



# Conference on Unconditional Cash Transfers

findings from two pilot studies

May 30-31, 2013 | New Delhi





**SEWA Bharat**



## **Conference on Unconditional Cash transfers: Findings from two pilot studies**

**Organized by: SEWA and UNICEF**

**Date: May 30<sup>th</sup> - 31<sup>st</sup> 2013**

**Venue: India International Center Multipurpose Hall, New Delhi**

**May 30<sup>th</sup> Thursday**

**08.30 – 09.00 Registration**

**9.00—10.30: Inaugural Session: Chair, Dr. Montek Singh Ahluwalia**

*Welcome and opening: Mr. Louis-Georges Arsenault, Representative, UNICEF, India*

*Why Unconditional Cash Transfers? Some findings from the study: Ms. Renana Jhabvala, President SEWA Bharat*

*Are Cash Grants Transformative? Evidence from the study: Dr. Guy Standing, Professor of Economic, School of Oriental and African Studies, University of London*

*Chairperson address: Dr. Montek Singh Ahluwalia, Honourable Deputy Chairperson, Planning Commission of India.*

*Summary Remarks: Mr. Joaquin Gonzalez-Aleman, Chief of Policy, Planning and Evaluation UNICEF, India*

*Thanks: Ms. Shikha Joshi, General Secretary, SEWA M.P*

**10.30– 11.15: Tea break**

**11.15 – 13.15: Health, Nutrition, Living Standards and Schooling.**

**Chair: Dr. Syeda Hameed, Member, Planning Commission.**

*How cash transfers affect health and health care: Ms. Soumya Kapoor*

*How cash grants affect basic living conditions: Dr. Guy Standing*

*How cash grants influence schooling: Ms. Dipjyoti Konwar & Ms. Radhika Kapoor*

*General Discussion*

*Expert Response: Dr. Sonalde Desai, Senior Fellow, National Council of Applied Economic Research*

*Address from the Chair*

**Lunch 13.15 – 14.15**

**14.15 – 15.15: Financial Inclusion and Implementation of Cash Transfers**

**Chair: Dr. A.K. Shiva Kumar, Member, National Advisory Council**

*Cash Transfers, Financial Inclusion and methods of implementation: Ms. Shruti Gonsalves & Ms. Astha Kapoor*

*General Discussion*

*Expert Response: TBC*

*Address from the Chair*

**15.15- 15.30: Tea Break**

**15.30- 17.00: Labour and Work; Savings, Debt and Resilience.**

**Chair –Dr. Alakh Sharma, Director, Institute for Human Development, New Delhi**

*Basic Income transfers: Impact on Production, Work and Labour: Mr. Sourindra Ghosh & Mr. Sebastian Taylor*

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*Cash Grants; Savings, Debt and Resilience: Mr. Santosh Malviya & Mr. Sarath Davala*

*General discussion*

*Expert Response: Dr. Santosh Mehrotra, Director General, Institute of Applied Manpower Research.*

*Address from the Chair*

## **31<sup>st</sup> May Friday**

### **09.30 – 10.45: Cash Transfer and Social Inclusion Chair:**

**Chair: Mr. M. Mistry, Founder DISHA**

*The impact of Cash Grants in a Tribal Village: Mr. Sarath Davala*

*Social Inclusion and Cash Transfers: Dr. Guy Standing*

*Expert Response: Ms. Devaki Jain, Founder, Institute of Social Studies Trust*

*Address from the Chair*

### **10.45-11.30: Panel Discussion by Village Representatives:**

**Chair: Mr. Sarath Davala, Consultant, SEWA M.P**

*Ms. Shikha Joshi, General Secretary, SEWA M.P*

*Mr. Dara Singh- Sarpanch, Ghodakhurd*

*Ms. Lakhinaben- Resident, Jagmal Pipliya*

*Ms. Radhaben- Resident, Ghodakhurd*

### **11.30- 11.45: Coffee break**

### **11.45– 13.00: Lessons Learned, The Way Forward and Implications for Policy**

**Chair: Mr. Jairam Ramesh, Honorable Minister for Rural Development**

*A summary of Evidence and Discussion of Policy*

*Address from the Chair*

### **13.00-14.00: Closing Session.**

**Chair: Dr. Shekhar Shah, Director General, NCAER**

*U.N perspective on Social Protection and Cash transfers*

*Ms Lise Grande, UN Resident Co-ordinator and UNDP Resident Representative in India.*

*Next Steps and Way forward*

*Address from the chair.*

*Closing Remarks: SEWA and UNICEF*

*Vote of Thanks: Ms. Shikha Joshi, General Secretary, SEWA M.P*

### **14.00: Closing Lunch**

## **Background**

The public debate on cash transfers in India has been polarized without sufficient empirical evidence from the ground. In order to provide credible evidence and to bring in the experiences of beneficiaries themselves, SEWA entered into a partnership with UNICEF to pilot an unconditional cash transfer, or basic income grant experiment in rural areas of Madhya Pradesh.

