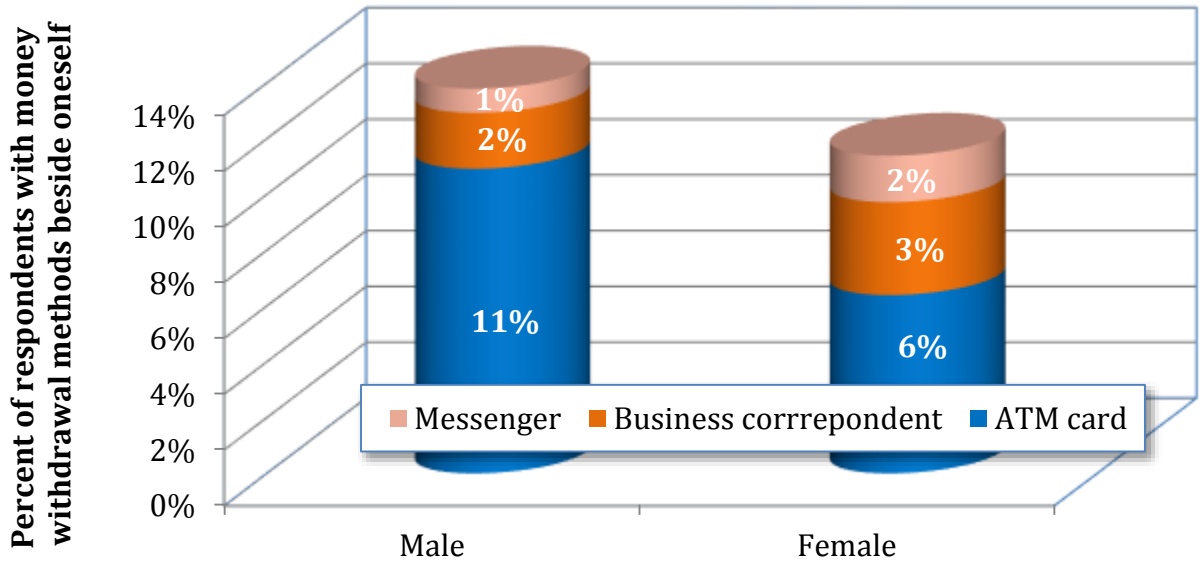
**Figure 10.4.2: General Villages: Preferred method of receiving Basic Income, by gender**




Source: MPUCT PFES, 2012, n = 706

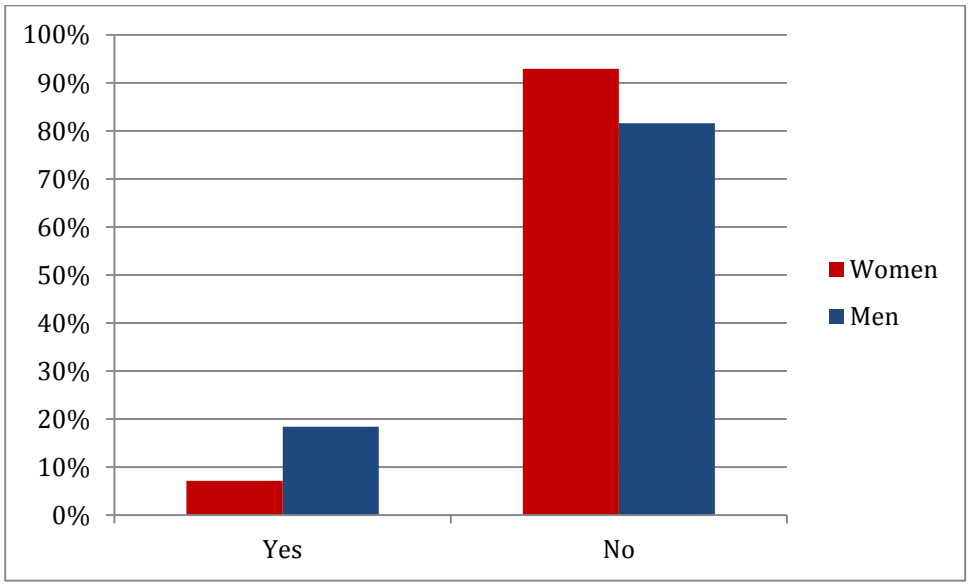
One of the reasons why people do not prefer banks is that for all their financial dealings they have to travel to the bank branch, which is often a waste of time and money. Very few people are able to use other forms of cash deposit or withdrawal. In spite of the Reserve Bank's focus on business correspondents less than 3% of the respondents actually used them. However, an encouraging trend is the use of ATM cards, with 11% of men and 6% of women using them.

**Figure 10.4.3: General Villages: Use of methods besides direct applications for withdrawing basic income, by gender**




Source: MPUCT PFES, 2012, n = 708

**Figure 10.4.4: General Villages: Knowledge of an ATM, by gender**




Source: MPUCT (2012) n=2030

## 10.4.3: Financial Inclusion through Savings and Credit

From the earlier analysis, we know that basic income households were more likely to save. But equally important is the *form* of savings. The most common forms in India are keeping cash in 'the home' and purchasing gold or jewellery. But as we saw earlier, the basic income induced many households to shift to saving in banks or the cooperative.

In the FES, respondents were asked about the form of saving. Among basic income households who saved any money, 53% said they saved in a bank, compared to 30% of control village households who saved. A typical situation was that of Ramkayabai, a woman in the Boyi caste:

> *"I put the money back in my account. I have saved the money for the past 4 months. My husband and I are vegetable vendors. We leave at 4 am each morning in the milk van to Indore. We go to the market, buy vegetables and sell them at various places in the city and return home. I want to save my money so that I can use it to set up a shop. I was to have a settled shop in one place instead of changing places each day. It is so difficult to walk around all day. Each day I buy vegetables worth 1500 to 2000 Rupees. We stay until the stock is completely sold and only then return home. Sometimes we return after 8 pm. It costs 15 Rupees by share-auto rickshaw to come from Indore to Malibadodiya."*

In effect, the basic income contributed to a securitisation of saving, a benefit in terms of security if one accepts that savings in banks are more secure and so more valuable. The basic income boosted savings directly by providing more money and indirectly by inducing more financial inclusion.

In the evaluation surveys, saving was considered as a *household* activity but also as an individual one. Women now had their own accounts and were able to save individually. Women often hid savings from other family members and used them for purposes that the household head might not approve. Sangeeta Chouhan, an anganwadi worker, said that she wanted her daughters to study and be independent, although that was not a part of the household plan. She said,

> *"We did not plan for my daughters' studies because there is not enough income. The girls know about the cash transfer, but they never ask for this money. However, I wanted to spend it only on them. I had to do it quietly. I have two accounts, one opened for the cash transfer in Bank of India and the other in State Bank of India as an Anganwadi worker. I withdrew the money in my Bank of India account and put it in my State Bank of India account. This is because when my husband saw the Bank of India passbook, he demanded that money. So to save it, I used to take it out and put it in my other account; and with the help of this money, my daughter did a Beauty Parlour Course. Now she can start her own beauty parlour in Indore. This course cost 5,000 Rupees and I used the cash transfer money to pay for it."*

Being part of the financial system enabled more women to borrow at reasonable rates of interest. But even if they have bank accounts, women are less likely to obtain loans from financial institutions as they do not own assets and so cannot offer security. Banks have no incentives to offer them loans, and, although Government stipulates that a certain share of loans must go to women, it is just 5%. Alternate forms of financial institution—self-help groups, micro-finance institutions and co-operatives—empower women more. As shown earlier, loans through the SEWA Co-operative increased economic opportunities and choices.

## 10.5 Becoming an Economic Citizen

Being an economic citizen is about being able to practise the work one wishes to undertake and to decide on how to develop oneself through work, labour, education and leisure.

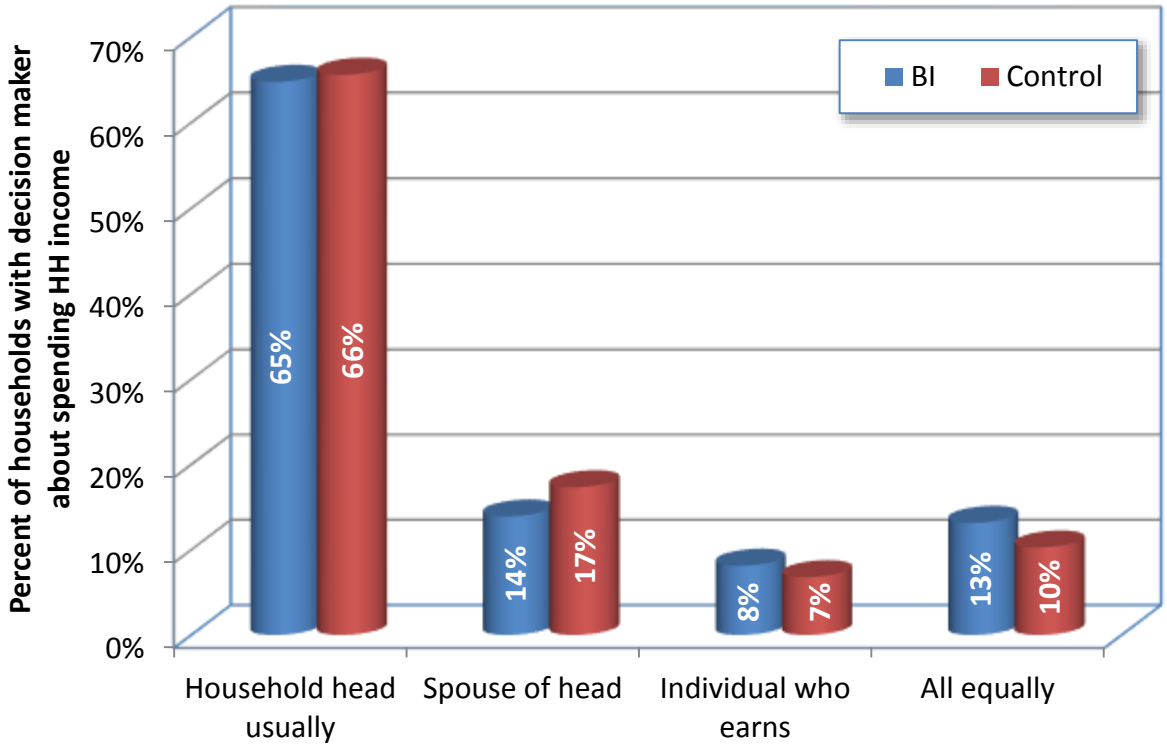
We can consider five aspects of economic citizenship – consumption spending decisions, economic activity and forms of work and labour, asset formation (notably productive assets), debt reduction and savings behaviour.

### 10.5.1. Consumption Decisions and Resource Sharing

Economic citizenship starts inside the home, with an understanding of power and control within a family. Control may be revealed by, first, how intra-family resources, including money, are allocated, second, on how decisions are made, and third, what degree of support is given to meet individual needs or foster opportunities. If all or most decisions on spending are taken by others, such as the husbands or fathers, then one should be inclined to presume that the woman's status as an economic citizen would be weak at best.

Although these are hard to measure, several proxy indicators of intra-family decision making were considered in the evaluation surveys and case studies. In general it is the household head who usually makes the decisions on household spending, and there is not much difference between the basic income and control villages.

**Figure 10.5.1: General Villages: Usual main decision maker on spending household income, by village type (Percent of households)**

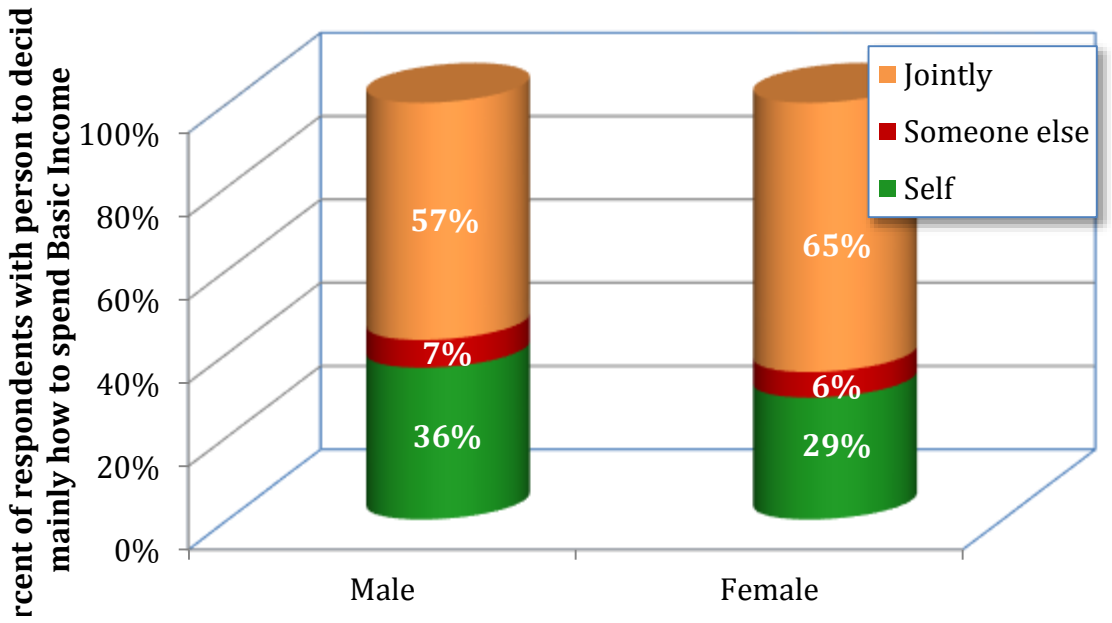



Source: MPUCT FES, 2012, n = 2024, Chi-Square = 8.648**

However, in the basic income villages there was a perception among the women, that decision making about expenditure of basic income was more equally shared. 65% of women thought the decision making on expenditure was taken jointly, compared to 57% of the men.

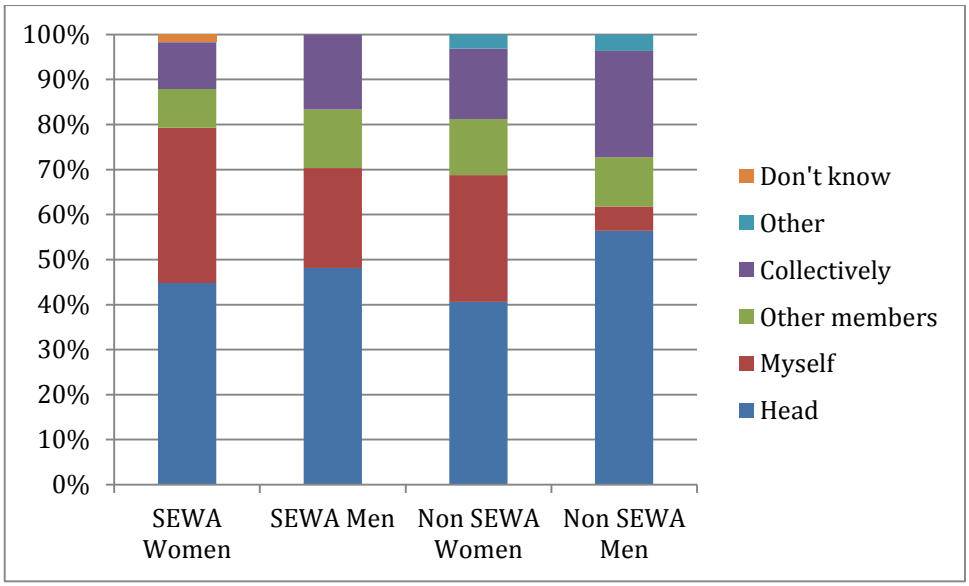
The empowerment effect of both the basic income and SEWA is seen in the decisions on pooling of the basic income received. Although it refers only to those who reported that they pooled the basic income money it suggests a degree of democratic decision making in households, rather than complete male domination. In SEWA villages women were more likely to make the decision to pool than in non-SEWA villages, but overall 34% of the women said that they themselves had made the decision to pool, as compared to 20% of the men, who felt that decisions were made by others or collectively.

**Figure 10.5.2: General Villages: Main intra-family decision-making on spending Basic Income, by gender of respondent**




Source: MPUCT PFES, 2012, n = 705

**Figure 10.5.3: General Villages: Main decision-maker on pooling basic incomes, by gender and type of village (% of households that pooled money)**

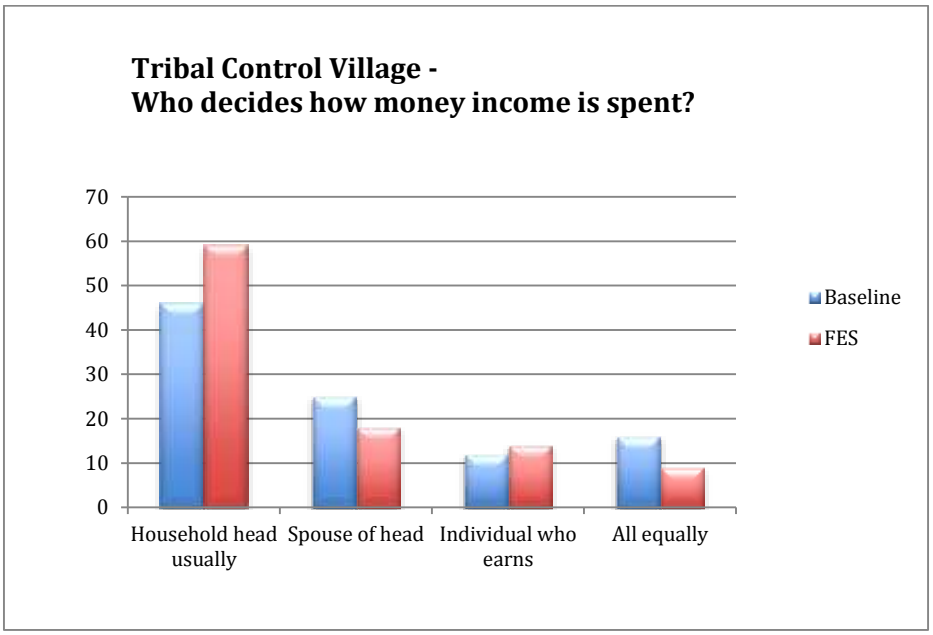


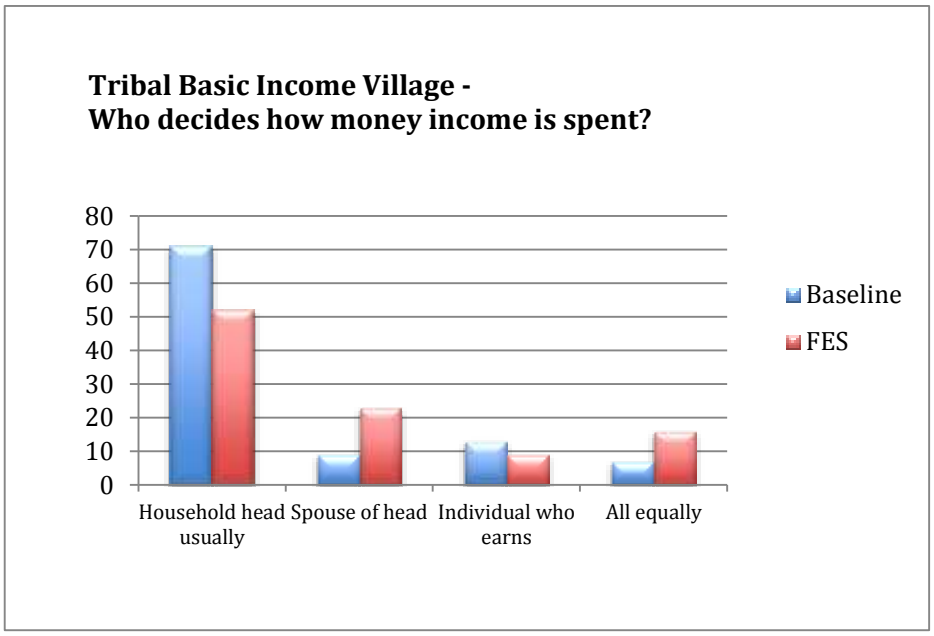

Source: MPUCT FES, 2012, n = 262

Another way of looking at the decision-making dynamics was taken in the tribal villages. Between the time of the baseline before the pilot began and the end of the pilot one year later, in the basic income village there was a perceptible shift from a strong norm of the household head deciding on how income was spent to a weaker norm and a relative shift towards equal decision making, decisions by the individual himself or herself and the wife (Figure 10.5.5).

