
A Little More, How Much It Is...

Piloting Basic Income Transfers in Madhya Pradesh, India



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MADHYA PRADESH UNCONDITIONAL CASH TRANSFER PROJECT

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

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>.

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 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

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

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 vices 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.

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 poorer 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

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.

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 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.

Table 1. How the basic income was disbursed

General Pilot		
Basic Income SEWA villages	4	Bank accounts for men 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	-

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.

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 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

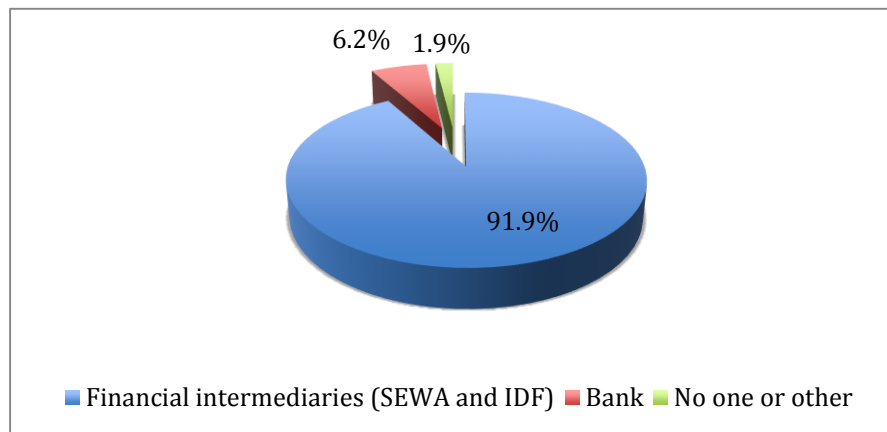
Nearly everybody received the basic income in designated villages; by the end of the project reversals in bank accounts went down to zero.

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

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

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

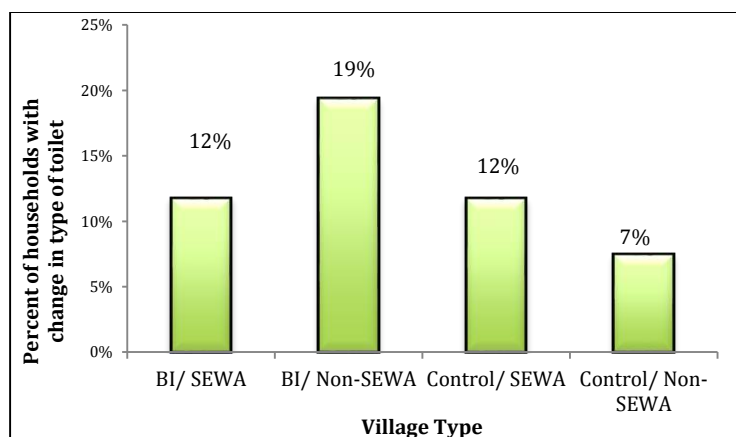
The basic living conditions in basic income villages improved starting with improvement in sanitation in villages covered by the general pilot. About 16% of the households in the basic income villages covered by the general pilot said they had made changes to their toilets by the end of the project, 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 villages. In comparison, no significant⁷ change in availability of toilets was observed in the tribal basic income village.

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.

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.

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 resources⁸. 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.