The resultant initiative is an innovative pilot testing of a policy instrument that has the potential to overcome current design and implementation weaknesses of India's vast social protection programmes and effectively address vulnerabilities faced by low-income Indians.

For between a year and 17 months, over 6,000 individuals received small unconditional monthly cash transfers, or grants. Their situation before, during and after receiving the grants was evaluated by use of three rounds of statistical surveys and a large set of case studies, comparing the changes in the period with what happened to a control group that did not receive grants. In total, the surveys covered over 15,000 individuals.

This is the first time *unconditional* and *universal* cash transfers have been subject to such a detailed assessment in India. The results should assist those trying to reach a balanced judgment on whether or not, and if so how, cash grants could be incorporated into Indian social protection and economic policy.

It should be stressed that the pilots were not intended to test whether cash grants could or should be substituted for other policies such as PDS, MNREGA, or the public health or government education system, although of course the findings do have considerable relevance to debates around those policies.

There were effectively two pilots:

- The MPUCT (Madhya Pradesh Unconditional Cash Transfer) – 8 villages with everybody provided with monthly cash grants, 12 similar villages as control villages.
- The TVUCT (Tribal Village Unconditional Cash Transfer) – one tribal village in which everybody received the cash grants, one tribal village as a comparison.

This note briefly describes significant selected features of the two pilots and highlights specific primary findings. The topics selected are illustrative, rather than comprehensive. Refinements and further analysis will be made in the light of the conference discussions.

## **Design Features**

The two pilot projects in Madhya Pradesh were designed to identify the effects of cash grants on individual and family behaviour and attitudes, and on community development. In the MPUCT, a modified Randomised Control Methodology (RCT) was used. In 8 villages everybody received the grants while in 12 other similar

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villages nobody received them. In order to test the impact of a voice organization 50% of all villages were those in which SEWA was active. The impact of the grants was studied by comparing what happened in the various villages.

In the TVUCT, we compared two similar tribal villages, one where everyone received cash grants and one where no one did.

In the selected villages, every man, every woman and every child was provided with a modest unconditional cash grant each month. 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 SEWA members into their individual Co-operative account.

Initially, in the larger 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 village pilot, the amounts were 300 rupees and 150 rupees for the entire period of 12 months.<sup>1</sup>

### Why unconditional

The basic income grants given to the individuals in this pilot have no conditions on how they are to be spent. It is left to the person to decide on expenditure. This is because it is believed that people are generally capable of making their own decisions and will do so in the best interests of themselves, their children and their families.

Many cash transfer schemes have been introduced with elaborate conditions imposed on potential recipients. Often the conditions are well meant, such as requiring families to send their children to school, or for mothers to give birth to their children in registered institutions. But in practice, conditions are hard to apply fairly and involve high administrative costs.

It has been observed that imposing conditions generally requires beneficiaries to “prove” that they had fulfilled those conditions by obtaining a certificate or written approval from a local official and this becomes a potential source of corruption and harassment. Furthermore, a condition requires the service to be easily available and to be affordable, and often these supply-side conditions are missing. Hence conditions lead to high costs to both the Government and to the individual, as well as poor implementation of the programme.

### Why individual

A defining feature of these pilots is that the basic cash grants were paid to each individual, rather than to households or to a selected individual. Grants for children under the age of 18 went to the mother or, if there was no mother, a designated guardian.

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<sup>1</sup>The original amount was calculated so that it was not high enough to substitute for employment, but was enough to make some difference for 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.

Providing individual grants gives individuals more autonomy and bargaining power within the household, which – as the results of the pilots confirm - is particularly important for women, the elderly and the disabled. It also ensures a complete financial inclusion as an account is opened for each individual in the family.