In the tribal villages, the evaluation survey questionnaire included a question on who made the decisions on using the money income which accrues to the family. In the baseline, 71% of respondents said that it was the household head, whereas by the end of the year only 52% said the household head. The change within the basic income households as compared to the control households was highly significant statistically. Over the year, some respondents felt that decision making had shifted, with decisions being made more equally or even by the spouse rather than household head.

**Figure 10.5.4: Tribal Villages: Who decides how income is spent?**




Source: TVUCT (2012,2013); control village: N = 179; basic income village,N=236.

Another proxy that has been used in the study is the sharing of income within the family, and whether the receipt of basic income has made the sharing of overall income more equal. The findings are positive for intra-family equity. The majority of families in the basic income villages tended to share more equally, whereas in the control villages the men tended to take more of the household income. Those who had received the basic income were much more likely to report that they were sharing earnings, with 54% of basic income families saying they shared earnings equally compared to 39%in the control group. This represented a clear gain for women.

The shift occurred in all social groups, including the poorest, notably among scheduled tribe households, where 60% of basic income families shared compared to just over 40% of the control group. Among the better-off general (upper) castes, 63% of basic income families shared equally, compared to just over 30% of the control families.

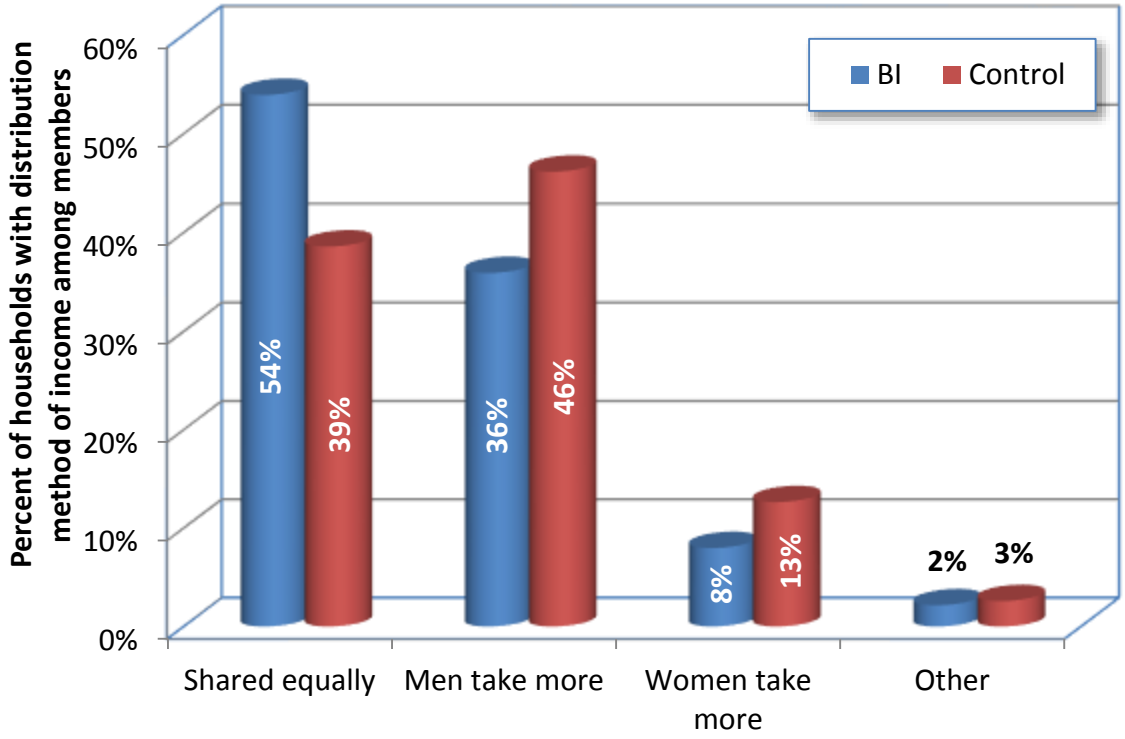
Women who earned an income were more likely to say that family earnings were shared. But regardless of that, the basic income made a difference. Over 50% of non-earning woman who received it said that all earnings were shared in the family, as compared to under a third of similar women in the control group. Evidently, the basic income strengthened women's voice on domestic finance, especially among those who were previously not able to contribute income to the family. As one woman, Harlibai, a labourer from the Bhil tribe, put it:

> *"'We use the cash transfer money mainly on food, then on health, and on clothes if any money is left. There is a lot of change happening in our family, in terms of food and health aspects. Now even the children are well aware of the cash transfer. We have had discussions about it with all the family. Everyone asks questions."*

Respondents were also asked whether the basic income had changed their role in decision making within the family. Roughly the same number of men and women, over 60%, thought it had enabled them to have more influence on household spending. One might interpret this as reflecting the fact that the increased availability of money enhanced their ability to make consumption decisions rationally.

What is encouraging from a gender equity perspective is that most women thought decisions on spending their basic income were shared within the family. It appeared to have tilted decision making in the direction of gender equity.

**Figure 10.5.5: General Villages: How household income was shared, by village type (Percent of households)**




Source: MPUCT FES, 2012, n = 2010.

## 10.5.2. Economic Activity

There are several dimensions of economic activity to consider when assessing women's economic status. As shown in chapter 8, women who had received the basic income increased their labour and work relative to women who had not, particularly in the tribal village where women's labour participation increased by 16%, while it scarcely changed for men.

One reason for the increase in women's income-earning activity was simply more opportunity, where the role of SEWA in mobilizing became relevant. This may even have extended to access to public works. According to one SEWA coordinator:

> *"In our village, we all have MGNREGA job-cards but no work has come to the village. After we started getting the cash transfer we were discussing and thought we should apply for work. So we all got together and applied. Fifteenpeople got some days of road construction*

*work, 15 got work making hedging and 15 got work under the Kapildhara [well-digging] scheme, but in all it was not many days."*

A much more important reason is that many women had increased own-account activity. While casual labour was uncertain, involved hard manual work and paid women less than men, own-account work gave them more control of their time and production. The shift to own-account work was particularly significant in the tribal village where the share of women doing it rose from 40% to 60%, while in the control village it actually shrank.

One reason for the shift was that small-scale and marginal farmers were able to farm their land. They used the basic income to buy seeds, fertilizers and other inputs. The presence of SEWA freed them from exploitative money lenders, allowing them to borrow at reasonable rates. The results were amazing. The share of women whose primary activity was farming almost doubled, rising from 39% to 66%. This was a much greater increase than for men. This was both emancipatory and developmental, helping boost work and economic growth.

Usually, small-scale tribal farmers with about three bighas cultivate soya-bean for sale and wheat and maize for consumption. But as they lack capital to purchase inputs, they must borrow at very high interest. So, traditionally many left the land fallow, migrating for labour rather than take the risk of farming.

**Table 10.5.1 Main occupation of women in Tribal Villages (Percentage distribution of responses)**

| | Baseline | | FES | |
|---|---|---|---|---|
| Occupation | Basic Income | Control | Basic Income | Control |
| Farmer | 39.1 | 34.8 | 65.7 | 33.3 |
| Wage Labour | 55.4 | 56.5 | 25.4 | 50.6 |
| Other | 5.5 | 8.7 | 8.9 | 16.0 |

Source: TVUCT (2012,2013) n= 161; n-305

Actions to break this debt cycle, or that offered loans at lower interest rates, helped to disrupt a structural impasse. SEWA's intervention here was crucial. Apart from the fact that its loanswere usually for six months with a monthly repayment schedule, the interest rate was much lower and on a declining balance, making repayment more feasible. In the basic income tribal village, loans of up to 6,000 Rupees coupled with the basic income made a big difference to sustainable incomes.

The combination of loans from SEWA's Co-operative and the basic income seemed to prompt more cultivation. Altogether, thirty-three families opted to take loans in the basic income tribal village during the course of the pilot. As one womanincluded in the case studies, Radhabai, who had two bighas of land, put it:

> *"My husband has taken a water contract with a landlord in BassiPipri. He is away most of the time. I manage the house and also do the farming.We have some landbut don't have legal documents [patta], so we are not eligible for credit from the Farmer Credit Society. Earlier, we took loans from the moneylenders from other villages for seeds and fertilizers and had to pay 5% monthly interest. This year we took a loan of 5,000 Rupees from SEWA and are saving money due to the lower interest. With that and the basic income, we purchased seeds and fertilizer and produced 10 bori[10 quintals] of maize. We are repaying monthly, so the interest cost does not keep going up. Before, we had to repay to money lenders at one go with capital and interest, so almost nothing remained after we sold the grain. That is why we used to prefer to do labour rather than farm our own land. Now we have maize for consumption and also to sell."*

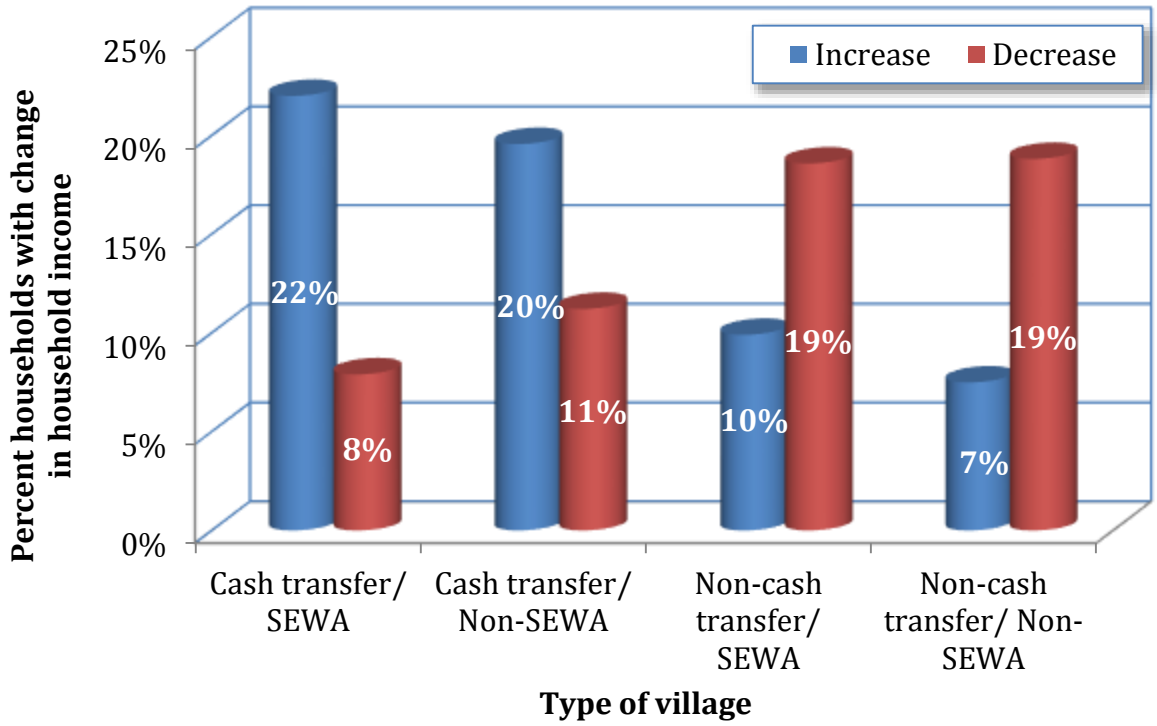
Loans for such purposes were also made in the control village, but there were fewer of them. It seems the basic income made villagers more confident in taking the risk of borrowing for production. A similar trend was observed in non-tribal SEWA villages, where a combination of the basic income and access to cheaper Cooperative credit seemed to result in more spending on farm inputs and hence an increase in income.

Beyond that, there were a significant number of households that started new business or economic activities, and the most relevant point here is that this was more common in basic income villages where SEWA had been operative for some time. Given that there was other evidence that much of the new economic activity was geared to women themselves, like new small shops and the purchase of sewing machines.

As with other aspects of the gender developments, there is a women's story and a household story here. The latter arises from the role of SEWA. Because of its lending practices and because of some educational activity, it appears that it had some positive effect on households' income earning, probably due primarily to its lending, as discussed in the following sub-sections.

The point can be illustrated by Figure 10.5.6, which suggests that while household earned incomes increased in all basic income villages on average, there was less likelihood of a fall in SEWA basic income villages and more likely to be a rise. The differences were modest, but in net terms equivalent to five percentage points.

**Figure 10:5.6: General Villages: Households with change in earned income, by village type**




Source: MPUCT FES, 2012, n = 2034

## 10.5.3. Asset formation

The links between asset acquisition and economic output and women's economic citizenship are complicated. But the data from the evaluation surveys and case studies point to a rather positive set of outcomes. The key findings of direct relevance relate to the purchase of small capital goods and construction of facilities for women to work, notably shops.

The links between asset acquisition and retention, production and women's economic citizenship are complex. But the data from the evaluation surveys and case studies point to a positive set of outcomes.

They showed that purchase of small capital goods and the construction of facilities for women to work, notably involving home-based shops. Households in basic-income villages also purchased sewing machines, with the maximum happening in SEWA villages. There was a6% increase in households owning sewing machines among basic income households, whereas the number fell among the control group. Having an asset like a sewing machine spurs the desire to start an income-generating activity.

As Laxmibai, a 43-year-old woman who was an own-account farmer and reared animals, described her situation:

*"All of us used the cash transfers to buy our own things. We bought some clothes and*

*shoes. We were thinking of buying a sewing-machine for a long time for our daughters.Now we have been able to buy one for 3,000-3,500 rupees after saving some of the cash transfer. The men's share mostly gets spent on transport fare and petrol, so all the women's share was pooled."*

Without the individual basic income it is unlikely that those sewing machines would have been bought. As 26-year-old Leelabai, the wife of a bus driver, said:

*'These men always make arguments, so that they don't have to buy a sewing machine. How feasible is your project of tailoring? Will it get you income? People will not pay for your clothes. I say, 'Why will they not pay?' Look at how much I pay to get my blouses and children's clothes stitched. But I have stopped arguing and now I am now buying my sewing machine with my own money.'*

However, as shown in chapter 8, the major shift in assets came from the purchase of livestock. Although they are household assets, in reality it is the women who spend their time and energy in looking after the animals, in collecting fodder, cleaning and milking them.

In sum, through increasing and diversifying their economic roles and through acquiring assets oriented to women as workers, there was a significant improvement in the economic citizenship of women in these villages. There was no doubt a long way to go to reach anything like equality. But the emancipation was there, while women had been enabled to contribute substantively to economic growth within these communities.

There is also a heart-warming story. Women with physical or other disabilities are among those who could benefit most from acquiring something like a sewing machine. And the case illustrated in the accompanying photograph conveys that with a precision that words themselves cannot. Here is a woman able to put her crutches aside, metaphorically and literally, who can become an economic citizen in her community.

### 10.5.4. Debt management

There are several aspects of debt that relate to economic citizenship. People who are so chronically in debt that they cannot have any economic independence obviously lack economic rights. But there is also the capacity to borrow for productive purposes, or for extra consumption. This second ability depends on credit-worthiness and on access to the means of affordable loans. In this section, we wish to highlight the latter, since the chronic debt situation was covered extensively earlier.

As shown in chapter 9, structural inequality is maintained through exploitative debt. This is debt with extremely high interest rates, debt linked to basic goods such as seeds that require double repayment in kind, debt that has to be repaid by labour at below market wages, debt that forces families into near-bondage.

Actions to break this cycle of debt, or that offer loans at lower interest rates, help to disrupt this structural impasse. SEWA, mainly through its co-operative but also by linking its members with Banks and Government programs of SHGs, has been able to reduce exploitative debt levels, and help members get loans which are productive and increase their incomes.

Usually small-scale tribal farmers with 3 or 4 bighas try to cultivate soya-bean for sale and wheat and maize for their own consumption. However, as they lack capital to purchase inputs, they must borrow – either money to purchase them or directly borrow inputs from the big landlords in the neighbouring villages. These agriculture related borrowing have very high interest rates in that once one bag of soya is borrowed from a landlord, the farmer must repay two bags; and in the case of cash, they must pay a flat interest rate of up to 5% a month. Given the vagaries of rainfall and irrigation, if there is a crop failure, the farmer is hit very badly.

SEWA's intervention here is a strategic one. Apart from the fact that SEWA loan is for six months with a monthly repayment schedule, the fixed 2% interest payment makes repayment feasible. For instance, for a loan of Rs.3,000, the repayment schedule is 560+550+540 and so on for six months. Altogether the interest that a farmer pays SEWA is Rs.210 on a loan of Rs.3,000, i.e., about 7%, as opposed to the double that they have to pay to the money lender. In the basic income tribal village, small loans of Rs.6,000 and Rs.3,000 coupled with the basic income made a significant difference to sustainable incomes.

### 10.5.5. Savings

The impact of basic income on savings has been told in detail in chapter 9. The sole point that needs to be made here is that the combination of the basic income and SEWA enabled many women to save, often with the clear intention of using savings for the benefit of their children.

The fact that in many cases they had control over the savings from their children's basic income money as well as over their own enabled them to save more than men did.

## 10.6. Civil and Political Citizenship

The other great rights and forms of citizenship are civil, political and cultural. The nature of the pilots and the data give us relatively little on these dimensions. But there are some indicators. Civil rights stem from being treated as an equal before the law. This is a matter for government. But whatever the laws might be, exercising one's claim on rights depends on having the confidence and means to do so. Having a basic income did have a positive effect on those; belonging to SEWA should have had similar effects.

Political rights come from being entitled to vote and to participate as an equal in the political, decision-making spheres of society. We have seen how the basic income induced more financial citizenship, and in doing so must have had some positive effect on the capacity to be a public person in other ways. But women suffer from lack of political rights in being frozen out of public amenities.

In some villages, women were effectively banned from using public places. The village *choupal* or square is used for meetings, or to just sit together, relax and talk. But this right is reserved for men. Women were not allowed to use the *choupal*. On rare occasions when an all-village meeting was called, some were summoned to sit at the edges. Women have to cover their faces when they go out. And higher-caste and richer women were rarely allowed to leave their houses. This changed through the basic income, especially when SEWA was involved and when women laid claim to the choupal. As a SEWA organiser described what happened in one village:

> *"I had noticed that women in Jagmal pipliya were not allowed on the choupal. Men used to sit on it, talk and gamble. We needed a place to have the awareness meeting and for the first three months we needed a place to give out cash. The sisters from the Co-operative also needed to operate. So we chose the Choupal. We started cash transfers there and women began coming. At first the men tried to stop them from climbing onto the chaupal but we sat right in the middle so they had to come. Then meetings were conducted by SEWA there and slowly the chaupalwas used by all. However, it remained a partial victory. Today, all are allowed to come when SEWA Co-operative comes to the village, but for other occasions only older women are allowed."*

There also remains a great deal of untouchability in these villages. Dalit and adivasi families are still very poor, and are ostracized by higher castes, who do not allow dalits into their houses or eat with them.

SEWA has tried to tackle this issue. Some anganwadis were not encouraging dalit children to come or made them sit outside. In one village, after SEWA intervened, all dalit children were admitted to the centre and a dalit helper was appointed, enabling them to eat food cooked by her. In some anganwadis, dalit children were made to wash their own plates. This practice was stopped when SEWA objected.

SEWA organisers also raised the issue of temples. Dalits were not allowed in the main village temples, so for opening accounts SEWA organisers sat outside the temple where there was

open space. Slowly dalit women and then men came. Some higher castes objected. But dalits came to the space and prayed in the temple itself.

Although Indian laws criminalise all forms of violence, many women have to endure violence within their homes. According to NFHS surveys (NFHS 3), 51% of women and 59% of men still believe domestic violence is justified if women disrespect their in-laws or if the husband suspects infidelity. Questions of violence were not included in the project, but anecdotal evidence suggests that SEWA helped some women to deal with domestic violence.

Finally, there is surely a right to basic amenities to ensure a disease-free life. Most villages are unclean, with garbage piling up, stagnant water breeding mosquitoes, open defecation and lack of clean drinking water. These circumstances, especially open defecation, are most harmful for women as they can only go under cover of darkness and so suffer during the day. Worst affected are older women, pregnant women and sick women. The basic income did bring about some changes, as more households invested in toilets and in drinking water. However, much of the problem is due to lack of public sanitation, and here the SEWA effect was beneficial as well, as demonstrated by what happened in the village of Malibadodiya.