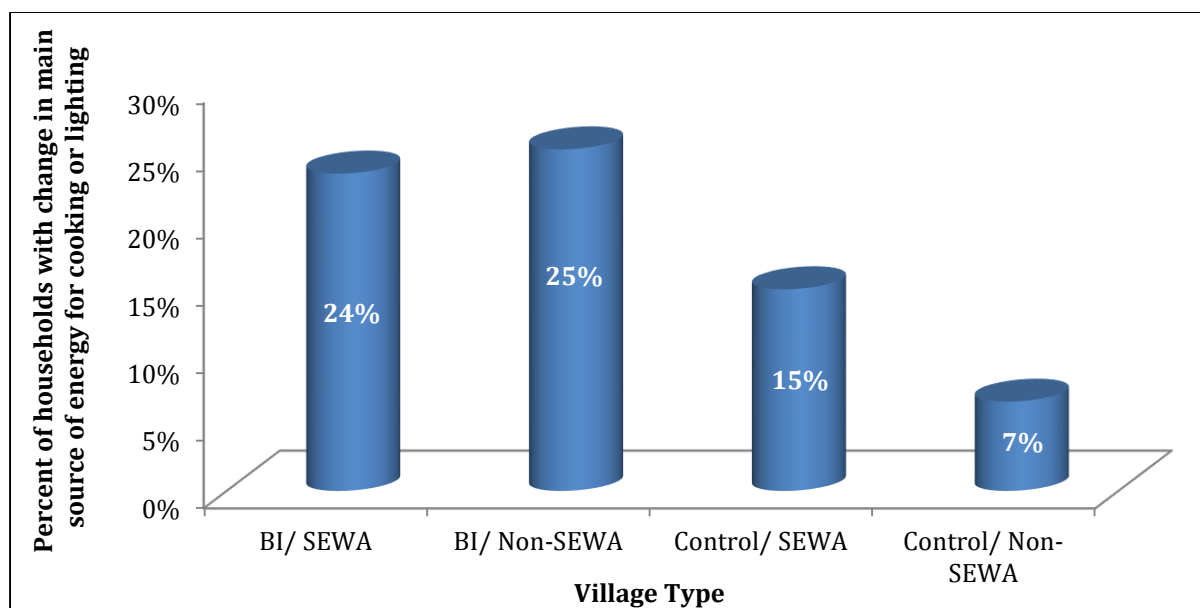
One in every four households receiving the basic income in the general pilot changed their sources of energy for cooking or lighting; in comparison only 10% of households in the control villages made that shift.

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.

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

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

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

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 motorcycles, 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.

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.

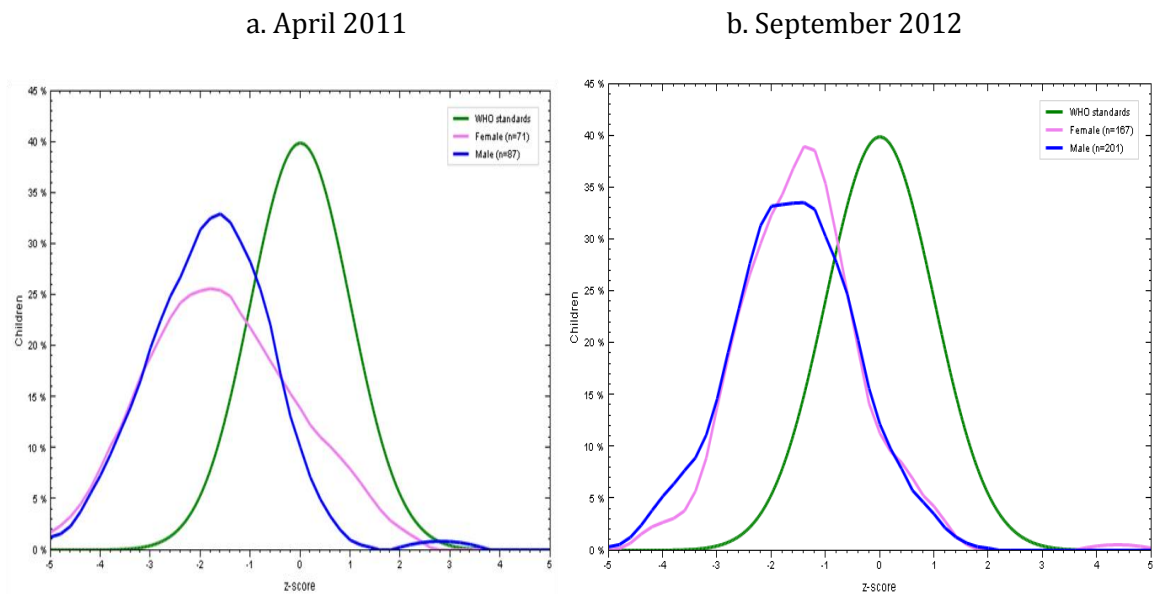
Receipt of basic income had a statistically significant impact on children's nutrition, in both general and tribal villages, particularly on nutrition levels of female children.