### Why universal

Social protection programs can be targeted to those designated as in poverty, which is the approach mostly taken in India, or they can be provided universally, that is, to everybody regardless of social or poverty status. The conventional rationale for targeting is that since funds are limited they need to be spent on those who need them most. But, as many studies have shown, targeting in practice does not work: identifying the poor is administratively difficult, costly and prone to serious errors of omission, and it may actually be less costly to universalise, recognizing at the same time that rich people may receive them.

In these pilots, in the villages selected, grants have been provided to every person registered as a usual resident at the outset of the project, the only requirement being that they opened an account for the transfer of funds within three months of the launch.<sup>2</sup> For the first three months, everybody was provided with the grants by direct transfer of the money.

### What is in a name?

In the pilots, the term used was Unconditional Cash Transfers, simply because that was closest to the term beginning to gain popularity. However, since then the debate across India has changed public perceptions of cash transfers, and new terms such as “direct benefit transfer” are now being used.

At international level, there is a strong tendency to use the term “basic income” for what was initially called unconditional cash transfers. They might also be called “cash grants” or “development grants”, since they potentially provide scope for both personal and community development.

### Evaluation Methodology

In the larger pilot, a baseline census, covering the whole population, was conducted in all 20 villages just before the start of the cash grants, covering issues relating to health, nutrition, schooling, work and labour, income, savings and other aspects of households that might be affected by the introduction of cash grants.

This was followed much later by an Interim Evaluation Survey (IES), covering the same issues and issues usually considered as matters of “financial inclusion”, including teething problems faced by recipients.

A Final Evaluation Survey (FES) took place shortly before the end of the pilot, supplemented by a small Post-Final Evaluation Survey (PFES) just in the cash-grant villages, covering people’s impressions of the experience. A similar evaluation process was conducted in the two tribal villages.

The evaluation material was supplemented by 89 case studies, and the collection of secondary data in several rounds of Community Survey, as well as data from local schools and Anganwadis. Although preliminary

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<sup>2</sup>This pilot will not yield policy results for the issue of targeting v/s universal. The all-resident approach has been chosen for the study as part of the modified randomized control trial method.

findings will be presented at this conference, it is recognised that sophisticated statistical analysis will continue for many months.

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## Primary Illustrative Findings

The following provides just a few of the many findings from the evaluation surveys. These will be elaborated at the conference and in technical papers to be issued afterwards, along with material from the detailed case studies.

*[Acronyms: IES, Interim Evaluation Survey; FES, Final Evaluation Survey; MPUCT, Madhya Pradesh Unconditional Cash Transfer pilot; TVUCT, Tribal Village Unconditional Cash Transfer pilot]*

### Implementation and Financial Inclusion

- Take-up of the basic income grants was rapid, with 93% receiving them in the first month in cash form.
- Bank account opening was challenging work for SEWA officials, but within a few months almost everybody had bank or cooperative accounts.
- However, a majority of the villagers reported in the IES and FES that they had experienced no major problems opening bank accounts.
- Women found it easier to access and operate SEWA Co-operative accounts than the Nationalised Bank Accounts.
- The project has led to financial inclusion: Savings increased and households began using their accounts for saving, rather than keeping money at home.

### Housing and sanitation

- Recipients of cash grants were significantly more likely to make improvements to their dwellings.
- The main improvements were to walls and roofs, although improvement to latrines was also widespread.
- Cash grants led to a switch to more preferred sources of energy for cooking.
- In the tribal village, cash grants were used by the recipients to construct new dwellings (10%), repair old houses, switch to better drinking water sources, such as getting own tube-well, and shift to better lighting.

### Nutrition and Diet

- Using the WHO's z-score index, incomegrants were associated with an improvement in children's weight-for-age, with the main effect being among young girls.
- Cash grant recipients were significantly more likely than others to have enough income for their daily food needs.
- Cash grants led to more varied diets, with greater relative consumption of fruit and vegetables, rather than simple reliance on subsidised staples.
- In the tribal villages, cash grant recipients reported a sharp rise in food sufficiency. In the cash transfer village, households that reported that their income was sufficient for their food needs increased from about 50% in the baseline to 78% in the IES, and further to 82% in the FES. Correspondingly, the incidence of having insufficient food fell.
- In the MPUCT, an increase in food sufficiency was most pronounced for scheduled caste households.
- Those receiving cash grants were not more likely than others to increase spending on "private bads", such as alcohol or tobacco. Reasons for that will be presented in the conference.