In the village, Sareeta, who ran a small shop, and Maangu, who earned her living from agricultural labour, told the enumeration team that in their view the main problem in their village was lack of drainage. Dirty water collected in front of their houses or in public places, and was mixed with urine. Mosquitoes, flies, dengue and malaria were rampant. People had to wade through filthy water to travel out of the village. Sareeta said that after the basic income started, she became more active and confident and decided to make a drain in front of her house for disposal of dirty water. She made it herself, from her house all the way down to the outside of the village.

Her neighbours asked her why she was doing all that work, even implying that was only done by low-caste persons. She replied that it was for the health of her family and the village. When they had seen the effect, others began making drains as well.

Maangu said that the dirty water from their village would run downhill and collect in a hollow in front of the shop. She convinced the shopkeeper to cooperate in putting some rubble there so that puddles did not form. The collective action resulted in sand and rubble covering the hollow. But as there was still no place for the water to go it collected in other hollows. So when Annapurna, the SEWA organizer, came to the village the women went to the sarpanch, who is from another village, and on their urging, he used money from the Panchayat to put rubble all down the main path.

Still there was no proper drain, which required real investment. So again all the women in that neighbourhood went to the Sarpanch, apparently many times. In the end, he had a resolution passed in the panchayat and a request for drainage funds was sent to the Tehsil. By the end of the pilot, that had been sanctioned and the road was all dug up. It was hoped that drain lines would be laid soon.

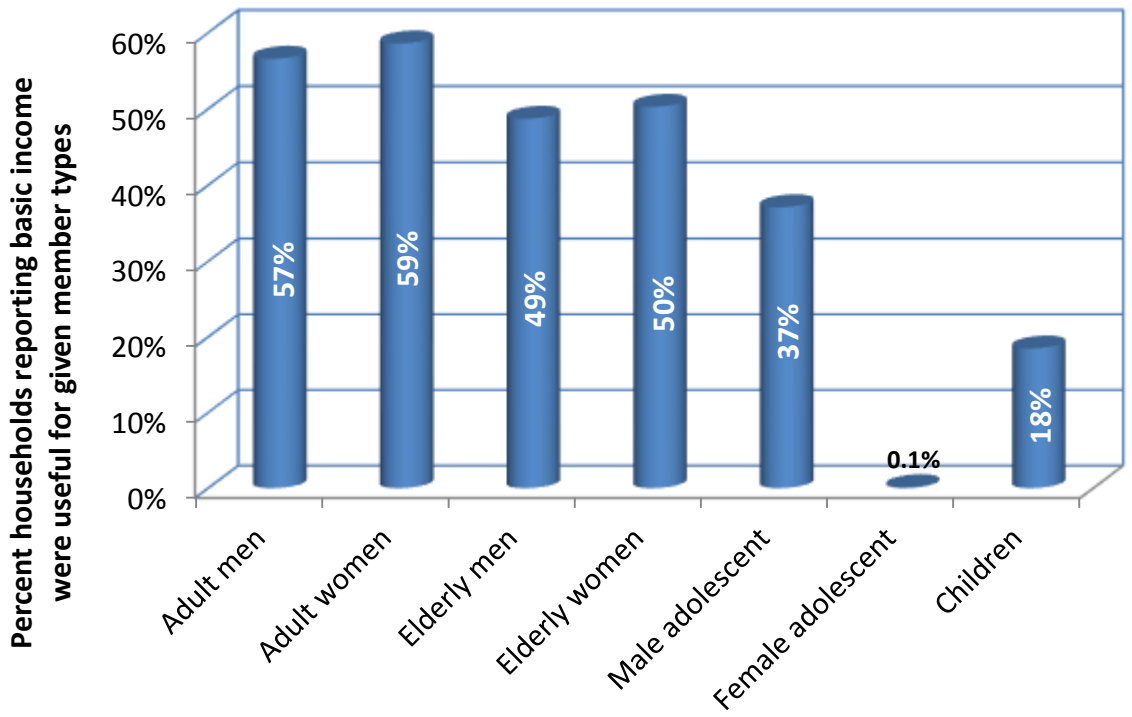
This is a powerful example of collective agency, and one can surmise that it was aided by the confidence gained by having a greater sense of individual economic and social status.

## 10.7. Who Benefitted

One of the questions asked in the PFES was who benefitted most from the basic income. It was encouraging that more households reported in the PFES that women benefited personally from the basic income more than men, although a majority of both did so (Figure 10.7.1 and Table 10.7.1).Although more respondents said that women benefited more than men, most said it was about equal Note that households were asked which members benefited most, and in many cases two or more were cited. The only disappointing point is that female adolescents did not figure at all. Also, the lower the income level, the less the apparent benefit to women (Figure 10.7.2).

More women than men felt that their personal status had improved. Some 22% of women said their status had risen, whereas only 11% of men said so. However, both men and women agreed that women's status had increased due to the basic income relative to men. (Figure 10.7.4) Both men and women felt that this was due to better food and better health care, but for women better health care was more important than for men (Figure 10.7.5).

**Figure 10.7.1: General Villages: Percent of households reporting basic income was useful for given members**



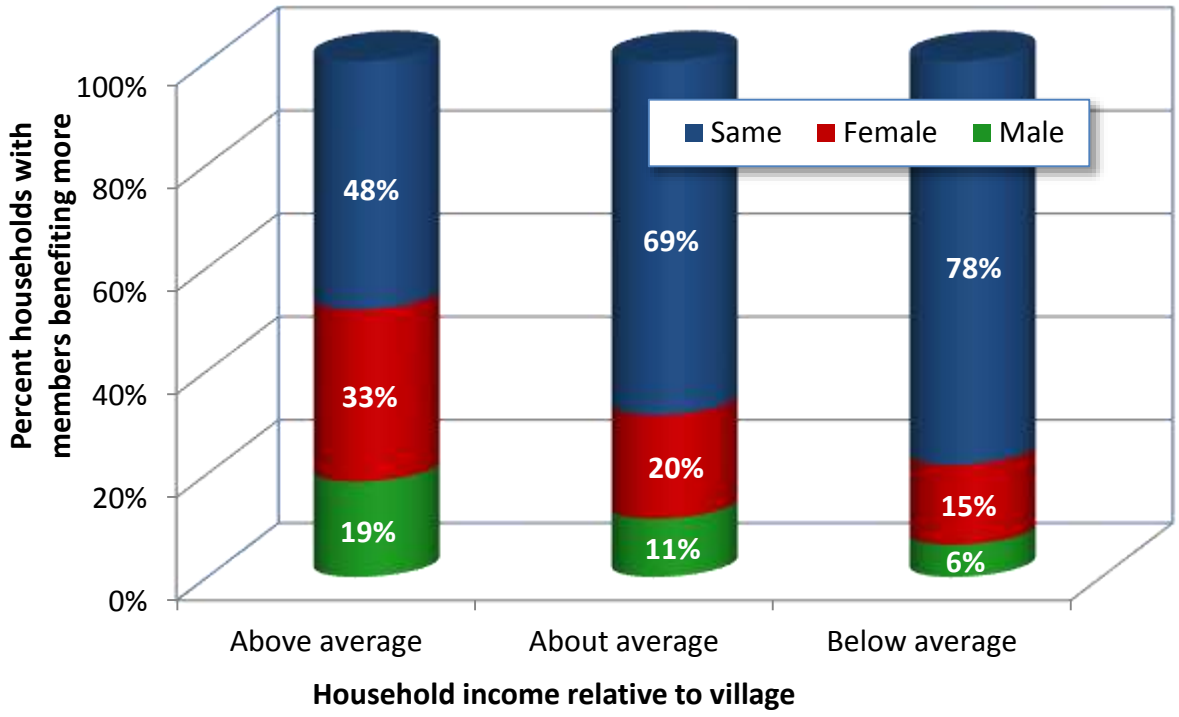

Source: MPUCT PFES, 2012, n = 698

**Table 10.7.1: General Villages: Percent of households reporting basic income useful for given member types, by village type**

| Village type / Member type | SEWA | non-SEWA |
|---|---|---|
| Adult men | 54% | 60% |
| Adult women | 61% | 56% |
| Elderly men | 53% | 45% |
| Elderly women | 56% | 45% |
| Male adolescent | 40% | 35% |
| Female adolescent | 0% | 0% |
| Children | 22% | 14% |

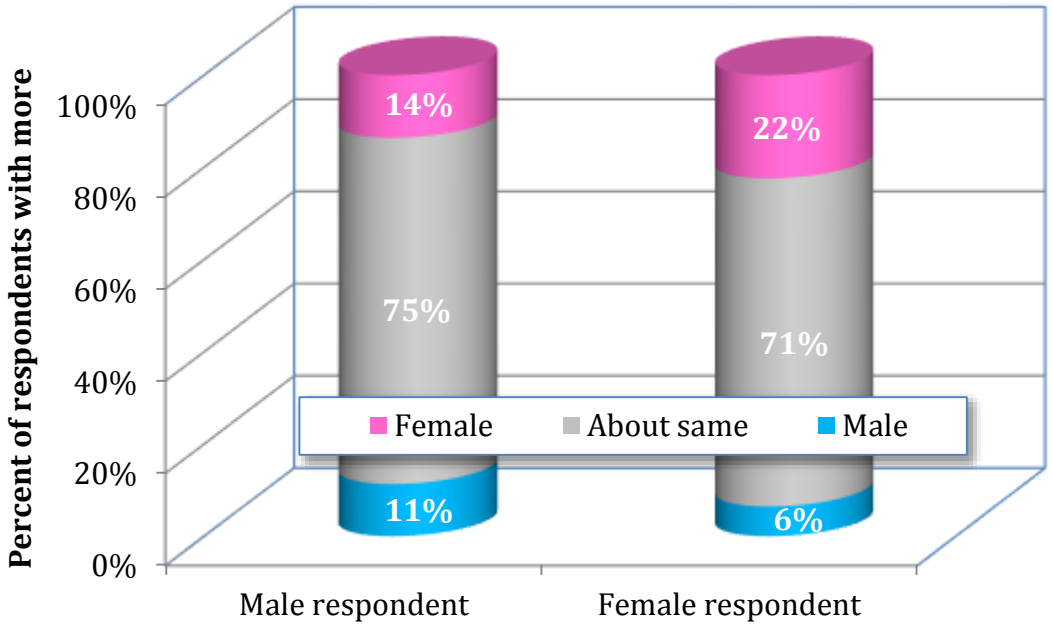
Source: MPUCT PFES, 2012, n = 730

**Figure 10.7.2: General Villages: Households saying male or female benefiting more from basic income, by household relative income in village**



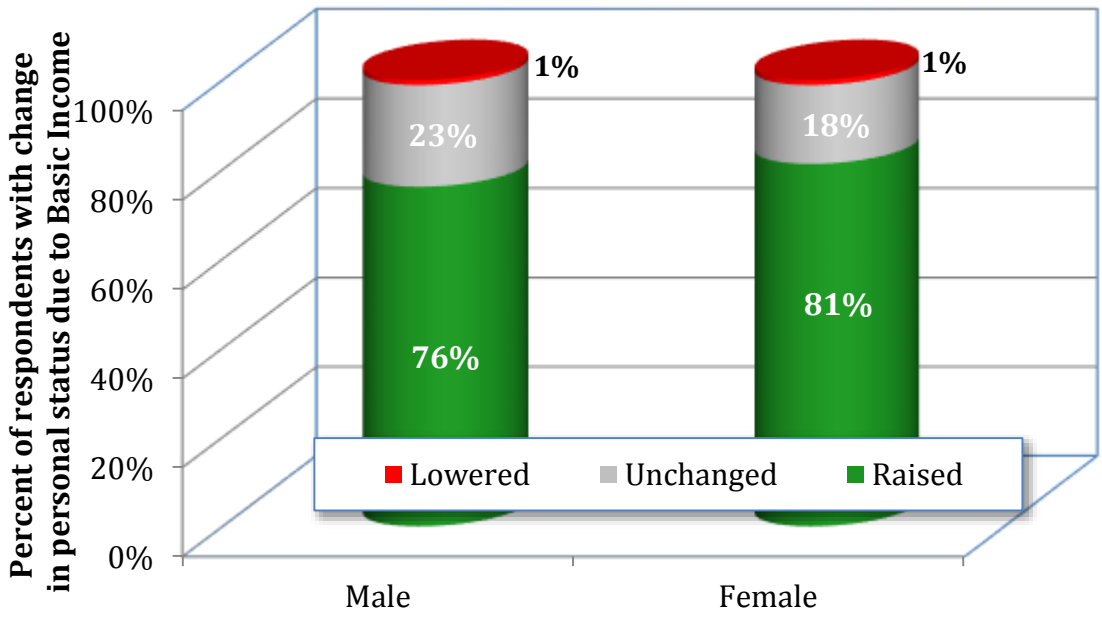

Source: MPUCT PFES, 2012, n = 691

**Figure 10.7.3: General Villages: Do male or female household members gain more from the basic income, by gender**



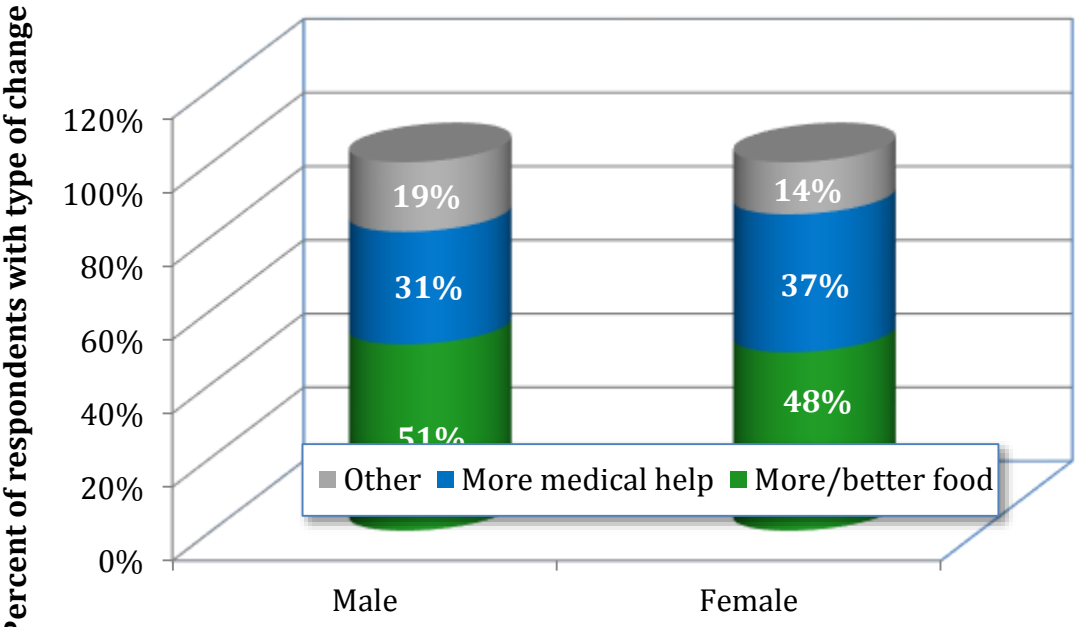

Source: MPUCT PFES, 2012, n = 702

**Figure 10.7.4: General Villages: Percent of respondents reporting change in personal status due to Basic Income, by gender**




Source: MPUCT PFES, 2012, n = 695

**Figure 10.7.5: General Villages: Main Aspect of Improved Status due to Basic Income, by gender**




Source: MPUCT PFES, 2012, n = 548

We may conclude this section with a poignant case study that pinpoints how one category of woman in particular could gain social citizenship, albeit briefly for the duration of the pilot, as a result of something as simple and transparent as a modest basic income.

Surmabai, an elderly widow, told her story to the case study team, as it happened while being interviewed during the pilot and in retrospect when interviewed after the pilot had ended. She had four sons and a daughter, all married and away from where she was residing. The first part of her story was what she said when interviewed initially, the last part afterwards:

> *"My sons provided me with my monthly ration. I live alone. My sons live separately and none of them looks after me or gives me any money. I manage my own expenses. I do not own any land or animals. My main source of income is money received from the cash transfer. I also collect some food from fields, after seeking the owner's permission…….I do not have a ration card, but sometimes the shop owner gives me free kerosene….*
>
> *"Cash transfer money, I use just for food. This money is really helpful. I have biscuits too. I like biscuits. Since receiving this money, I am having whatever and whenever I want. I don't have to ask my sons for help for food…..*
>
> *"Now that the money has stopped coming, I have to be dependent on my sons again. Whatever they bring, I have to do with that. There has been no kind of support from government. I do not receive an old-age pension."*

This may seem a very simple story. But it contains some salient lessons. There is a tendency among policy makers and social scientists to portray all or most Indian families as close knit and extended, over several generations and with many siblings able and willing to provide mutual support and solidarity. But by no means does everybody live like that. By them, isolated and left out of the comfort zone of family, life can be brutish. For such people, a basic income can be literally vital.

## 10.8. Concluding Reflections

This chapter has merely opened up the picture of the emerging gender dynamics due to the influx of a basic income and its combination with SEWA involvement. In general, the conclusion is positive, in that women have benefited relatively and absolutely.

SEWA undoubtedly enabled women to become more like financial citizens, and given the absence of an equivalent Voice organisation oriented to men, one may conclude that women fared better than men in some respects, particularly in ease of access to formal banking facilities due to the greater informality and accessibility of the SEWA Cooperative, and the lower costs of obtaining loans or credit from that body. By organizing and bringing women together it creates a pressure on local Government to perform.

In tribal villages, receiving a basic income could be expected to lead to a certain sense of empowerment for families in general, since it liberated cash-strapped tribal families from the need to go into debt and be obligated in many ways to more powerful forces. But women seemed to have benefited relatively and absolutely, having more involvement in economic and social decision-making and having better access to healthcare and, in the case of adolescent girls, more access to secondary schooling. Above all, the basic incomes gave elderly women and disabled women greater social citizenship and greater economic citizenship. That is surely something to celebrate.

## Chapter 11: Basic Income and Government Schemes

### 11.1. Introduction

One of the claims made in favour of a universal and unconditional basic income is that it's very directness and transparency means that it can relatively easily reach everybody and thus provide a source of reliable income support.

Of course, as reviewed in chapter 1, in India it would be a policy that would be entering a veritable jungle of existing schemes, most of which are *targeted* – intended only for the identified "poor" – and/or *selective* – intended for particular social groups or for people with specified conditions, such as pregnancy, old age or disability – and/or *conditional* – requiring some behaviour or action in order to gain entitlement.

There are ethical and economic arguments against targeting, selectivity and conditionality. We will not reiterate those here. Rather, we wish to determine whether the main government schemes that exist in Madhya Pradesh as actual or potential alternatives to a more direct transfer of basic incomes actually function in the way policymakers and analysts wish or claim they do.

As mentioned in chapter 1, there were about 1,200 centrally-operated social schemes in operation in India in 2013. In Madhya Pradesh, we were able to identify 321 schemes, while a paper by the State's Department of Publicity (Aagey Aaye Laabh Uthaai) concluded that there were 358. There were as many as 63 State or centrally-funded schemes specifically for women alone, implemented by 15 government departments.

Among the points to be borne in mind in assessing these policies is that Madhya Pradesh has ranked fourth from bottom of all Indian States in its per capita social sector spending. Ironically, its offshoot and erstwhile region, Chhattisgarh, tops the list. While Madhya Pradesh allocated a Plan Expenditure of 1,673 Rs. per capita on its social sector in 2012-13, Chhattisgarh allocated more than double, 3,581 Rs.[157]

And, of course, only a proportion of the planned expenditure was actually spent and only a proportion of that spending actually reached the specified beneficiaries. Madhya Pradesh spent in planned terms just 6.3% of its Gross State Domestic Product on its social sector, ranking it below even Bihar and Jharkhand.

There is evidence from inside the departments handling social policy in the State that multiple departments offer similar benefits, while some offer similar schemes to different groups. This is a recipe for bureaucratic confusion. There is a systemic lack of coordination between departments and schemes, no sharing of data and a lack of effective monitoring, control and evaluation within or across departments.

[157] Figures and conclusions in this section come from a background paper prepared for this project. Kavim Bhatnagar, "Study of Budgets of Government of Madhya Pradesh, with special reference to social protection schemes and cash transfers" (Bhopal, 2013).

So, what is most striking about the rural areas of Madhya Pradesh covered by this project is the extraordinary plethora of government schemes that are supposed to be operating. As far as we could determine, many were not operational, but in the course of the evaluation surveys and in case studies we made an effort to find out about those that were operational and to see whether villagers were aware of them or made use of them. We will start with the most fundamental of all.