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.

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



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,

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.

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 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%).

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.

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 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.

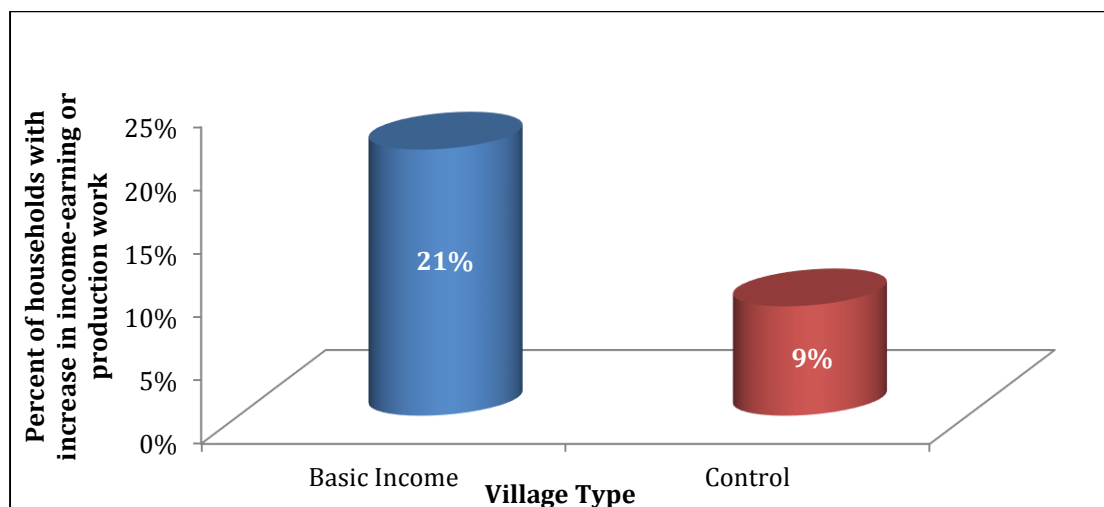
The basic income did not reduce the level of migration but it did change the pattern, especially in the tribal villages.

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

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.

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



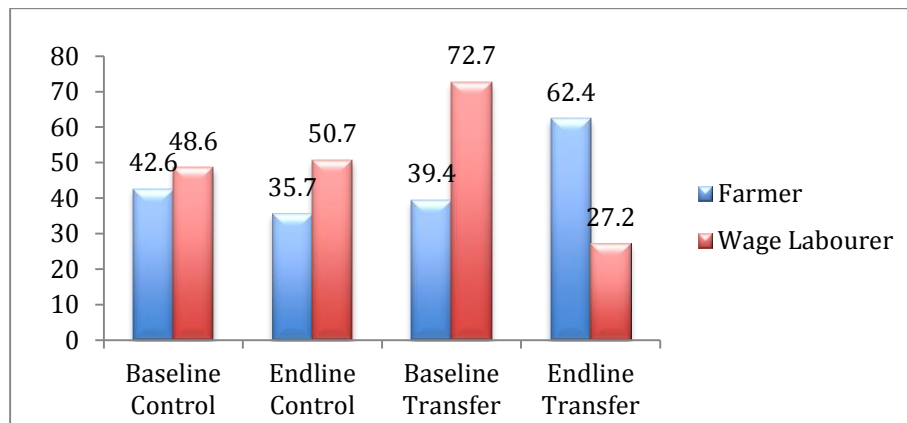
Source: MPUCT FES, 2012, n = 2016

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.

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

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 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.