## Health and healthcare

- During the course of the pilots, cash grant households reported a lower incidence of common illnesses.
- Cash grants led to more regular medical treatment and more regular taking of medicines. This was particularly observable in the TVUCT.
- Cash grants were associated with increased spending on medical treatment.
- Improved health was attributed most to an increased ability to afford medicines, although many families also mentioned it was due to more or better food and reduced anxiety. Scheduled Tribe households were relatively likely to attribute better health to the acquisition of more or better food.
- The public health system has achieved impressively high levels of immunization.
- Cash grants were associated with more resort to private healthcare, and in particular a shift from government hospitals to private hospitals.
- Although the number acquiring health insurance was small, significantly more cash grant households did so during the course of the experiments.

## The Impact on the Disabled

- Cash grants benefited those with disabilities even more than others, by enabling them to have more access to food and to medical assistance.
- Individualised cash grants gave household members with disabilities greater voice in how money was spent.
- Case studies showed that the cash grants enabled some disabled to become economically active, overcoming constraints to their full membership in village society.

## Schooling

- Cash grants were associated with improvement in school enrolment. Although initially there was no significant difference in enrolment, by the FES the enrolment rates of children from 4 to 18 years was 12% higher in the cash transfer villages.
- Transfers led to increased spending on essentials for school, including stationery, shoes, uniforms and basic equipment.
- Cash grants were associated with more regular school attendance, with 29% of cash transfer households reporting an improvement, compared with 13% in control villages.
- Income Grants were associated with improved school performance. Grades over time taken from actual registers of schools showed that more children from cash transfer families were doing better than children of non-grant families. Scheduled-tribe households were the most likely to show an improvement in performance in terms of grades.

- By the end of the pilots, households in cash grant villages were more likely to be sending their children to private schools. Almost half of all cash-grant village children were enrolled in private school, compared with 30% in control villages.
- Cash transfers were associated with families spending more on transport to school. Grant-receiving households were more likely to send their children to schools located at a greater distance from their homes, and so spent more on transport.
- In the period covered, cash transfers were associated with an increase in private tuition. Most social categories in cash transfer villages spent more on private tuition than in other villages, except scheduled-caste families.
- Cash grants helped families to ensure that their children did non-school work that was less disruptive to their schooling. This was particularly observed in the tribal village.

### **Economic activity, work and production**

- Contrary to a common criticism of cash transfers, cash grants were associated with an increase in labour and work.
- Cash grant households were twice as likely to have increased their production work as non-transfer households.
- Cash grants led to an increase in own-account work, and a relative switch from wage labour to own-account farming and small-scale business. This was especially true for scheduled caste households and for women workers.
- The shift from labour to own farm work was especially marked in the tribal villages.
- Many families used cash grants to buy small items for production, such as sewing machines and seeds and fertiliser.
- Cash grants were associated with the purchase of more livestock to increase production. Households in the cash-grant tribal village increased their livestock by 70%.
- Cash grant households more likely to increase their income from work, in spite of it being a difficult year due to weather conditions in the area.
- Cash grant households were three times as likely to start a new business or production activity as others, with a majority attributing that to the cash grants.
- In tribal village, farmers have increased their spending in good quality seeds, fertilisers and pesticides.

### **Debt and Savings**

- Severe indebtedness was found in over three-quarters of all households.
- Cash grants were associated with a significant reduction in indebtedness, both because recipients used the money to reduce existing debt and because they used the money to avoid going into further debt. Those receiving cash grants were more than twice as likely to reduce debt.
- Cash grants led to a significant increase in savings, even in households with debt. Households often used the money to give themselves vital liquidity.