## 11.2. How Ration Cards Don't Work

One of the main issues linked to a universal basic income is that most of the alternative, commodity-based or subsidy policies have made entitlement dependent on possession of one of three types of card – the Antyodaya Anna Yojana (AAY), BPL (Below Poverty Line) or APL (Above Poverty Line). And crucially it must be borne in mind that, at the time of writing, the Central Government and various State governments were planning to introduce conditional and targeted cash transfers based on targeting through use of poverty-line based criteria.


At the very least, this planned extension would be justifiable only if the poverty-line based card system worked efficiently and equitably in identifying households that should be beneficiaries, did not exclude those that should be receiving the money and was not administratively costly. We are entitled to ask whether those three conditions are likely to apply.

In an earlier empirical study, we found that in Gujarat, few of those who could be described as in poverty actually had such cards, whereas many who were not relatively poor did have one

of them.[158] The least-educated and those with least landholding or other assets had a lower probability of having a BPL card than landholders or the more educated. The first question we had to answer was whether or not something similar was the case in rural Madhya Pradesh?

The evidence is certainly not encouraging that the system was working any better there. Some revealing reports came in the case studies, as illustrated in the following box. This is a photograph of the home of Santoshbai and family, a household covered in the pilot in one of the general villages. For some inexplicable reason, the family only qualified for an APL card. There was no possible way that this could have been justifiable. And actually, all the family had received was two kilos of rice and less than that in grain, because the ration shop had a shortage of stocks. Table 11.2.1 shows what people with the different cards were supposedly entitled to receive, showing just how complicated the system has become.

**Table 11.2.1: PDS Entitlements, subsidies and rates in Madhya Pradesh, 2013**

**BPL Green Card**

[158] Standing, Jhabvala, Unni and Rani, 2010, op.cit.

| Food Item | Rate | Average Market rate[159] | Monthly entitlement | Monthly cost of rations (Rs.) | Annual entitlement | Annual cost at subsidised rates (Rs.) | Annual cost at Market rates (Rs.) | Net annual subsidy (Rs.) | % |
|---|---|---|---|---|---|---|---|---|---|
| Wheat | 3 | 14 | 30 kilos | 90 | 360 kgs | 1080 | 5040 | 3960 | 53.3 |
| Rice | 4.50 | 22 | 5 kilos | 22.5 | 60 kgs | 270 | 1320 | 1050 | 14.1 |
| Kerosene[160] | 15 | 45 | 5 litres | 75 | 60 litres | 900 | 2700 | 1800 | 24.2 |
| Sugar | 13.50 | 38 | 2.1 kilos | 28.35 | 25.2 kilos | 283.5 | 798 | 617.4 | 8.3 |
| **Total** | | | | **215.85** | | **2604.2** | **10257.6** | **7427.4** | **100** |

## Antyodaya Card Yellow Card

| Food Item | Rate | Market rate | Monthly Entitlement | Monthly cost of rations (Rs.) | Annual entitlement | Annual cost of rations at subsidised rates (Rs.) | Annual cost at Market rates (Rs.) | Net annual subsidy (Rs.) | % |
|---|---|---|---|---|---|---|---|---|---|
| Wheat | 2 | 14 | 30 kilos | 60 | 360 kgs | 720 | 5040 | 4320 | 54.8 |
| Rice[161] | 3 | 22 | 5 kilos | 15 | 60 kilos | 180 | 1320 | 1140 | 14.5 |
| Kerosene | 15 | 45 | 5 litres | 75 | 60 litres | 900 | 2700 | 1800 | 22.8 |
| Sugar | 13.50 | 38 | 2.1 kilos | 28.35 | 25.2 | 340.2 | 957.6 | 617.4 | 7.8 |
| | | | | **178.35** | | **2140.2** | **10017.6** | **7877.4** | **100** |

## APL Card: White

| Food Item | Rate (Rs.) | Market rate | Monthly entitlement | Monthly cost of rations | Annual entitlement | Annual cost of rations | Annual cost at Market rates (Rs.) | Net annual subsidy (Rs.) |
|---|---|---|---|---|---|---|---|---|
| Wheat | 9.00 | 14 | 10 kilos | 90 | 120 kgs | 1080 | 1680 | 600 |
| Rice | -- | | 0 | | 0 | | | 0 |
| Kerosene | 15 | 45 | 5 litres | 75 | 60 litres | 900 | 2700 | 1800 |
| Sugar | -- | | 0 | | 0 | | | 0 |
| | | | | | | | 4380 | 2400 |

[159] The market rate has been calculated on the basis of what the PDS-quality goods cost in the bazaar. In our pilot villages, the quality of PDS items is reported to be lower, as the wheat is two–three years old, sugar is smaller grain than normal, and rice is mostly broken (choorivala chaval). The broken rice supplied by the PDS system usually is sold in the bazaar at 26-28 rupees.

[160] The kerosene rate varies by distance from the village to the depot. The farthest ration shop charges Rs.17, the nearest charges this amount.

[161] Only sometimes, when the quota reaches the ration shop.

Consider some others who came into the case studies. Genabai, aged 52, a Bhil wage labourer, told the case worker team:

*"We don't have a ration card. So neither do we go to the control (PDS). Nor do we buy anything from there. So I have no idea of the quality of the ration. We had a ration card five years back, which was taken by the sachiv[162] to make a new one. We haven't received a new ration card so far….Our neighbours also don't get anything from the control because they do not have a ration card."*

This is a typical case of somebody losing entitlement due to a local bureaucratic decision, without any known justification. Perhaps they had offended someone. Others pay a heavy price just in the process of obtaining one. Ramesh, a 45-year-old Bhil small-hold farmer and labourer, told the case study team:

*"I have a BPL card, which was recently renewed. They took 300 Rupees for the renewal, and gave us 1.7 kg. of sugar and 2 kg of rice on it."*

Here we have something that seems to have received little attention in the social scientific research on the BPL card system, which is that it is a means of rent-seeking exploitation. Another seemingly widespread failing is illustrated by the case of Gabbulal, a 55-year-old disabled man from the Bhoi caste, who was heavily and chronically indebted. He told the team:

*"We get only kerosene from the control, with the help of an APL card, at the rate of 20 rupees a litre. We should have a BPL card. Sometimes we borrow 200 rupees from neighbours for grocery items."*

Then there was Santoshbai, aged 55, a landless labourer with three children, quite clearly very poor, who said:

*"We have no ration card, but we have to borrow for food which we pay back by labour."*

He could not afford food for his family, but did not qualify as being poor. His plight has echoes of our discussion of the role of indebtedness discussed in chapter 9. Then, we can recall the case we have mentioned earlier, that of Gameen Singh, aged 55, a landless member of a scheduled tribe, who had been a naukar for 35 years, now just surviving:

*"I have an APL card. I have debts of 30,000 rupees. I am a casual wage labourer now. The ration card has become so old and worn out that it is in shreds. I have asked them to change it and give me a new card. But they haven't."*

A bonded labourer who apparently only qualified for an Above Poverty Line card! But even those who have such cards have rather prosaic and practical problems, as the case of Rajaram, a 60-year-old landless labourer and barber from Jalodkeu village:

*"I have an APL ration card, which was given to me six years ago after a survey. It is completely torn now. I have applied for a new one. But nobody listens to us in this village."*

[162] Secretary of the Panchayat

Then there were the many reports in the case studies of how the poverty card system was not working well simply because obtaining decent quality food was denied. The Bhils seemed to suffer particularly badly. Tejubai and Nanuram, who had an Antyodaya card and who had to go four kilometres to the nearest ration shop, reported that the food bought from it was often poor, and that it took a great deal of time to clean the grain.

Another Bhil, Seema, a young agricultural labourer, commented:

> *"We go to the ration shop once a month to bring wheat, rice, sugar and kerosene. The shop keeper does not provide the items on time. And the quality of the wheat and rice we get is not good."*

So, she was making multiple time-consuming and costly trips without a high probability that the cost would be justified. That is another under-appreciated failing of the PDS. It imposes financial and time costs on those who can least afford it.

Another problem with the system, thrown up in the case studies, is that the ration shop provides just three subsidised food items, and often a family that is eligible because of their poverty just happens to grow wheat, one of those items.

We could multiply these stories from the case studies. However, for the statistically minded, a more convincing sign that the system itself was not working well is that according to the evaluation surveys only a minority of households had a poverty card in all types of village. Overall, merely 3.1% had Antyodaya cards, a percentage that did not vary much across types of household. Accordingly, in all the following figures and tables they are combined with those holding a BPL card.

Anyhow, as Table 11.2.2 shows, only a minority of those without land had a poverty card, and only minorities of scheduled caste and tribe households had them. As noted above, the detailed case studies also showed some shocking cases of deep material impoverishment where a family had no card, for one reason or another.[163]

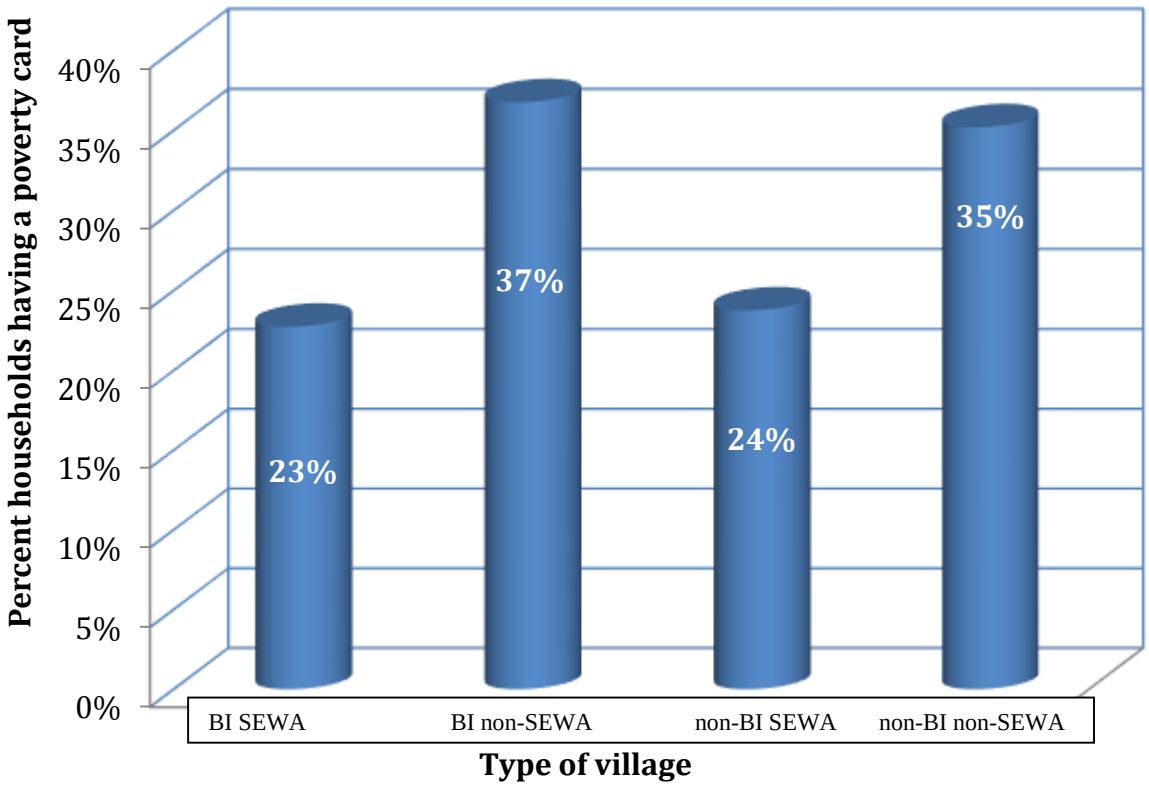
**Table 11.2.2: General Villages: Households having a BPL card, by household characteristics**

[163] In a defence of the PDS, Reetika Khera reported on a survey, considerably smaller than ours, whereby only those actually with a BPL or AYY card were asked their opinions on the PDS and cash transfers. A decision was made in that project to exclude anybody without a card. Since those denied a card are much more likely to be dissatisfied with the PDS system, excluding them gave a strong bias in favour of supporting the PDS. R.Khera, "Revival of the Public Distribution System: Evidence and Explanations", Economic and Political Weekly, Vol.XLVI, Nos.44/45, November 2011, pp.36-50.

| | Households with BPL card |
|---|---|
| **Household owns, rents or share-crops land** | |
| Yes | 22,4% |
| No | 39,3% |
| **Caste** | |
| Scheduled caste | 43,9% |
| Scheduled tribe | 47,2% |
| Other Backward Class | 21,5% |
| General | 18,5% |
| **Village type** | |
| Basic Income/ SEWA | 22,7% |
| Basic Income/ Non-SEWA | 36,8% |
| Control/ SEWA | 23,8% |
| Control/ Non-SEWA | 35,2% |
| **Income sufficient for food** | |
| Yes | 26,8% |
| No | 45,8% |

Source: MPUCT FES, 2012, n = 2034

**Figure 11.2.1: General Villages: Households having BPL card, by village type**



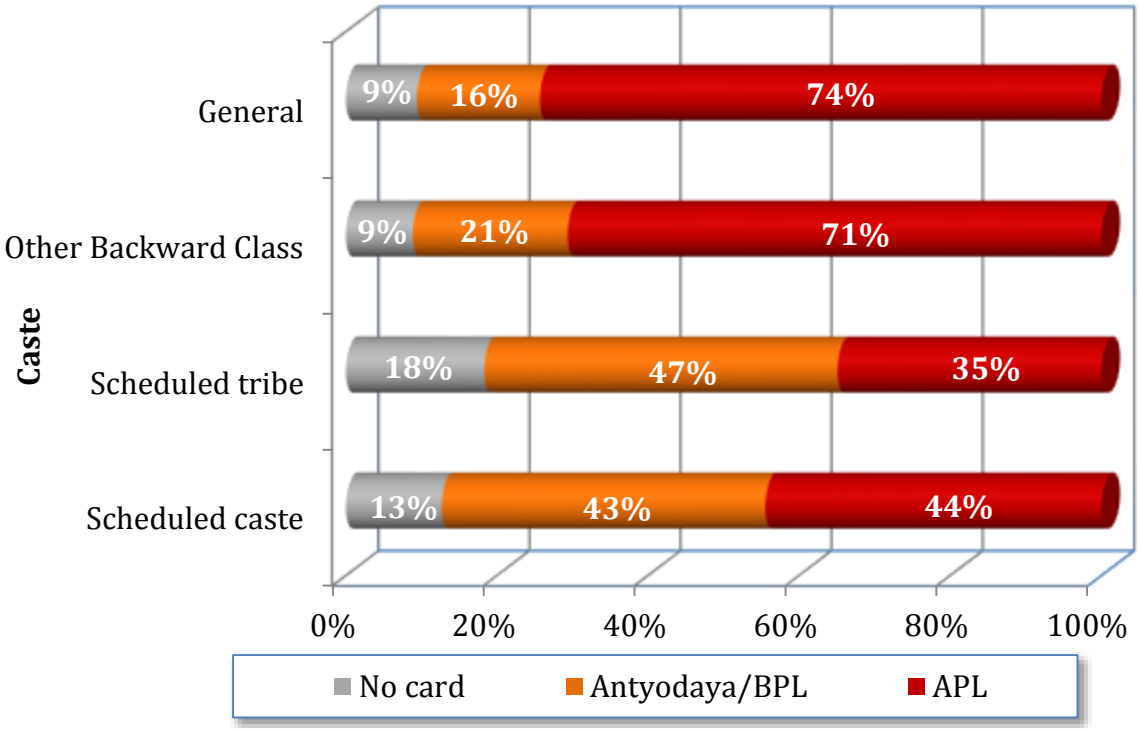

Source: MPUCT FES, 2012, n = 2034

Among the notable features of the way the poverty card system has been operating in this area is that scheduled caste and scheduled tribe households actually were significantly less likely to have a card of some sort (Figure 11.2.3). In other words, there must be a suspicion that there are institutional blockages that are regressive, in that those households are most likely to be among the most in need of assistance. This was further supported by the fact that the probability of having a BPL card did not vary much by wealth, as measured by our wealth index (Table 11.2.3).

**Table 11.2.3: General Villages: Households with BPL or AAY Cards**

| Wealth quintiles | Have BPL or AAY | |
|---|---|---|
| | No. | % |
| Poorest 20% | 158 | 38.7 |
| Second poorest 20% | 141 | 32.1 |
| Middle 20% | 142 | 37.8 |
| Second richest 20% | 116 | 28.6 |
| Richest 20% | 41 | 10.1 |
| **Total** | **598** | **29.4** |

**Figure 11.2.2: General Villages: Households with type of poverty card, by caste**

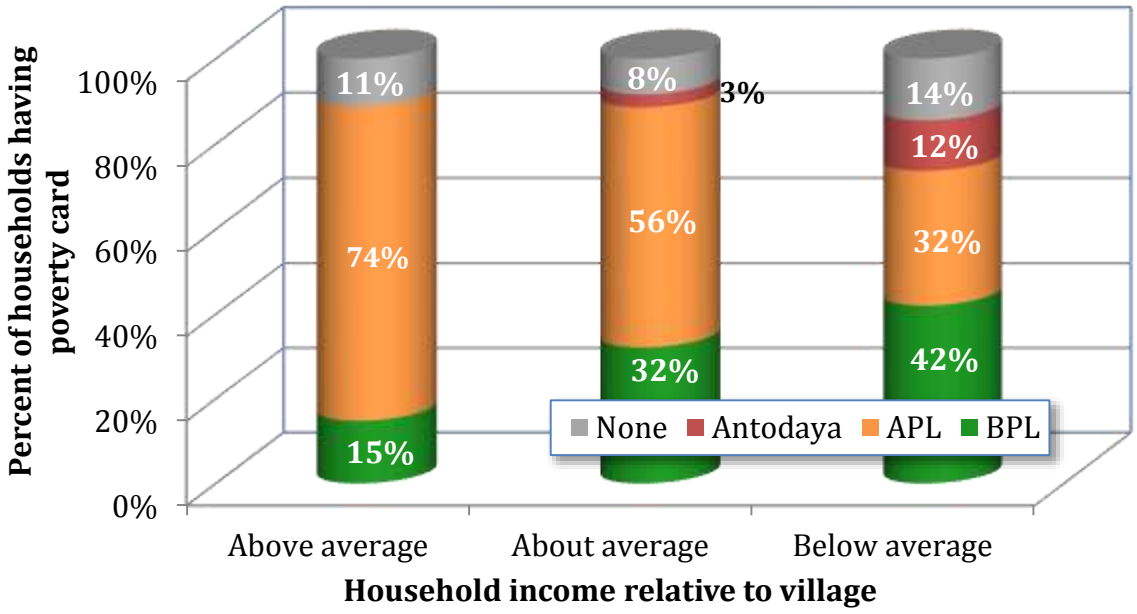



Source: MPUCT FES, 2012, n = 2034

This was backed up by the *Post-Final Evaluation Survey* (PFES). Although this was only a random sample of households in two basic income villages and was specifically designed to gather people's impressions of the basic income experience, it is notable that whereas 67.8% of the households thought they were eligible for a BPL card, 12.8% thought they were eligible for an antyodaya card, and 20% for an APL card, whereas in reality only 36.6% had a BPL card, 7.3% had an antyodaya card and 44.9% had an APL card. Over 11% had none at all.