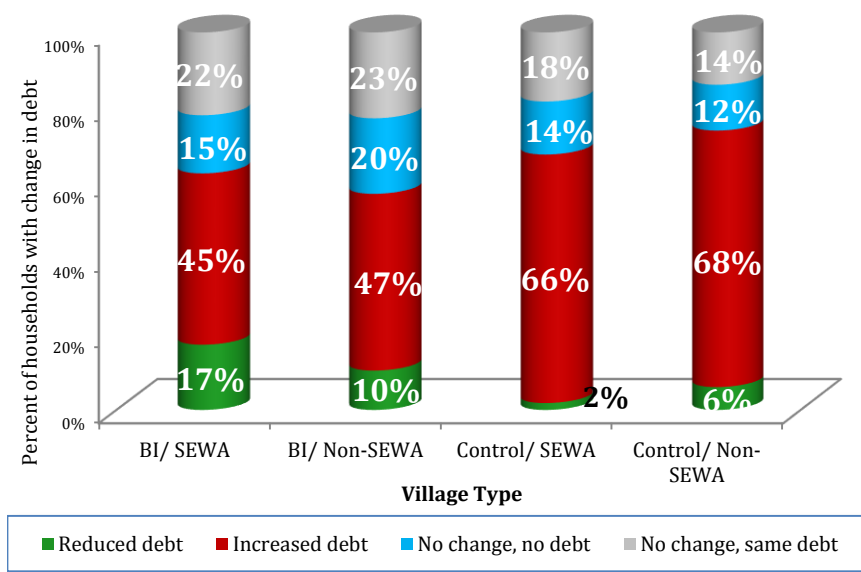
Women who received the basic income increased their labour and work relative to women who did not, particularly in the tribal village where women’s labour force participation increased by 16%, while it scarcely changed for men. One reason for this was the shift to own account work, which was particularly 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

By the end of the tribal pilot, 73% of households in the village receiving the cash transfer had reduced their debt.

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.

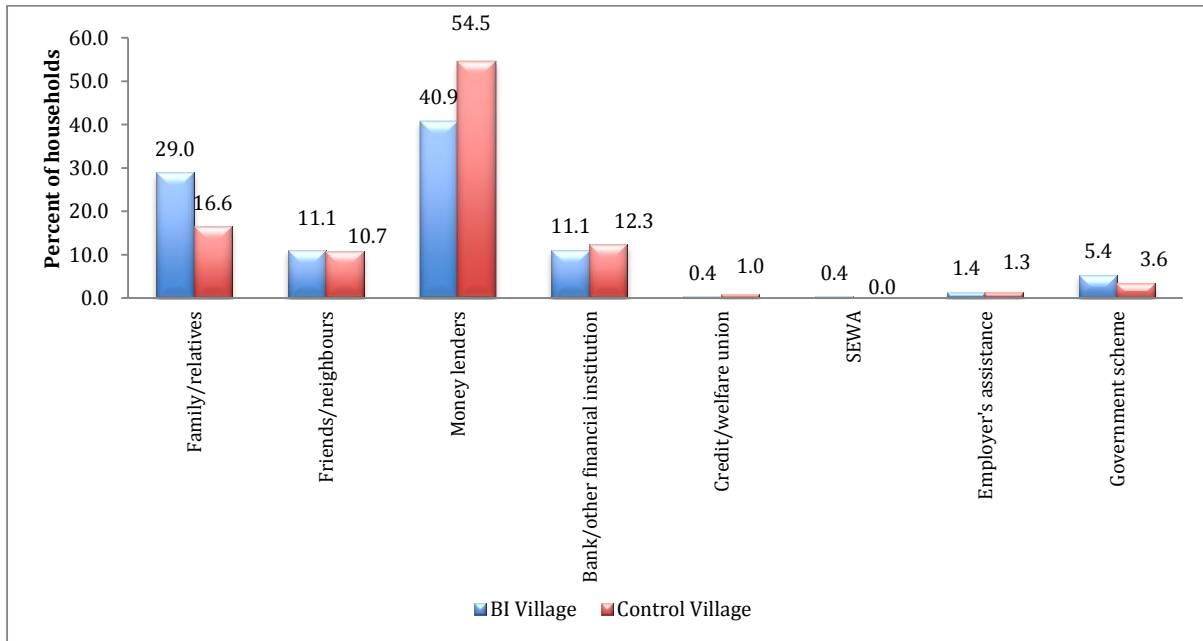
Figure 7: General pilot: Percent of households by change in debt and village type



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.

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.

- ***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 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.

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 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.