### **Policy Implications**

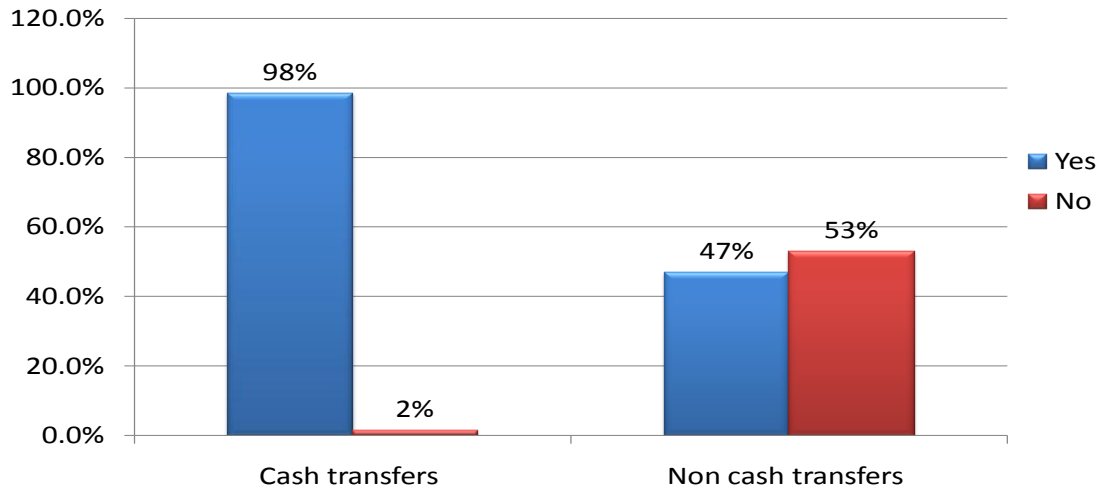
- Only a minority of low-income households in all 20 of the villages had a BPL or Antyodaya Card. Some of the poorest households had no card.
- Only a minority of households in the 20 villages had ever participated in MGNREGS.

Those two findings deserve to be taken into account in assessing the relative merits of universal and targeted basic income grants. Although the project team will make some policy proposals, it will be up to policymakers and development agencies to digest the meaning of the findings from this and related projects. We urge them to develop and implement policies on the basis of evidence. We believe that cash grants should be considered essentially as “development grants”, which can unlock constraints to personal, family and community development.

Different people have different needs. Unconditional cash grants can enable them to identify their particular needs and priorities. The results of our pilots strongly suggest that Indian rural households are quite capable of making decisions for themselves and that there is no need to tell them what to do. Those considering subsidies or targeted conditional schemes should bear that in mind.