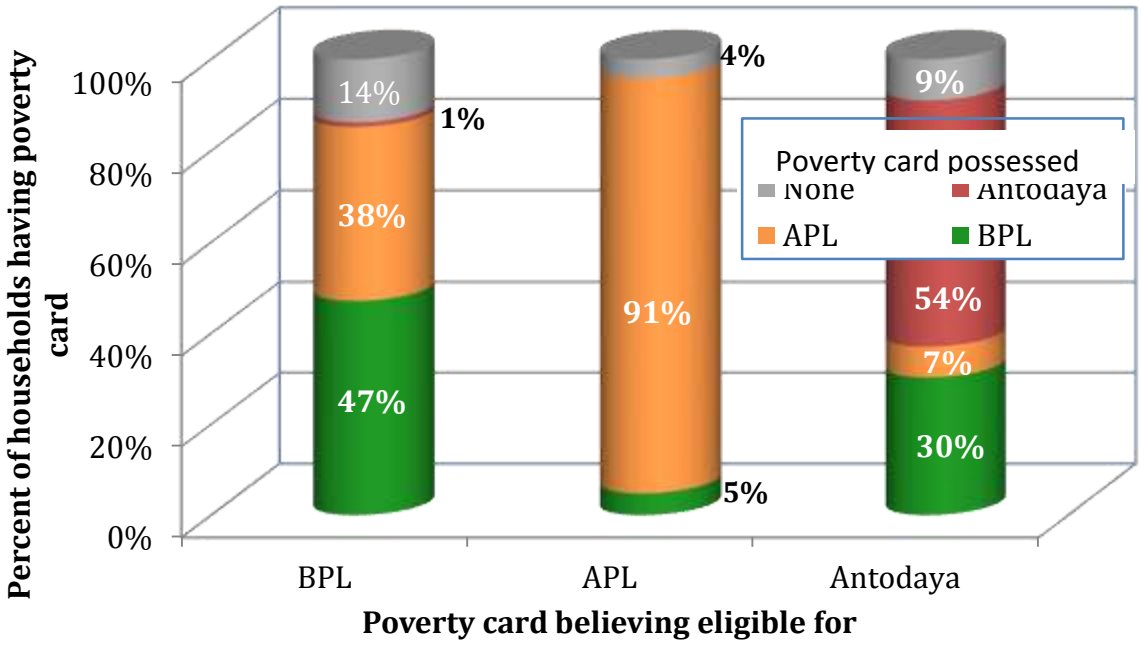
Those data add to a picture of the dysfunctional targeting system. Figure 11.2.3 adds to the picture. Drawing on the PFES, this shows that 15% of those believing their household income was above average had a BPL card, while 14% with below-average income had no card at all.

**Figure 11.2.3: Percent of households having poverty card, by perceived relative household income**




Source: MPUCT PFES, 2012, n = 698

**Figure 11.2.4: Percent of households believing eligible for poverty card, by possession of card**




Source: MPUCT PFES, 2012, n = 729

Backing that finding up, landless households were also less likely to have some card (16.9% vs. 6.9% for landholding families), although among those who actually had a card, the landless were more likely to have a BPL card than an APL card. Given the observable high level of material deprivation in the villages, it is also striking that a majority of all the households had APL cards, rather than BPL cards.

Among other intriguing points thrown up by the case studies was that different people with BPL or APL cards would often have obtained kerosene, for example, at quite different prices, implying another form of inequity. For instance, Sitabai, with a BPL card, obtained kerosene from the control shop at 16 rupees a litre, whereas someone else reported obtaining it at 20 rupees a litre.[164]

There are also the design features of the ration system to recall. Under the PDS, the subsidised wheat certainly does not cover all the requirements of the typical household. Each BPL family is entitled to 3.6 quintals a year. Since the amount of food grains provided is not linked to size of household, the ration clearly represents a smaller amount in large families, many of which tend to be among the very poorest.

Furthermore, it is ironic that wheat is the largest part of the subsidised food, since this is the staple crop of the area, and therefore the least valued. This may have contributed to the fact that to some extent wheat has become a medium of exchange, like money. However, the key points are that the PDS is regressive even within low-income households and in providing cheap substitutes for a locally produced commodity, actually acts as a deterrent to local production and farm incomes.

If wheat is a medium of exchange encouraged by the PDS itself, then those with the means to do so can purchase wheat at a highly subsidised price, store them in large containers in their dwellings – as is a very prominent feature of many dwellings in the area — and use the supposed 'food security' to make payments for other items during the course of the year.

Another feature of the real PDS as it operates at village level is that availability and disbursement are very uncertain, depending on the vagaries of supply and transport. Potential beneficiaries are expected to be ready with cash to purchase at what is often very short notice. In that regard, the cash grants have proven useful, in giving that vital liquidity.

An example came in the rainy season early in the larger pilot, when suddenly the MP government announced that it would disburse three months of rations at one go. Such a move may make sense to the local government, saving public spending. But it imposes a strain on cash-strapped village households. A year later it went even further, announcing that it would

[164] Bear in mind that the shopkeeper will often take a little extra, claiming that is to cover costs of transport, storage and so on.

disburse six months of grain in one go. Such moves put a heavy burden on low-income households, which lack ready money.

The sums involved were considerable. For example, a BPL family in that second period, in August 2012, would have needed 1,295 rupees to buy the rations, and an Antyodaya family would have needed 1,070 rupees. In such circumstances, normally such families would either have to borrow, acquire the rations on expensive credit or do without all or part of their entitlements. Here, the cash transfer grants came in very handy, and enabled many families to acquire the rations without plunging themselves further into debt.

There are many other points that should be acknowledge about the PDS system as it applied in the villages covered by the pilot. For a BPL cardholder, the subsidy on wheat came to over 53% of the market value, assuming similar quality, which is not normally the case, given that the subsidised wheat grain is often two or three years old.[165] Meanwhile, the subsidy on rice was just 14%. On kerosene it was 24.2% and on sugar 8.3%. Economically speaking, it makes no sense that the local staple food item should be easily the most subsidised, followed by the item that was often not used, as we saw in chapter 4.

As it happened, the subsidy on wheat was even greater for Antyodaya card holders, and the subsidy on sugar even lower. And, in Madhya Pradesh, the subsidy rate for kerosene varies by distance between the Kerosene depot and the ration shop, so that if a person lived nearer the price was 17 rupees, and if farther away, it was more. Such a complex scheme must engender vast costs and scope for accounting and administrative errors.

### 11.3. Subsidies versus Cash: The Villagers' Opinions

However imperfectly, the ration cards have been the avenue into subsidised food and kerosene. In the pilots, all adults were asked if they preferred to receive the subsidised items or a basic income in cash of the equivalent value.

People the world over tend to prefer the security they know over the security they might obtain from something else. In other words, the average human being tends to be risk averse. We adapt to what is known and have anxiety about what is not. This is highly relevant to assessing attitudes to basic income. If for generations, people have been receiving some modest benefits in a particular form, they are likely to cling to them even if somebody assures them that something else would actually provide them with more security, income or satisfaction. This psychological barrier to something new is well-known and rational. But it should be taken into account in assessing people's attitudes to basic income.

[165] Recall Table 11.2.1. It is scarcely meaningful that the item bringing the biggest subsidy is the one that is most commonly grown in the area. There were also reports from villagers that landlords possessing APL or BPL cards would sell them to their naukars.

In that context, it is social policy analysts have repeatedly asserted that Indian villagers prefer subsidised food to basic cash income.

> *"The most common argument for cash transfers is that cash makes it possible to satisfy a variety of needs (not just food), and that people are best judges of their own priorities. Fair enough. But if people are best judges of their own interest, why not ask them whether they prefer food or cash? In my limited experience, poor people tend to prefer food, with a gradual shift from food-preference to cash-preference among better-off households."*[166]

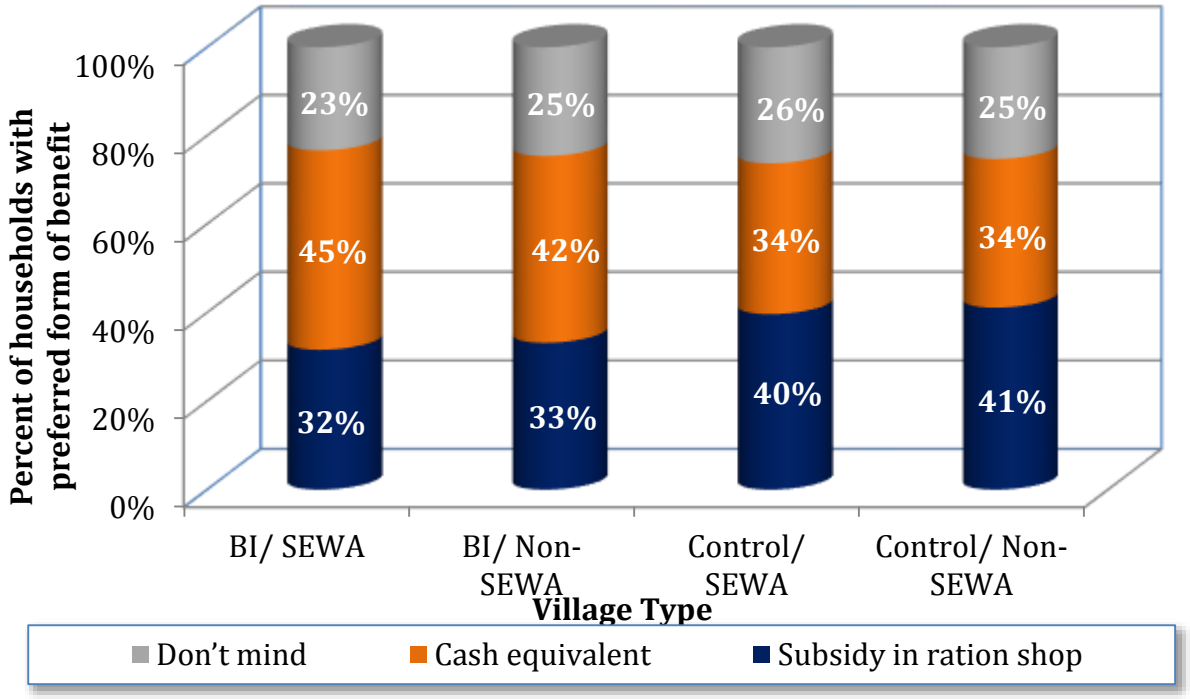
In the FES we asked the question, *"Would you prefer to have subsidised goods in a ration shop or to receive cash equal to the value of the subsidy so that you can decide what goods to buy and where, or do you not mind which?"*

The responses given in are interesting for two reasons. First, more respondents said they preferred to receive cash benefits than subsidised goods in a ration shop. Overall, the figures were 40.4% for basic incomes, 33.9% for subsidised ration shop.

Second, there were differences in attitudes between those who had received basic income and those who had not (Figure 11.3.1). Those who had experienced receipt of basic income were more likely to support basic income rather than subsidised goods compared with those who had not experienced basic income. So 44% of households preferred cash in those households which had received the basic income, while 34% of those who had not preferred cash.

[166] J.Dreze, "The cash mantra", The Indian Express, May 11, 2011. http://www.indianexpress.com/news/the-cash-mantra/788791/0

**Figure 11.3.1: Percent of households with preferred form of benefit, by village type, in General Villages, 2012**



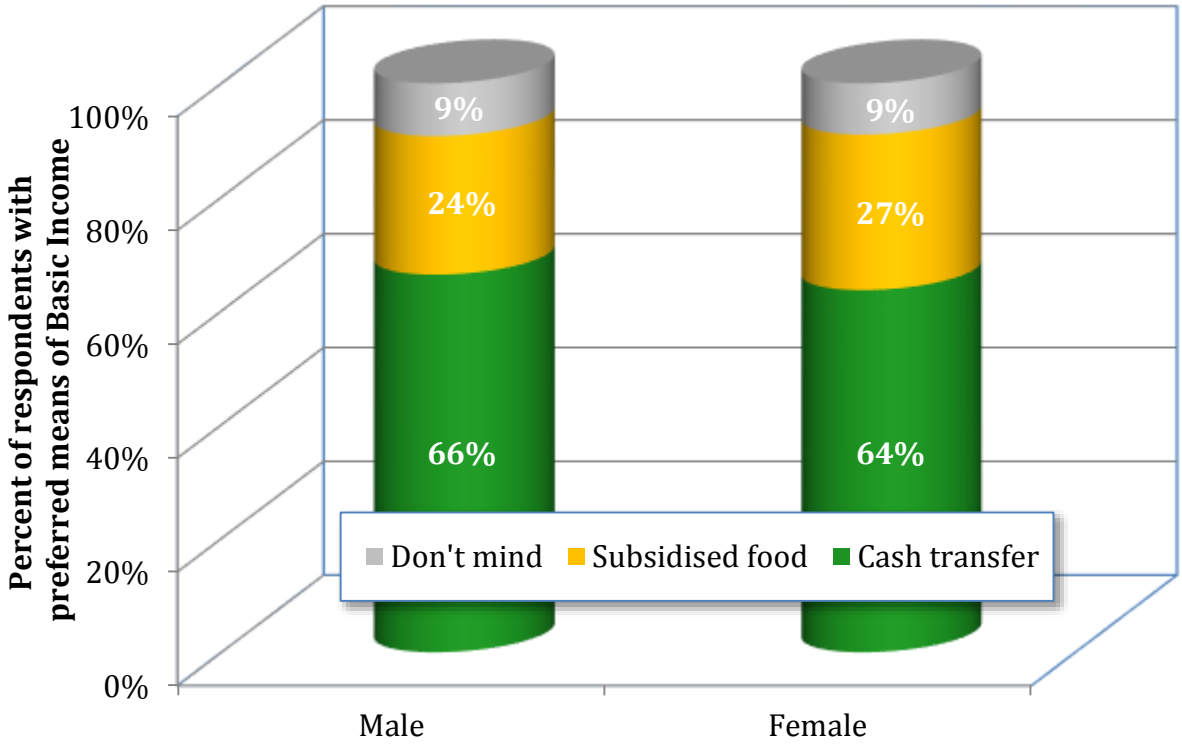

Source: MPUCT FES, 2012, n = 203

If one puts aside those who were unsure which option they preferred, 58% of those with an opinion who had received them preferred basic income. In other words, there was a learning function. Of those who had actual experience of both types of assistance, significantly more preferred the cash option.

All respondents were asked in the Interim, Final and Post-Final Evaluation Surveys which did they prefer to receive, the rationed subsidised goods or cash transfers of equivalent value. The surveys showed that not only did more prefer the money but also that there was a shift among those who gained experience of handling the cash to prefer cash, from the IES through into the FES.

Actually, there was little difference between men and women in this respect. We examined the gender aspect through the PFES. Figure 11.3.2 shows that nearly two-thirds of both men and women who had received the basic income ended up afterwards as saying they would prefer the cash payments. Slightly more women than men retained a preference for the subsidised items, but they were a small minority in both cases.

**Figure 11.3.2: General Villages: Preference for Basic Income or Subsidized Goods, by gender**




Source: MPUCT PFES, 2012, n = 700

In sum, cash was appreciated more than subsidies, even though this was the lesser known option. And it could be expected that as people adapted to having the liquidity, their preference for cash over subsidies would increase.

## 11.4. MGNREGS

Since 2005, the flagship anti-poverty scheme across rural India has been the National Rural Employment Guarantee Scheme (NREGS) (renamed the MGNREGS), by which every rural household was "guaranteed" 100 days of paid labour per financial year, regardless of their level of income. For the UPA Government, it was perceived as a "game-changer".

For many policymakers, MGNREGS has been seen almost as an alternative to direct cash transfers and has been presented as a way of boosting employment and incomes. In April 2008, the Ministry of Rural Development announced that all rural districts in the country were to be covered by the scheme.

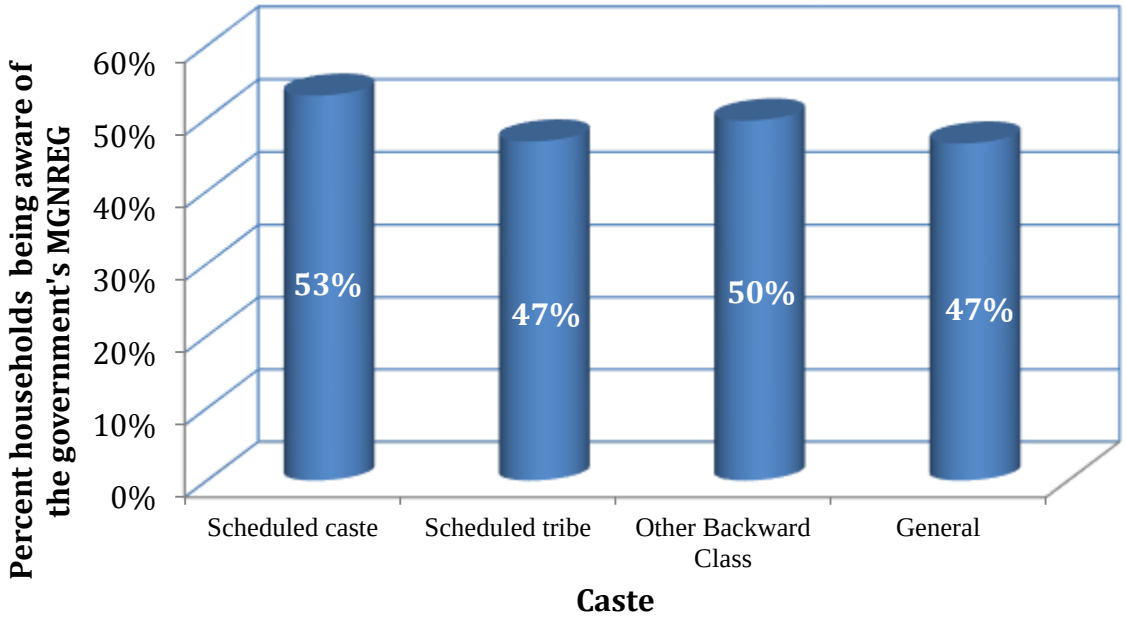
Under it, all labour should be in the local community, within 5 kilometres of a person's residence. The labour is supposed to be unskilled manual labour and be devoted to the construction of durable assets and to the strengthening of the livelihood resource base of the rural poor. The types of public works suggested in the Act setting up the MGNREGS were linked to causes of chronic poverty, such as drought, deforestation and soil erosion.

Although it is not targeted, being available in principle for all rural households according to the legislation, the MGNREGS has always been presented by its supporters as also a mechanism for reducing income inequality as well as poverty, in that it has been expected that low-income households would avail themselves of the labour opportunities more than others. The more affluent would "self-select" themselves out of the scheme by simply not registering for it or participating in it.

For the pilot projects, given the crucial fact that the scheme was designed to be demand-driven, the major questions concerned (i) the extent of awareness of the scheme, (ii) the extent and distribution of access to it, (iii) the extent of labour provided to and by villagers, and (iv) the actual payment received for the labour done on it.

In the FES for the general villages, people's awareness of the scheme was explored. The responses showed that about half of all households were unaware of its existence. Clearly, if people were unaware of it, then access to it could not be very high. And women respondents were significantly less likely to be aware of the scheme – only 45% compared with 55% of men. Scheduled caste households were perhaps slightly more aware than other social groups, but the differences were slight (Figure 11.4.1).

**Figure 11.4.1: General Villages: Percent of households being aware of the MGNREGS, by caste of household**




Source: MPUCT FES, 2012, n = 2007

The process of becoming involved imposed considerable administrative costs on villagers. Adult members of households must register with the local Gram Panchayat, and they are supposed to receive job cards within 15 days of a written application. If they seek a job on it, they are supposed to receive one from the panchayat within 15 days of application. If not, they are supposed to receive unemployment benefits. If they obtain a job, it should be paid at the minimum wage. None of this seems to operate as supposed.

Only 41.1% of all the households that were aware of the scheme were actually registered to have employment on it, implying that only about 20% could have had employment on it. This indicates the limited reach of the MGNREGS. Obtaining job cards had clearly taken many quite a lot of time. The mean average time, according to the respondents, was 5.6 weeks, more than twice as long as the maximum stipulated in the legislation. Over one in ten reported that it had taken more than three months.

Nearly all (98%) of those that had registered had obtained a job card entitling them to work on it if opportunity arose. But that slippage meant that only just over 19% were eligible.

The crucial point, however, is that only 14.2% of those eligible had somebody in the household who had worked on the scheme at some time. This implies that only a handful had gained labour on the MGNREGS. This is very low, and deserves further explanation. This sparse coverage was also found in the tribal villages.

Other worrying findings include the fact that the landless were actually less likely to be registered for MGNREGS and less likely to have obtained a job card. Scheduled caste and scheduled tribe households were more likely to be registered, but even then only a minority of all social groups were registered. Female headed household were no more or less likely to be registered, but more educated households were significantly more likely to be (43.3% versus 33.6%).[167] That is one more regressive finding, in that female-headed households and the less educated are disproportionately more economically disadvantaged.

When it came to actual labour on the MGNREGS, the landless may have been less likely to have had labour (13% vs.15% of landholding families). But, in this respect at least, lower- caste households had a modest advantage – 20.2% of scheduled caste households that had registered had received some labour, compared with 7.4% of upper caste households (Figure 11.4.2).

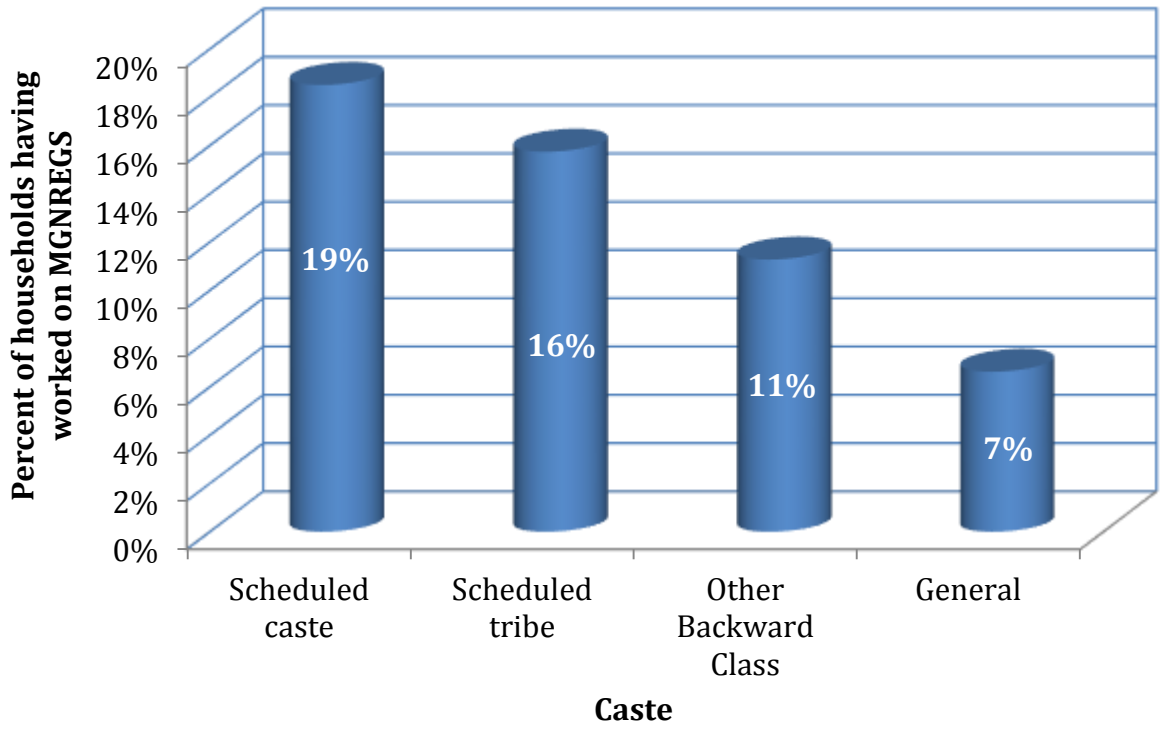
Of those households aware of the MGNREGS, 38.8% said that a woman in the household had been employed on it at some over the years, which means that 19.3% of households had a woman who had done some work on the scheme over the eight years of its existence. Bear in mind that under the rules of MGNREGS, one third of all jobs on the scheme each year should be for women. It appears women have not benefited in these villages. Elsewhere, the picture has been mixed, at best.[168]

Anyhow, only 10% of female-headed households had had anybody employed on the scheme compared with 14.8% of male-headed households, a statistically significant difference. Agai, this is a regressive tendency, in that women headed households tend to be lower-income. And households with lower schooling were also disadvantaged further (9.7% having had someone employed on the scheme, compared with 15.4% of higher-educated households).

[167] Proportionately fewer households were registered in SEWA villages than in others (37.5% vs. 41.6%).

[168] Khera and Narak concluded that it had opened up labour opportunities for women, but not in many areas. In Uttar Pradesh, for example, there was apparently strong opposition to women having labour on the scheme, due to the insistence on equal wages for men and women. R.Khera and N.Nayak, "Women workers and perceptions of the National Rural Employment Guarantee Act in India", available at http://eprints.soas.ac.uk/7832/1/Nayak womenworkersinindia.pdf 2009. On gender issues, see also N.Vij, "Building capacities for empowerment: The missing link between social protection and social justice: Case for social audits in MGNREGA", 2011.

**Figure 11.4.2: General Villages: Households having worked on MGNREGS, by caste**




Source: MPUCT FES, 2012, n = 1824

Under the scheme, every household is supposed to have 100 days of labour a year. One study reports that only 8.4% of those who have demanded that have obtained it.[169] This poor record is certainly borne out by the findings in the 20 villages. The average number of days of work for that small minority who had worked on it at all was 22.3 days. Even here, there were regressive tendencies, in that the average for landless households was 17.5 days compared with 25.1 days for landholding families.

The MGNREGS had not been a very reliable employer either. In other parts of the country, it has been reported that there have been considerable delays in paying wages to those who have been employed on it, which has apparently led to some distress out-migration.[170] Here in these villages, only 14.4% of those who had participated said they had been paid immediately or within a week, 75.4% said there had been a delay of a week or more, and 10.2% said they still had not been paid. And the landless were further disadvantaged here, since they were less likely to have been paid immediately. But even more revealingly, women-headed households were almost twice as likely to report that they had not been paid at all – 17.4% of them, compared to 9.5% of other households.

[169] V.Negi, "MGNREGA – Towards ensuring the right to work in rural India", Working Paper 32, Centre for East and South-East Asian Studies, Lund University, Sweden. 2010.
[170] T.Ulvin, "Social security for poverty reduction: A study of the MGNREGA in Karnataka, India", available at: http://brage.bibsys.no/umb/bitstream/URN:NBN:no-bibsysbrage 25740/4/ulvin master2011.pdf 2011 , on wage delays; Siddhanta, "Delays in NREGA payments causing distress migration", available at: http://www.indianexpress.com/news/delay-in-nrega-payments-causing-distress-migration/835591/0 2011.

In sum, the picture that emerges from the data is that the MGNREGS has not been working very well at all in this area, being neither anything like universal nor efficient or equitable. In several respects, it has been regressive. It scarcely justifies faith in it as an effective way of alleviating income poverty in rural India.

## 11.5. Entitlement and Access to Other Government Schemes

As mentioned in chapter 1, there are literally hundreds of targeted, selective and conditional state benefit schemes on the statute books at the Central and State level across India. However, the questions we wish to address here in this short section are (i) whether or not the targeted and selective schemes are operational, (ii) whether or not they reach the intended beneficiaries, and (iii) whether they are progressive or regressive, i.e., tending to reduce social inequalities or worsen them.

In the FES, we first asked respondents which government schemes they knew about, not necessarily in detail but being aware of their existence. Quite a few were mentioned by the respondents, although over 7% seemed unaware of any of them. Given that most schemes require people to make applications to obtain them, the widespread lack of knowledge of the existence of schemes obviously should be a concern.

The scheme that was easily the most widely known was the Ladli Laxmi, a state-funded scheme designed to improve the status and education of girls, which is a conditional scheme.[171] This

[171] Under the Ladli Laxmi, the parents receive a large lump sum when the girl reaches the age of 21 if she was not married before reaching the age of 18, as well as other amounts as she passes successively higher levels of schooling – 2,000 Rs. on admission to Class 6, 4,000 Rs. on admission to Class 11 and 7,000 on admission to

was followed by Janani Suraksha Yojana.[172] Those were the only two mentioned by a majority of households. Others that were quite widely known included the Mukhya Mantri Kanyadaan Yojana[173], the old-age pension and the widow's pension.

Some 12.7% of all households said they had applied for some government scheme in the past 12 months. Of those, just over half had received assistance. This meant that only about 6% of all households had benefited from government schemes. There were no apparent differences by caste group. But landless households were significantly more likely to have applied for some government scheme.

In accessing government schemes, the time between making an application and receipt was often long. Only 25.6% of households reported that it had taken a month or less to obtain what they applied for, whereas 20% said it took one to three months, 16.3% three to six months and 38.1% more than six months.

In the tribal village of Ghodakhurd, householders were supposedly entitled to a 25% government subsidy for pipes for irrigation, if they had a BPL card. There is a quota fixed by the panchayat or by the government directing it to do so.

The situation was explored more intensively during the pilot in the tribal villages. In the village selected for receipt of the basic income payments, it was clear from anecdotal reports that the sarpanch was able to distribute government benefits at his discretion, and that after he was elected, he managed to bring resources to the village, for water pumps, for the purchase of plastic pipes for carrying water from the pond to their fields, for grants to construct houses and for papaya cultivation. The point about all these selective schemes is that they automatically give scope for *political power*, rather than rights-based or equity-based distribution.[174]

Returning to the general villages, in the PFES, more detailed questions were asked about perceived eligibility to specified government schemes and actual receipt of them or benefit from them. It must be recognised that this questionnaire was only administered in several basic income villages, and included a question in each case about whether the household felt that the basic income had helped them gain any benefit from the specified scheme. The broad results are given in Table 11.5.1. In most cases, one cannot see why or how the basic income would help.

Table 11.5.2 might be of even more interest. It gives the figures on perceived eligibility for the specified scheme, the percentage of those households that thought they were eligible that said they actually had benefited from the specific scheme, and the percentage of the total who

Class 12. This clearly discriminates against girls who cannot, for some reason or another, succeed in school. That must be profoundly unfair. Apparently, the scheme has reduced the female drop-out rate from schools.

[172] This scheme, which comes under the National Rural Health Mission, is intended to reduce maternal mortality by promoting institutionalised delivery, by providing cash to mothers as well as to social health workers such as ASHAs.

[173] This provides Rs.10,000 to young women from low-income families for marriage, on condition that they marry as part of a mass marriage and that have attained the age fixed for marriage.

[174] To complicate the matter, the panchayat is responsible for some schemes although the money comes from the MP Government. How much money is obtained for the village depends on how actively the sarpanch tried to obtain funds for those schemes. And that often depends on party affiliation.

actually received benefit from the specified scheme. The results show that in most cases the number benefiting was very small.

A few additional comments seem merited. To start with, we see in the Tables statistics on the scheme to provide bicycles for school-going girls. Consider what the scheme provides. It is a selective scheme, in that it goes just to families with girls attending a local government school and to boys as well as girls if they are attending a government school at least three kilometres from the village. It is universal in that it is not targeted, not requiring a BPL card for entitlement. Every girl and every boy is supposed to be entitled to a bicycle after 8$^{th}$ standard if they are attending a government high school outside the village of their residence.

The results from the FES show that 23% of households were eligible for the bicycle, of whom 53% received at least one, 15% aided by the basic income. Note that there is an obligation on the family to provide a receipt for the bicycle, and that if the cost exceeds the amount provided then the household has to bear the extra cost. We may surmise that this is why some households receiving the basic income were enabled to pay for a bicycle.

A related scheme provides subsidised school uniforms (shorts, shirt-pants, blouses and salwar suits), to the students studying in government schools. According to the FES, just over a third of all households were eligible, 70% of whom received a uniform, 20% helped by the basic income. In this case, the family is required to buy the uniform, wear it to school and have that verified by the school. Somewhat strangely, the family then has to pay 55 Rupees in order to obtain the cash payment.

Both these schemes are classic selective and conditional subsidy schemes. One can understand the general reasoning behind them. But one cannot deny that a moral judgment is being made, that families with school-going children receive something that other families do not receive, even though they might be more disadvantaged economically or socially. They are also a further advantage for families that have access to good enough government schools by comparison with those that feel they have little practical alternative to sending their children to a private school, or to no school at all.

**Table 11.5.1: General Villages: Households eligible for and obtaining specified schemes, and whether basic income helped**

| Scheme | Eligible for scheme | Obtained scheme | Basic income helped |
|---|---|---|---|
| Subsidised grain | 75% | 60% | 73% |
| Subsidised kerosene | 93% | 92% | 63% |
| Old age pension | 41% | 12% | 9% |
| Widow's pension | 21% | 22% | 6% |
| Disability pension | 5% | 41% | 13% |
| Land from government | 55% | 18% | - |
| Indira awas Yojna | 58% | 7% | 3% |
| Scholarship for children | 38% | 59% | 5% |
| Farmer schemes | 54% | 24% | 10% |
| Agricultural workers scheme | 54% | 3% | 38% |
| Ladli Laxmi Scheme | 35% | 53% | 5% |
| Janani Suraksha Scheme | 34% | 50% | 11% |
| Mukhyamatri Kanyadaan Yojana | 33% | 5% | 9% |
| God Bharai yojana | 20% | 33% | 7% |
| MGNREGA | 81% | 22% | 2% |
| Bicycle scheme (school) | 23% | 53% | 15% |
| Construction workers Scheme | 13% | 4% | - |
| Widow Assistance scheme | 19% | 13% | - |
| Accident Insurance Scheme | 76% | 2% | 10% |
| Maternity Benefit Scheme | 24% | 38% | 10% |
| Janshri Beema Yojana | 55% | 4% | 57% |
| Family Assistance Scheme | 21% | 2% | - |
| Aam Aadmi Beema Yojna | 80% | 4% | 58% |
| Usha Kiran Yojana | 9% | 11% | 14% |
| Krishi Beema Yojana | 45% | 12% | 18% |
| Immunisation Yojana | 52% | 84% | 7% |
| Midday meal | 41% | 76% | 5% |
| School Uniform | 34% | 70% | 21% |
| Deendayal Antodaya Yojana | 57% | 11% | 25% |
| Government Hospital | 91% | 60% | 37% |
| Ambulance scheme (108) | 85% | 10% | 19% |
| Nutritious food | 37% | 57% | 6% |

Source: MPUCT PFES, 2012, n = 698, 649, 598

**Table 11.5.2: General Villages: Households eligible for and having obtained specified schemes**

| Scheme | Eligible | Obtained of eligible | Obtained of total |
|---|---|---|---|
| Subsidised grain | 75% | 60% | 45% |
| Subsidised kerosene | 93% | 92% | 86% |
| Old age pension | 41% | 12% | 5% |
| Widow's pension | 21% | 22% | 5% |
| Disability pension | 5% | 41% | 2% |
| Land from government | 55% | 18% | 10% |
| Indira awas Yojna | 58% | 7% | 4% |
| Scholarship for children | 38% | 59% | 22% |
| Farmer schemes | 54% | 24% | 13% |
| Agricultural workers scheme | 54% | 3% | 2% |
| Ladli Laxmi Scheme | 35% | 53% | 18% |
| Janani Suraksha Scheme | 34% | 50% | 17% |
| Mukhyamatri Kanyadaan Yojana | 33% | 5% | 2% |
| God Bharai yojana | 20% | 33% | 7% |
| MGNREGA | 81% | 22% | 18% |
| Bicycle scheme (school) | 23% | 53% | 12% |
| Construction workers Scheme | 13% | 4% | 1% |
| Widow Assistance scheme | 19% | 13% | 2% |
| Accident Insurance Scheme | 76% | 2% | 1% |
| Maternity Benefit Scheme | 24% | 38% | 9% |
| Janshri Beema Yojana | 55% | 4% | 2% |
| Family Assistance Scheme | 21% | 2% | 0% |
| Aam Aadmi Beema Yojna | 80% | 4% | 3% |
| Usha Kiran Yojana | 9% | 11% | 1% |

| | | | |
|---|---|---|---|
| Krishi Beema Yojana | 45% | 12% | 6% |
| Immunisation Yojana | 52% | 84% | 44% |
| Midday meal | 41% | 76% | 31% |
| School Uniform | 34% | 70% | 24% |
| Deendayal Antodaya Yojana | 57% | 11% | 6% |
| Government Hospital | 91% | 60% | 54% |
| Ambulance scheme (108) | 85% | 10% | 8% |
| Nutritious food | 37% | 57% | 21% |

Source: MPUCT PFES, 2012, n = 698

Finally, the issues of perceived eligibility and actual acquisition of selective benefits were compared for households by their own perceptions of their relative income in the village. Policymakers should despair. Table 11.5.3 may seem complex. But what it shows is that for the range of relatively well-known schemes, most of even the lowest-income households did not obtain any of them, with the exception of subsidised kerosene. In the first three columns, it can be seen that even where everybody should have been eligible many households did not realise that, and the perceptions were not very progressive.

More importantly, in the second set of three columns, in many cases the probability of having obtained a specified benefit was not higher in low-income households. And in some cases higher-income households were more likely to have obtained them. The final three columns show just how few households of any income level were obtaining the selective benefits.

**Table 11.5.3: General Villages: Households eligible for and obtaining specified schemes, by household relative income**

| | Eligible | | | Obtained of eligible | | | Obtained of total | | |
|---|---|---|---|---|---|---|---|---|---|
| Household income<br>Scheme | Above average | About average | Below average | Above average | About average | Below average | Above average | About average | Below average |
| Subsidised grain | 63% | 73% | 79% | 18% | 52% | 69% | 11% | 38% | 55% |
| Subsidised kerosene | 100% | 92% | 93% | 89% | 96% | 89% | 89% | 89% | 83% |
| Old age pension | 56% | 41% | 40% | 20% | 12% | 10% | 11% | 5% | 4% |
| Widow's pension | 15% | 20% | 23% | 0% | 16% | 28% | 0% | 3% | 7% |
| Disability pension | 0% | 5% | 6% | 0% | 44% | 37% | 0% | 2% | 2% |
| Land from government | 44% | 47% | 63% | 17% | 15% | 20% | 7% | 7% | 12% |
| Indira awas Yojna | 41% | 48% | 68% | 0% | 8% | 7% | 0% | 4% | 5% |
| Scholarship for children | 33% | 32% | 44% | 44% | 58% | 60% | 15% | 19% | 26% |
| Farmer schemes | 67% | 61% | 46% | 11% | 28% | 20% | 7% | 17% | 9% |
| Agricultural workers scheme | 22% | 49% | 62% | 17% | 6% | 1% | 4% | 3% | 1% |
| Ladli Laxmi Scheme | 33% | 35% | 34% | 44% | 59% | 48% | 15% | 21% | 16% |
| Janani Suraksha Scheme | 41% | 36% | 31% | 64% | 53% | 46% | 26% | 19% | 14% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Mukhyamatri Kanyadaan Yojana | 35% | 31% | 35% | 0% | 3% | 7% | 0% | 1% | 2% |
| God Bharai yojana | 19% | 24% | 16% | 40% | 36% | 27% | 8% | 9% | 4% |
| MGNREGA | 63% | 79% | 85% | 12% | 22% | 23% | 7% | 17% | 19% |
| Bicycle scheme (school) | 15% | 23% | 23% | 50% | 47% | 58% | 7% | 11% | 13% |

Source: MPUCT PFES, 2012, n = 698

**Table 11.5.3 (continued): Households eligible for and obtaining specified schemes, by household relative income**

| | Eligible | | | Obtained of eligible | | | Obtained of total | | |
|---|---|---|---|---|---|---|---|---|---|
| Household income<br>Scheme | Above average | About average | Below average | Above average | About average | Below average | Above average | About average | Below average |
| Construction workers Scheme | 22% | 14% | 12% | 0% | 4% | 5% | 0% | 1% | 1% |
| Widow Assistance scheme | 7% | 18% | 21% | 0% | 10% | 15% | 0% | 2% | 3% |
| Accident Insurance Scheme | 78% | 75% | 76% | 0% | 2% | 2% | 0% | 2% | 1% |
| Maternity Benefit Scheme | 15% | 26% | 23% | 50% | 44% | 31% | 7% | 11% | 7% |
| Janshri Beema Yojana | 67% | 59% | 50% | 0% | 4% | 4% | 0% | 2% | 2% |
| Family Assistance Scheme | 4% | 24% | 20% | 0% | 1% | 3% | 0% | 0% | 1% |
| Aam Aadmi Beema Yojna | 67% | 83% | 78% | 0% | 5% | 2% | 0% | 4% | 2% |
| Usha Kiran Yojana | 19% | 8% | 10% | 20% | 20% | 3% | 4% | 2% | 0% |
| Krishi Beema Yojana | 52% | 52% | 38% | 7% | 14% | 10% | 4% | 7% | 4% |
| Immunisation Yojana | 44% | 56% | 49% | 75% | 86% | 83% | 33% | 48% | 40% |
| Midday meals | 37% | 35% | 47% | 80% | 72% | 79% | 30% | 25% | 37% |
| School Uniform | 19% | 30% | 39% | 60% | 65% | 75% | 11% | 20% | 29% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Deendayal Antodaya Yojana | 56% | 54% | 60% | 0% | 10% | 13% | 0% | 5% | 8% |
| Government Hospital | 81% | 89% | 93% | 45% | 62% | 59% | 37% | 55% | 55% |
| Ambulance scheme (108) | 85% | 83% | 87% | 0% | 12% | 9% | 0% | 10% | 8% |
| Nutritious food | 30% | 41% | 35% | 25% | 61% | 55% | 7% | 25% | 19% |

Source: MPUCT PFES, 2012, n = 698

## 11.6. The Total Sanitation Campaign

Because it demonstrates the complexities that so often permeate subsidised and selective schemes, it is worth mentioning some local experience with the Maryada Abhiyan (Dignity Campaign), the Total Sanitation Campaign, which was unknown to the vast majority of households in the pilots. However, in one village it had generated interest. We daresay that the following account is by no means unusual.