# FINANCIAL INCLUSION

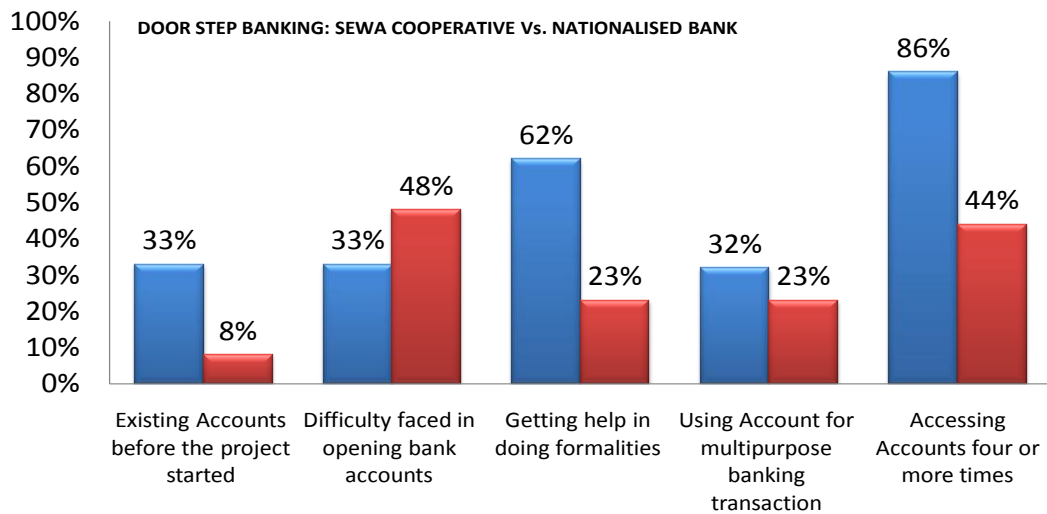
## Having Bank Account



Source: MPUCT FES, Jun-Jul 2012, n=2034

2

## Challenges of Doorstep Banking

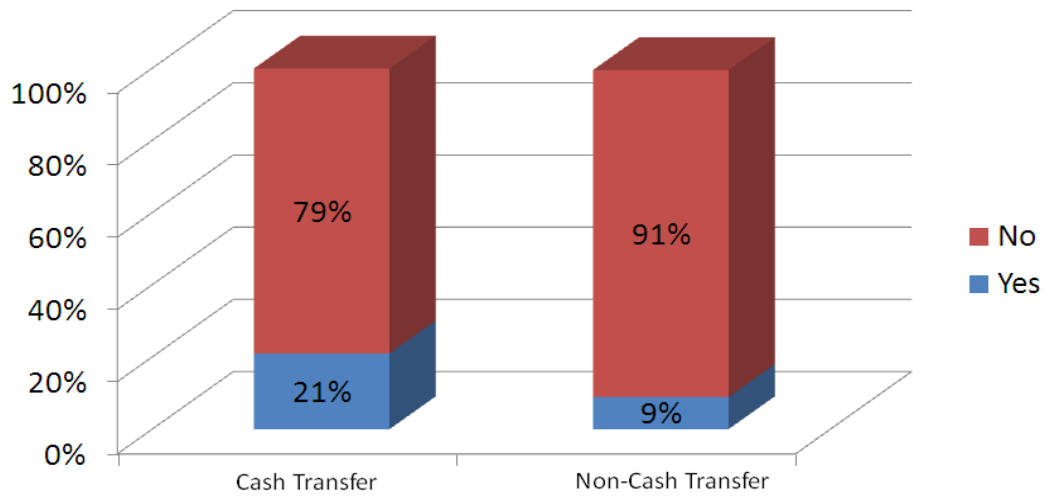


Source: MPUCT FES, Jun-Jul 2012, n=2034

■ SEWA co-operative ■ Nationalized Bank

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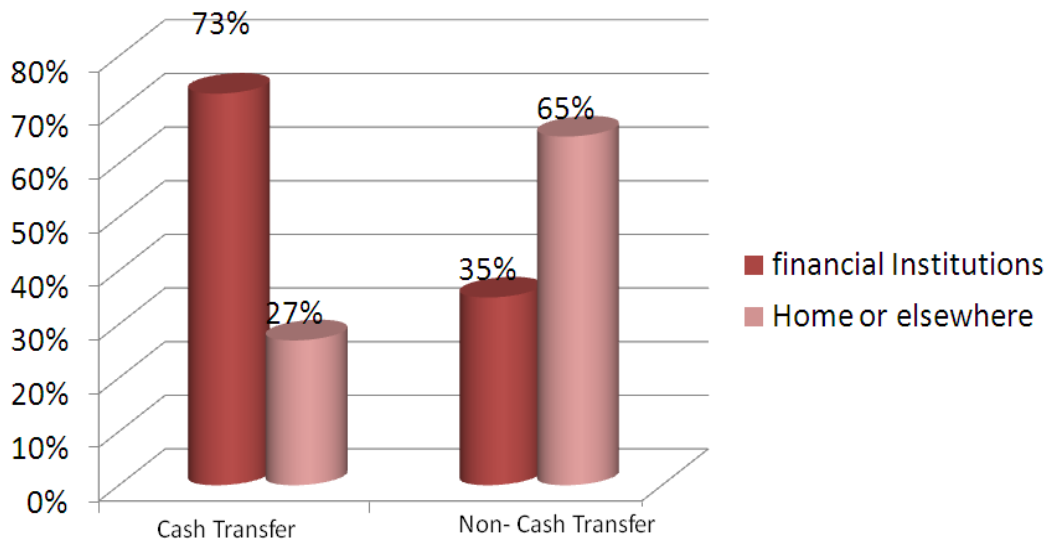
## Savings



Source: MPUCT FES, Jun-Jul 2012, n=2034

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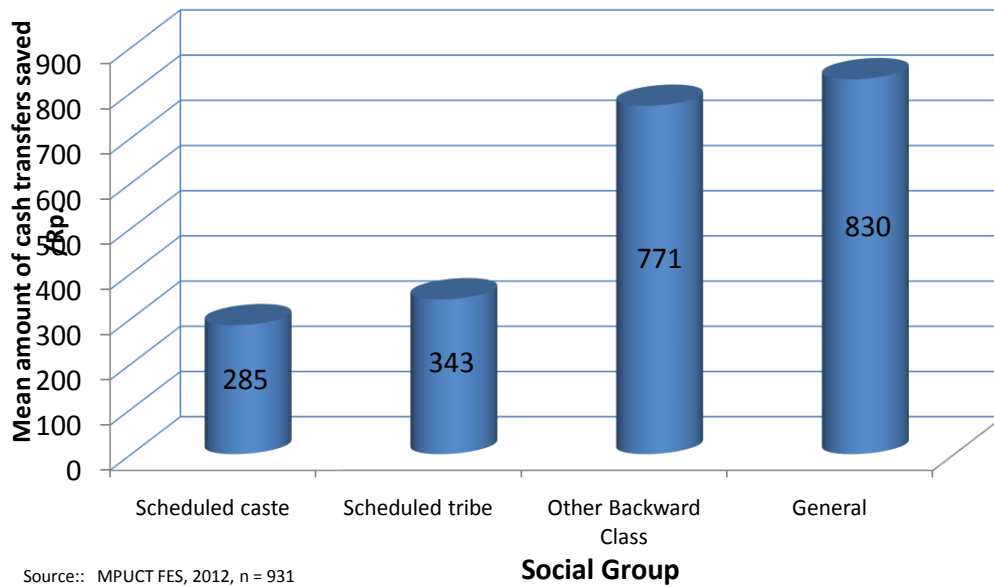
## Savings in financial institutions