The scheme is really a centrally-sponsored subsidy, cash incentive scheme, which was started in Madhya Pradesh in 1999. The idea is to provide free material – bags of cement and bricks – with which to construct house latrines. The cement and bricks were worth about 8,000 Rupees as of 2013, while the officially estimated cost of building a latrine was about 10,000 Rupees.[175] But the description of what typically happens, put together from several sources in the village, makes dispiriting reading:

*"In our Harijan Basti, almost everyone received 125 bricks, one tagara[176], cement (10-12 kg), 4 tagara of sand, and one toilet seat from the Gram Panchayat under the banner of the Maryada Abhiyaan. Other than this material, all labour work requirements for the construction of the toilet had to be made by ourselves. This work included digging a deep pit, and mixing and carrying of the construction material. A mistri (mason) was sent by the Gram Panchayat who only did the work of putting the bricks in place to make the platform after we had carried them to him.*

*The materials that we received from the Panchayat (as described above) were too little to build a toilet. So we kept the dimensions of the pit 4 feet deep and 4 feet wide. Even the base could not be properly constructed with the amount of materials we received from the Gram Panchayat. As a result, most of the toilets have been damaged. As they were open from all sides, they have been destroyed by the rain. Other than this, the Panchayat secretary (Sachiv) told us to open bank accounts in order to receive the money for the toilet construction, which was supposed to be 2000 rupees each. So all of us opened bank accounts by putting in 500 rupees from our own pockets, but nothing was sent to our bank accounts."*

Here we have the classic situation of a subsidised commodity scheme that, however well-intentioned, just places too big a demand on the public distribution system (in a broad sense of

[175] The Bharat Nirman Abhiyan, which was supposedly integrated with MGNREGS in 2012, the incentive for a toilet was 4,600 Rupees, of which the central government share was 3,200 Rupees and the State share 1,400 Rupees. The scheme is selective, with eligible beneficiaries being a rather large set of categories, as long as they are MGNREGS job cardholders.

[176] A large platter used to carry cement, concrete, sand and such other construction material by construction workers on their head.

that term). This malaise is one of the most fundamental reasons for wishing to see a shift away from all such schemes.

The outcome has been a vicious circle of failings – low-quality construction, inadequate materials, unhelpful and probably demoralised panchayat officials and – worst of all – useless toilets. Sadly, that is almost a metaphor for the state system.

## 11.6.Concluding Comments

The picture that has emerged in this chapter is familiar in what it conveys. Existing targeted and selective government schemes to provide social and economic security have not been functioning efficiently or equitably. No doubt some could be improved in various ways through better administration. But in general the difficulties and costs are so great and ingrained in the social fabric that policymakers should be open to designing and implementing better alternatives.

Any selective and targeted government scheme in Indian conditions, and indeed in most if not all countries, are bound to create layers of opportunities for what might politely be called "bureaucratic capture", involving clogged pipes and discretionary decisions by people in positions of acquired power. This must characterise the poverty-line based card system itself, the ration or control shop system, the allocation of labour on the MGNREGS and even local selective schemes for school and health assistance.

# Chapter 12: Concluding Recommendations

## 12.1. Introduction

After the final round of the planned basic income transfers had been paid out, the project obtained additional funding from UNICEF to provide them for a further five months. Immediately, part of our fieldwork team visited some of the villages to inform the residents through what the project had dubbed 'Awareness Visits'. The following is an account given by our coordinator at the time:

> *"In the last three months, whenever we went to villages, there have been queries about cash transfers, and villagers would ask us if the cash transfers would resume at a later date. Our standard reply had been that we didn't know, and if there were any likelihood of continuing, we would inform them. In Malibadodiya, when we announced a meeting, some 50 women assembled, and a dozen or so bidi-smoking men stood at a distance.*
>
> *The suppressed excitement was palpable, as we were getting ready to deliver our speeches. The old woman sitting in the front said, 'I had a dream last night. You are going to continue the cash transfers.' Some laughed and made fun of her; some nodded in agreement. When we announced they would get transfers for five months, in three instalments, people clapped and laughed. An old man came forward and said to the old woman, who had a dream, 'Ma, have more such dreams!'*

Sceptics may be unconvinced. All we can say is that we are convinced, that a small amount extra can make a great deal of difference. A little more, how much it is.

It is apt that those sentiments were expressed by elderly villagers. For among the many lessons we have learned through the pilots is that often it is the elderly, the women and the disabled who have benefited most of all.

The elderly tend to be among the most neglected in rural low-income households. Too often they do not receive the pensions owed to them, and too often life insurance benefits are unpaid to widows and widowers. They are usually 'semi-destitute', they tend to be the last to obtain medical treatment and they lack a Voice to demand social assistance. But as we have seen, particularly in the chapters on nutrition and health, the individualised basic incomes gave them an improved status that improved their general welfare.

In this final chapter, we will not try to summarise all the findings from the two pilots. However, it should be useful to highlight some of them, before presenting some recommendations addressed to policymakers, to potential funders of further pilots and to researchers. We stress again that we fully recognise that in many respects this report has presented tentative findings that deserve to be explored in more detail in multivariate analysis and more reflective research that inevitably requires more time.

## 12.2. The Transformative Potential

*"This project proves two things. First of all, cash transfers can be organised. Secondly, when you give the money directly into the beneficiaries' account, it is simply not wasted or used for the wrong things."*

■ Montek Singh Ahluwalia, Deputy Chairman of the Indian Planning Commission.[177]

The most important conclusion we wish to propose is that "the whole is greater than the sum of the parts". What we mean by this is that while the individual effects, on living conditions, nutrition, health, schooling, economic activity, agency and so on, are all major in themselves, the overall effect is transformative, in the sense that constraints on economic dynamism are weakened, feedback effects are induced and an emancipatory outcome is likely to lend local communities a *developmental energy* that targeted, selective subsidy schemes could not hope to achieve.

Consider some of the major findings on specific aspects of living. In terms of *basic living conditions*, covered in chapter 4, a significant number of households made improvements to their dwellings and invested in improving their toilets. That was sure to have demonstration effects on others, encouraging them to save and take advantage of the sadly neglected Total Sanitation Campaign reviewed in chapter 12. But improved latrines are also likely to have a beneficial effect on health, particularly the health of young children and those with sickness of one kind or another. The improved health is likely to have a beneficial effect on learning in school and on productivity in work and labour.

Then, there is the positive impact observed on *nutrition* directly, as shown in chapter 5. The effects on children's weight-for-age, notably for girls, were among the most encouraging findings. The positive effects in that regard tended to predominate after infants moved from breastfeeding to solid foods.

We also saw that vulnerable groups gained relatively the most, notably in gaining greater food sufficiency, which had a progressive effect, particularly for scheduled caste and tribe households. The improvement in diets, with a shift towards more vegetables, milk, eggs, fruit and fish were particularly striking in the tribal villages. We believe that the individualised basic incomes make it more likely that intra-family and community concerns for social equity will come to the fore, an advance over household-based subsidies, for instance.

The improvements in *health and healthcare*, brought out in chapter 6, were marked by a greater regularity in the taking of medicines, an aspect of healthcare that tends to be underestimated. The key point to emphasise here is that the basic incomes made it easier to take rational decisions on healthcare, through more prompt treatment, change of diets or whatever specific

[177] He was speaking after hearing the presentation of the results at a conference convened in New Delhi on May 30-June 1, 2013. This statement was cited widely. See, for instance, "DCT will not lead to misuse of money: Montek", The Hindustan Times, May 30, 2013. http://www.hindustantimes.com/StoryPage/Print/1068289.aspx

illnesses or mishaps require. The combination of cash and the assurance of it over forthcoming months and medicines makes it more likely that low-income people will take their treatment to its proper full conclusion, rather than stop when they feel slightly better. Again, we can see that the relatively vulnerable, including the disabled, benefit relatively the most in terms of improved healthcare, partly because they become less dependent on the benevolence of others inside the family or outside it.

There is one aspect of the changes in healthcare that is almost certain to be controversial, which is the shift from government to private services. We believe that this is partly a reflection of a shift from non-treatment or postponed treatment to some treatment and to earlier treatment, which should be seen as almost entirely beneficial.

However, to the extent that there is a shift from government to private commercial institutions and treatment, the interpretation should not be that there should be more privatisation. It should be that the government healthcare system must be improved, so as to become the more attractive option for everybody.

In terms of the impact on *schooling*, reviewed in chapter 7, we can feel confident that there is a positive impact on school attendance, and as such there may be no need to apply conditionality, especially as applying arbitrary rules on percentage attendance would be administratively burdensome and expensive, as well as be prone to unfairness in making judgments on whether non-attendance was the "fault" of the mother or parents. There is also tentative evidence that the basic incomes helped in improvement school performance, although we recognise that this subject requires further more intensive research.

As in the case of healthcare, the relative shift to private schooling can be interpreted in two ways, as reflecting some increase in schooling in general, particularly in the rather broad idea of 'private tuition', and in reflecting concern over the quality of government schools as they exist and as they are perceived to exist.

The impact of basic income payments on *work, labour and economic activity* has been extensively considered in chapter 8. The impact on child work is intriguing and deserves further reflection. It seems to result in less child labour, which is generally regarded as more 'arduous' and disruptive. To the extent that it results in persistence and even an increase in child work on family farms, a policy conclusion might be that more advisory attention should be paid to educating families on how to combine schooling with useful farm work and what pitfalls to avoid.

Contrary to popular prejudices, the basic incomes did not lead to a net reduction in adult work. On the contrary, it seemed to lead to more work and to a shift from casual wage labour to own-account farm and non-farm productive and reproductive work. That surely is favourable for the families and for the local community. And if it results in a rise in local wage rates, it could reduce the extent of exploitation and oppression that is so characteristic of the casual wage labour and *naukar* labour markets.

In promoting higher economic activity, there appears to be higher local food production, particularly of wheat (through more acreage and more productive use of land) – including an intriguing revival of local strains of wheat or millets or other cereals – and more storage of such wheat, providing more food security through the barren months. There was also a growth in the number of small and large livestock, which improved nutrition and income-earning options. That surely had feedback effects on health and the learning capacities of children.

There are also positive effects on the status and agency of women, which have been aided by SEWA in the villages and the evidence is strong that the individualised payments resulted in women – and other vulnerable groups, such as the disabled and elderly – having more independence, more voice and more equitable treatment within the households and within the village communities.

What is perhaps the most encouraging transformative outcome of all is the impact on *debt and savings*. The basic incomes helped families to reduce their debt and to increase saving. But the key is that the *emancipatory value* of the basic income exceeds the monetary value because it gives individuals and families vital liquidity, and probably access to liquidity possessed by others, with which to confront shocks, hazards and the simple uncertainties of life. The ability to avoid or reduce usurious moneylenders and landlords, and in some cases escape from bonded labour or naukar relationships of exploitation and oppression, should be counted as among the most transformative aspects of all.

## 12.3. Social Justice and Village Opinions

In chapter 1, we postulated five principles of social justice by which any social protection policy should be judged or evaluated. A strong case can be made for claiming that a basic income satisfies the *Security Difference Principle* better than alternative social policies that are targeted and selective, since each of the alternatives has high exclusion and inclusion errors, as argued in chapter 1 and shown in chapter 11 on how government schemes have been operating in practice. In other words, a basic income, being universal and unconditional and paid equally, improves the social and economic security of the most insecure groups, and does so by more than it does for less insecure groups.

It also satisfies the *Paternalism Test Principle*, in that it does not impose controls or directions on any group that are not imposed on the most free groups. That is quite unlike conditional schemes, which effectively direct certain people to behave in certain ways, which may or may not be ways they wish to behave or think are in their best interest, for better or for worse.

A basic income system would also satisfy the *Rights-not-Charity Principle*, in that it would strengthen family and individual rights while weakening the directive strength of bureaucrats, who always tend to be discretionary and prone to be discriminatory, whether intentionally or by dint of habit. We have seen how groups that are most vulnerable socially and economically have benefited more than average from the basic income paid out in the pilots.

It would also satisfy the *Dignified Work Principle*, in ways that need to be emphasised since they tend to be unappreciated. We have seen how the basic income has encouraged families to shift from alienated wage labour, including bonded labour, to own-account work, putting them in more control of what they do and what they can aspire to do.

Finally, it would help to promote the *Ecological Constraint Principle*, in that it would encourage local production, as well as more reproductive work rather than resource-depleting labour and local transformative economies.

At the end of the evaluation questionnaires, we asked every respondent in every village a series of questions on aspects of social justice, although they were not put like that. Respondents were simply asked if they "strongly agreed", "agreed", were "not sure", "disagreed" or "strongly disagreed" with several statements about social policy. The first of these related to income inequality, and was posed in the following way:

*"In thinking of India, do you agree with or disagree with the following:*

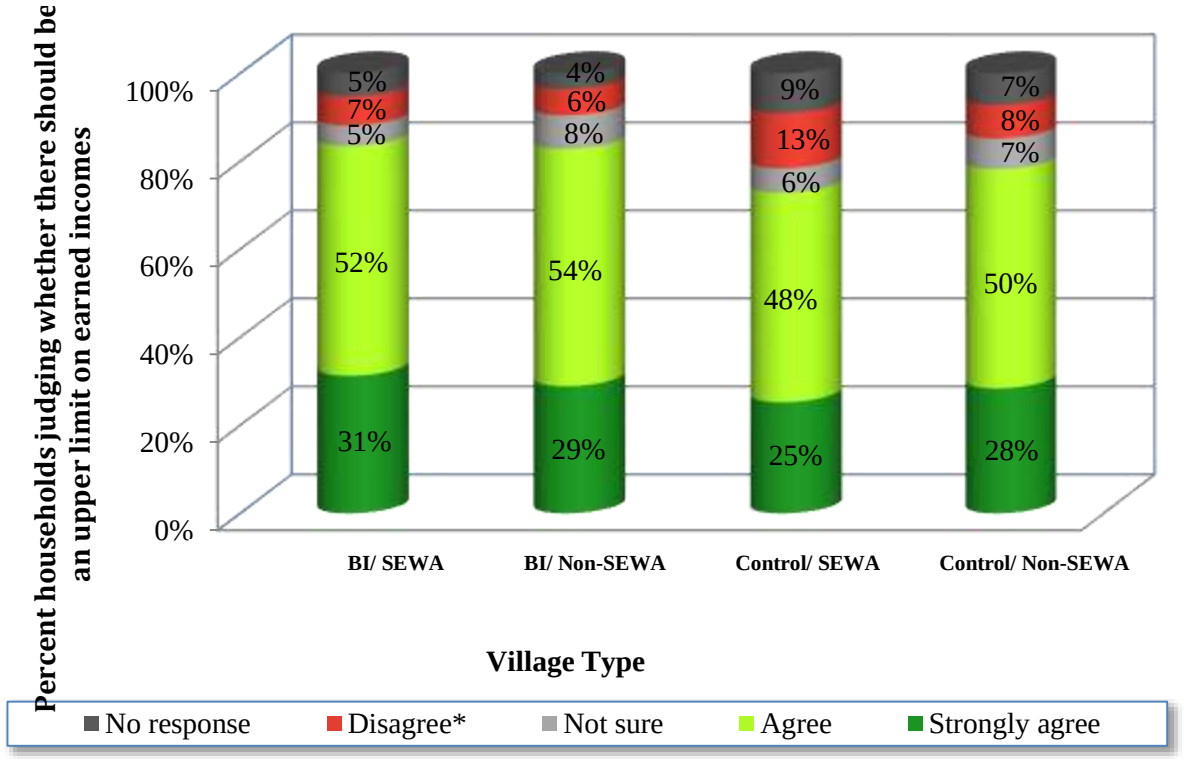
*(a) There should be an upper limit on earned incomes.*
*(b) There should be restrictions to limit the difference in income between the richest and poorest."*

On the first, the responses showed that there is substantial public support for policies that would limit very high earnings (Figure 12.3.1). There were similar feelings when the distributional question was posed as a matter of limiting income differentials (Figure 12.3.2).

A third and more immediately relevant finding is that the vast majority of people in the villages supported the idea of a basic income (Figure 12.3.3). As can be seen, there was no difference between those who had been receiving the basic income and those who had not.

There may be something else going on that may have implications for government policymaking. All respondents were asked about their general assessment of government policies in combating poverty and in general, the villagers are not impressed. However, as can be seen from Figures 12.3.4 more were positive in the basic income villages and in the SEWA villages. One may speculate that a policy, even though it was not associated with government, that provided even slightly improved economic security can prompt better public feelings about social policies in general, and especially if there is a voice organization.

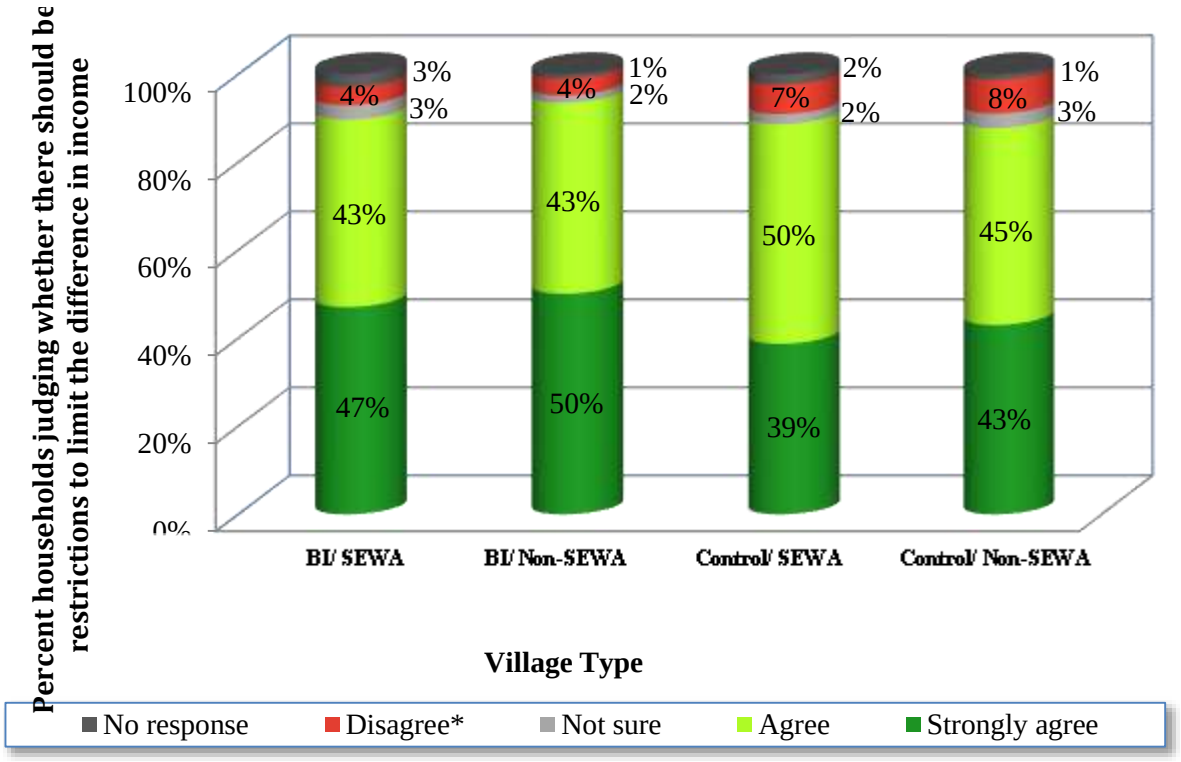
**Figure 12.3.1: Percent of households judging whether there should be an upper limit on earned incomes, by village type, in General Villages**




Note: *Due to very low levels (<1%) of "Strongly disagree" responses, they have been merged into the "Disagree" category.