Source: MPUCT FES, Jun-Jul 2012, n= 931

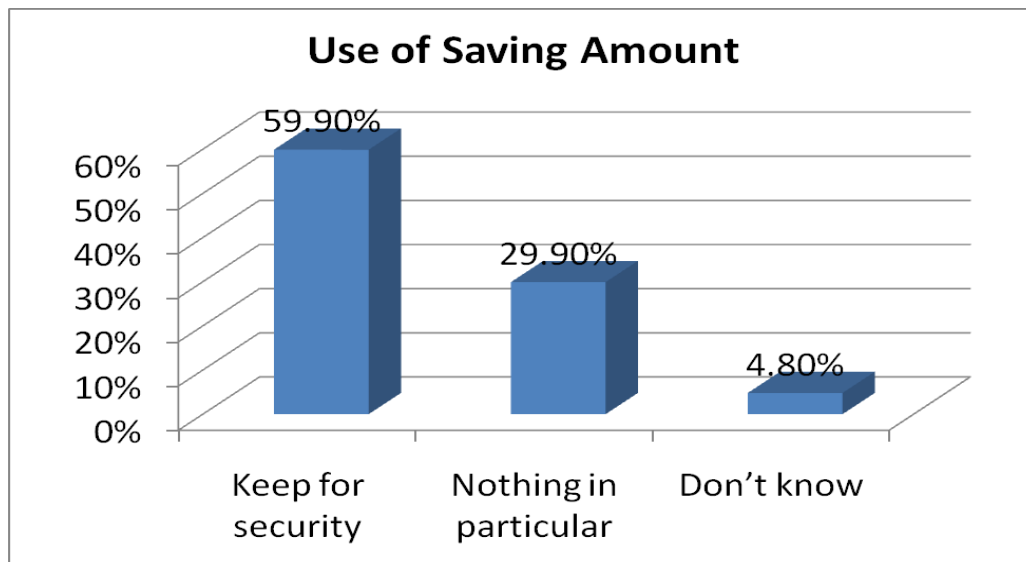
5

## Mean amount of cash transfers saved, by social group



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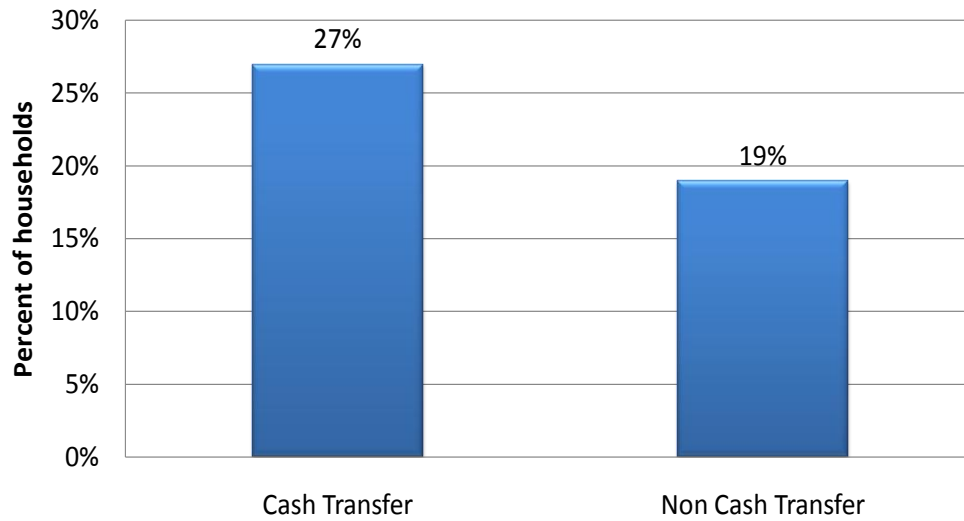
## Intended Use of Saving Amount