Source: MPUCT FES, 2012, n = 2027

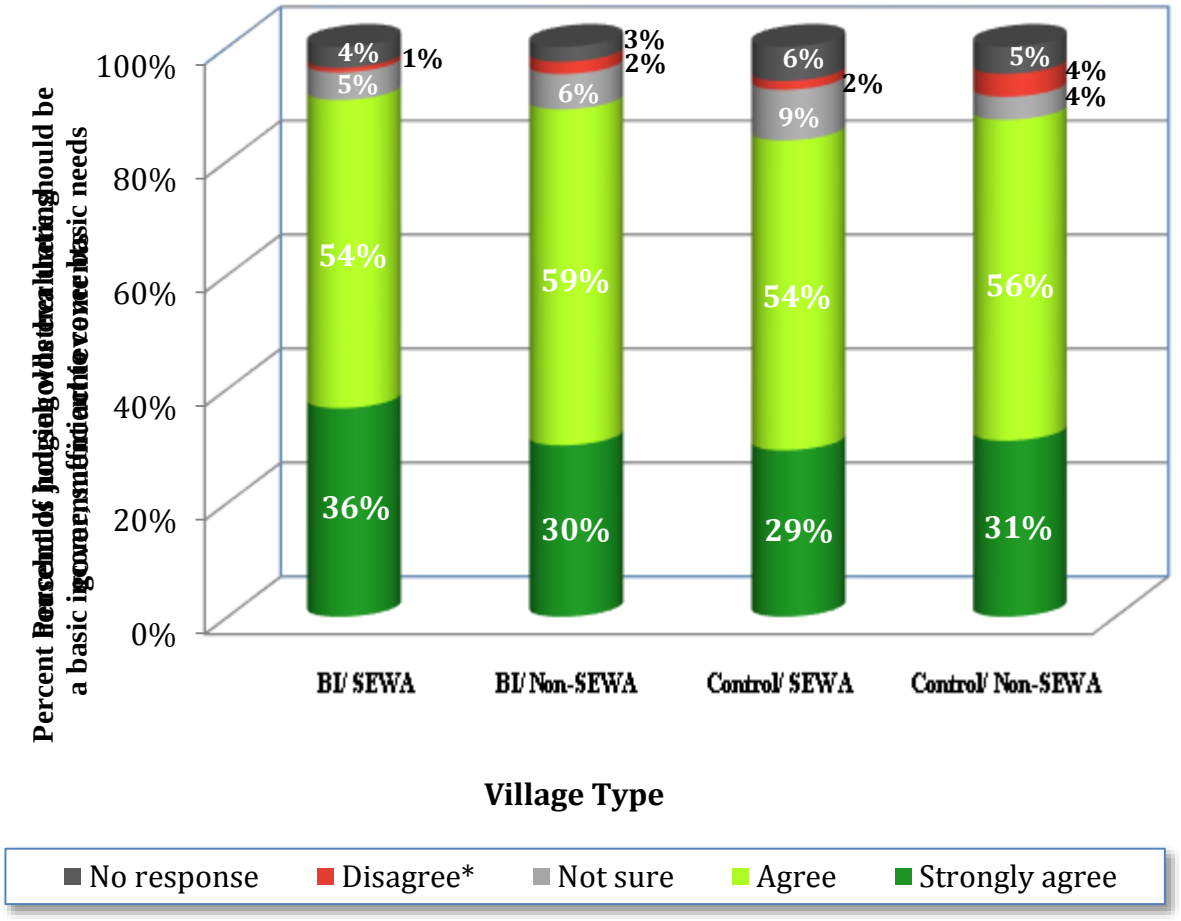
**Figure 12.3.2: Percent of households judging whether there should be restrictions to limit the difference in income, by village type, in General Villages**




Note: *Due to very low levels (<1%) of "Strongly disagree" responses, they have been merged into the "Disagree" category.

Source: MPUCT FES, 2012, n = 2030

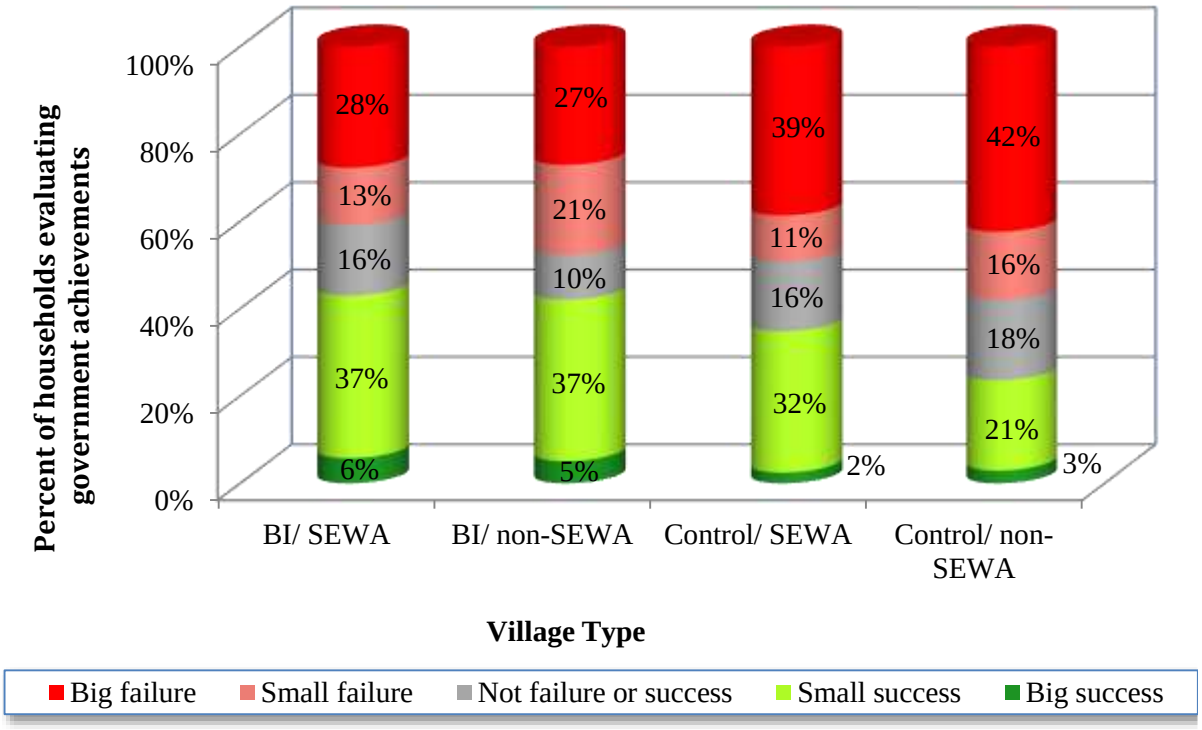
**Figure 12.3.3: Percent of households judging whether there should be a basic income, sufficient to cover basic needs, by village type, in General Villages**




Note: *Due to very low levels (<1%) of "Strongly disagree" responses, they have been merged into the "Disagree" category.

Source: MPUCT FES, 2012, n = 2030

**Figure 12.3.4: Percent of households evaluating government achievements: Poverty reduction, by village type, in General Villages**




Source: MPUCT FES, 2012, n = 1781

In sum, what these results imply is that villagers in Madhya Pradesh have a sense of social justice. Rural dwellers generally favour a progressive redistribution of income and they favour a sense of universal basic security. Neither has been on offer. We suggest that the type of policy that has been piloted in this project would prove popular, would be ethically appealing and would engender a general improvement in trust in government.

## 12.4. Affordability and Feasibility of Basic Income

The underlying theme of this report and the weight of evidence obtained through these pilots lead us to believe that moving towards having a basic income as the anchor of the 21st century social protection system of India is desirable in itself, whether or not it is phased in as an additional social protection policy – as a social floor, as some would put it – or as a substitution for other schemes.

The first big question, therefore, is whether or not a sensible modest basic income would be feasible and affordable.

At the heart of any answer to this question is the matter of deciding on policy priorities. In that regard, several stylised facts stand out. First, subsidies account for a remarkably high

proportion of GDP. Second, the share of total spending on social development that reaches the intended beneficiaries is remarkably low. According to one official estimate, in order to reach one Rupee of development spending, India spends 3.65 Rupees.[178]

Third, to return to a theme of chapter 1, policymakers must realise that the complexity of existing social policies means that many inadvertently channel large sums of money into commercial interests rather than to low-income families and individuals. Social insurance schemes are particularly prone to suffer from this failing.

Two examples relevant to the feasibility of a basic income in Madhya Pradesh should suffice to illustrate the point. Social insurance for low-income "informal" workers is often covered by multiple agencies, since they earn their livelihoods through various means and occupations. It is common that an insurance premium on one person is paid by up to five government agencies or departments.[179] But of course if a claim is made by the worker, it goes to only one agency.

Probably much more often than not, no claim for compensation is made at all, due to lack of awareness, ignorance of procedures, lack of confidence or some other reason. This is a concern that has exercised SEWA for years. But the point here is that the Government, at the level of Madhya Pradesh or nationally, is wasting its own money by paying many premiums for each person, even though there has apparently been some improvement in Madhya Pradesh since the beginning of this project.[180] Who gains from this? Certainly the low-income workers do not.

Another example is life insurance. The Government of Madhya Pradesh pays out huge amounts each year on covering more than 4.3 million people under two insurance schemes. Under normal insurance industry outcomes, death claims should range from between 12% and 15% of the insured, according to informal reports to our collaborators from Life Insurance Companies, including the LIC and the Society for the Elimination of Rural Poverty, which runs relatively successful schemes.[181] But while the MP Government has been spending on insurance cover, the beneficiaries come to under 1%. From a social equity and development point of view, the money is wasted.

[178] R. Mahapatra, "From kind to cash". www.downtoearth.org

[179] This section draws on Bhatnagar, 2013, op.cit. This paper was prepared specially for the UNICEF-SEWA project.

[180] Recently, the Government of Madhya Pradesh has created a Three Pillar Model of Samruddhi, in which Samagra, an Integrated Social Security Mission serves as an IT platform for capturing data on all individuals and households, is combined with an Electronic Fund Management System (e-FMS) for handling payments to beneficiaries and an ambitious system for opening bank accounts via Ultra-Small Bank Branches (USBs) and Customer Service Points (CSP). At the time of writing it is not known how well this three-pillar system is working.

[181] Even SERP has an extremely low claim ratio of 1.13% against an estimated 10-15% death cases. But the Government of Madhya Pradesh paid out death claims that amounted to merely 0.08%.

One other more pragmatic reason for recommending a shift to a basic income system is that the Government system for delivering benefits tends to be like pipes that are choked up, and with growing Government budgets the inefficiency of delivery increases[182].

Often the motives for the selective targeting are very probably well-intentioned and even desirable. But it is recommended that government should apply a practical rule, which is that such schemes should only be implemented where research has shown demonstrated social externalities, either in the form of social costs if they were not implemented or as social benefits that would flow from such schemes.

For instance, there are clear social benefits from schemes that counter anti-female childbearing and schooling. Such incentive schemes may be justifiable, as long as they allow for choices and do not involve coercion. But more often than not, the directive schemes involve an intrusion in freedom and rational decision-making.

And it is wishful thinking to claim that schemes are only failing because of administrative deficiencies that could be overcome with more due diligence. A policy that to work even moderately well relies on something that is improbable or difficult to achieve are less likely to be successful. Policies that depend on the probable are more likely to work. This is the claim that can be made on behalf of a basic income.

## 12.5. Tribal Communities as Game-changers

The pilots conducted under the aegis of this project have shown that the basic income has particularly strong transformative potential in tribal villages. As a result, we strongly *recommend* the Government of Madhya Pradesh – and the governments of the other six States where large tribal communities exist – to launch pilots of their own in tribal villages, using the tribal sub-plans. There are principled and pragmatic reasons for doing so.

The principled reasons include knowledge that tribal villages are among the most deprived and vulnerable communities in the State and in India generally. So, focusing on them as the next phase of a pilot or trial would be socially desirable. These communities have also been centres of social discontent, ripe for becoming recruitment centres for violent groups. Above all, the universal basic incomes offer the strong prospect of inducing a transformative development.

It is worth noting that the Chief Minister of Madhya Pradesh has initiated Chief Minister Choupals and has held a series of panchayats on diverse social groups, including tribals. These

[182] R.Jhabvala and G.Standing, 'Targeting to the 'poor': Clogged pipes and bureaucratic blinkers', *Economic and Political Weekly*, Vol.XLV, Nos.26-27, June 2010, pp.239-46.

are promising. And there would seem to be adequate funds available for a series of pilots that would fit that strategy.

For the fiscal year 2013-2014, the Government of Madhya Pradesh envisaged spending that implied a revenue surplus of Rs. 5,215 crore, which was 1.27% of the State's Gross Social Domestic Product.[183] That could be used in all or in part to fund a serious pilot in at least two districts of MP and/or cover a wide variety of tribal communities

The pragmatic reasons for proposing a trial basic income scheme in tribal areas is that they are relatively self-contained communities and are thus relatively easy to administer for a pilot. And a pilot of this kind could allow the MP Government to refine its new Three Pillar Model of Samruddhi.

## 12.6. Roll-Out Recommendations

Providing everybody with a basic income in monthly cash transfers is one of the great challenges that lie ahead for India. But it cannot be done overnight. This does not mean it cannot be done. It means that if it is to succeed it must be rolled out slowly and methodically across individual States and across the country, step by step.

In this regard, it is *recommended* that if a basic income or other cash transfer system is to be constructed, it should be phased in before existing subsidy schemes are replaced or phased out.[184]

This approach would pay social dividends later, since it would mean that low-income families would not face the initial risk and potentially severe cost of not obtaining the cash transfers while losing access to subsidised goods. As with the case of the Government's Kotkasim pilot mentioned in chapter 1, this could undermine the legitimacy of cash transfers. Doing the two changes simultaneously is a recipe for chaos and social suffering.[185]

This returns us to the limited and apparently diminishing capacity of the state to administer a vast array of complex social policy schemes, especially in an era of budgetary cuts and public deficits. It is vital that the number of such schemes should be reduced and as many as possible amalgamated. Their internal rules should be simplified and made more transparent. In doing

[183] These figures come from the Budget Document of the Government of Madhya Pradesh for the Financial Year 2012-13 and 2013-2014. The figures are published on its website: http://www.finance.mp.gov.in

[184] This was advocated in a public article at the time of the Government's launch of pilot cash transfer schemes that did not apply this principle. G. Standing, "How to make cash transfers work", Indian Express, December 17, 2012. www.indianexpress.com/news/how-to-make-cash-transfers-work/1046254/0 Among the critics of what transpired, see S. Prasad, "Lots of glitches to iron out in India's cash transfer scheme", Inside India, May 6, 2013. www.zdnet.com/lots-of-glitches-to-iron-out-in-India-cash-transfer-scheme-70000114906/

[185] For a description of the Kotkasim initial outcomes, see, e.g., A. Kazmin, "India: Cash in hand", Financial Times (London), March 13, 2013. www.ft.com/intl/cms/s/0/20b56692-7c26-11e2-bf52-00144feabdc0.html

so, they could be converted to a more rationalised structure that could be combined with a basic income anchor to a genuine social protection system

### 12.7. Financial Inclusion and Door-Step banking

Coincidentally, while the pilots were taking place, there was an intense debate in the media on the need for financial inclusion. We were able to show that a regular cash transfer, such as that in the project, led to rapid opening of bank accounts. However, this was only possible because SEWA could play a role of a "Financial Intermediary" to help open the accounts. Had that not been so, the cost in time and money would have been too high for the villagers, and it is likely the process would have been much slower and more difficult. In this project, as chapter 3 in particular showed, SEWA was able to lessen the transaction costs for villagers very considerably, while actually aiding the banks in incorporating thousands of new low-income clients. The banks in turn generally cooperated, and this should be acknowledged with satisfaction. However, in order to make financial inclusion a reality on a country-wide scale, financial intermediation needs to be encouraged and financed.

Financial inclusion, however, means more than just opening a bank account; it requires the capacity to actually operate that bank account, saving, borrowing and financial planning. Since the bank branches are far from villages and understaffed, door-step banking is the only solution. Other than the banks, there are many financial institutions such as co-operatives, SHG federations, micro-finance agencies that do provide door-step banking. This experiment showed that using such institutions led to more genuine financial inclusion.

The Banks and the Reserve Bank have been promoting "Banking Correspondents" all over the country. Unfortunately, we found this system to be more or less non-operational, mainly because the BCs could not earn even a modest living from it, and because they did not get the full co-operation of the Banks. In order to derive the full benefit of basic income, the Banking Correspondent model needs to be re-examined by the RBI and to be made more remunerative and easier to operate.

### 12.8. Voice and Agency

One of the unique features of this project has been that the pilots have been designed to try to identify the impact of both the basic income and independent Voice, the underlying hypothesis being that the strength of positive effects of the basic income would be augmented by the existence of a collective body able to assist, advise and support vulnerable recipients.

In many respects, the evidence has borne out expectations, not in every respect, but in most. We fully recognise that SEWA is a particular type of collective organisation, and as such we always anticipated that it would have stronger effects on some issues than on others. But we

are reasonably confident in concluding that the involvement of a body such as SEWA can considerably ease the process of financial inclusion.

The use of the cash transfer is enhanced when it is linked to improving public services and better access to productive activities. The study shows that basic income linked with SEWA activities to produce better results in families using health and education services. Also being a member of SEWA tended to make them less averse to taking risks.

In many ways, the involvement of a voice organization can help make basic income payments work optimally. Their first role should be to help in the education of recipients on how to acquire and manage money and in how to protect their new economic and social right that an unconditional basic income involves. This educative function is vitally important in communities where cash in people's hands has been relatively scarce. Financial emancipation, not simple inclusion, should be the goal.

## 12.9. Concluding Reflections

> *"I will give you a talisman. Whenever you are in doubt, or when the self becomes too much with you, apply the following test. Recall the face of the poorest and the weakest man whom you may have seen, and ask yourself, if the step you contemplate is going to be of any use to him. Will he gain anything by it? Will it restore him to a control over his own life and destiny? In other words, will it lead to swaraj for the hungry and spiritually starving millions? Then you will find your doubts and yourself melt away."*
>
> ■ Mahatma Gandhi[186]

It is crucial that policymakers handle what might be called the micro-politics of social policy reform with sensitivity. If the progressive principles of unconditional cash transfers are to be preserved and enhanced, it will be crucial to show that "basic incomes", or whatever they turn out to be called, are not being introduced as a means of lowering state benefits, let alone as a means of rolling back the state commitment to improving the welfare of the Indian population.

They must not only be seen as being progressive but as not being a step towards the dismantling of public and universal social services. On the contrary, they should be seen as helping to make public services function better. In this regard, the "revealed preferences" of villagers should be interpreted correctly. Some used their basic income to turn to private schooling or private medical care. This does not mean that either public schooling or public healthcare is undesirable per se. It does suggest the quality and accessibility of those vital public services must be improved.

We have seen that people have a sense of social justice and generally favour a progressive redistribution of income and a sense of universal basic security. We suggest that the basic

[186] This was one of the last notes written by Mahatma Gandhi in 1948.

income that has been piloted in this project should be scaled up and would prove a popular policy, which is ethically appealing and would engender a general improvement in trust in government.

## A GLOSSARY OF TERMS

In this report many terms and acronyms are used that are defined only once and that deserve easy reference. Some terms are used for very specific reasons. The following is a summary list of the main terms, listed alphabetically:

***"Baseline":*** This refers to the census carried out in the villages before the launch of the basic income pilots.

***"Basic income"*:** This refers to the universal, unconditional and individual version of cash transfers.

***"CCT":*** Conditional Cash Transfers, as developed in Latin America and elsewhere.

***"FES":*** The Final Evaluation Survey conducted for each of the two pilots.

***"IES":*** The Interim Evaluation Survey conducted for each of the two pilots.

***"Low-income families"*:** We have used this term instead of "poor families", since the latter has derogatory overtones and also has connections with official definitions of those deemed to be below "the poverty line".

***"MPUCT":*** This refers to the main pilot scheme underpinning this report and stands for the Madhya Pradesh Unconditional Cash Transfer pilot.

***"Pilot":*** Throughout the report the word pilot is used to describe an experimental scheme used to test and evaluate a particular policy or "treatment". We are aware that some commentators in India use the word "test" for this and reserve the word pilot to describe the initial phase of rolling out a particular policy. Readers should be aware of the specific use of the term in this report.

***"PDS":*** The Government's Public Distribution System.

***"SEWA":*** Self-Employed Women's Association of India.

***"TVUCT":*** This refers to the smaller pilot underpinning this report, and stands for the Tribal Village Unconditional Cash Transfer pilot.

***"UCT":*** Unconditional Cash Transfers.