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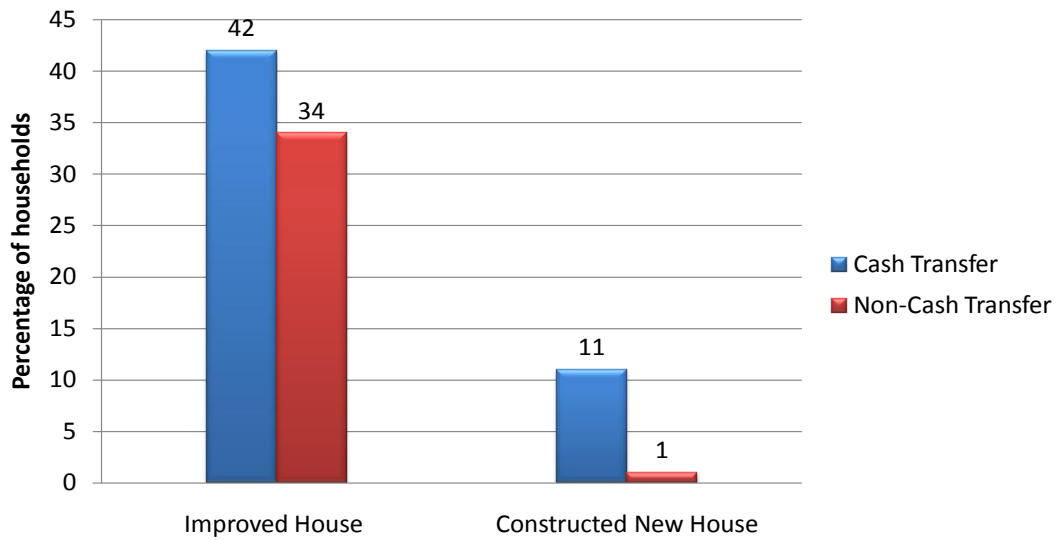
# HOUSING & SANITATION

## Percent of households with any improvement in housing



Source : MPUCT, FES, Jun-Jul, 2012, n= 2034

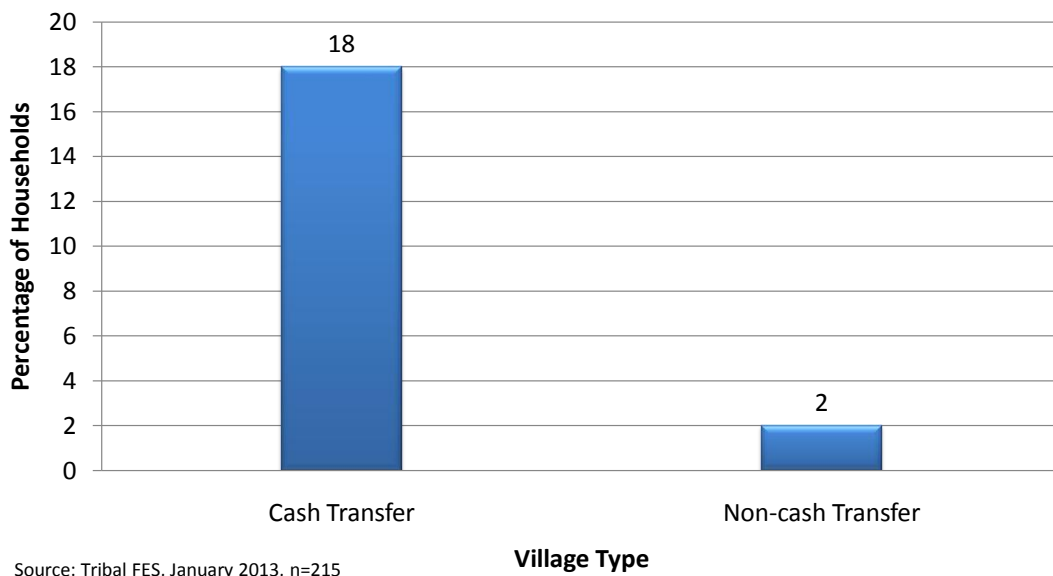
## Improvement in Housing - Tribal Village



Source: Tribal FES, January, 2013, n=215

10

## Improvement in Lighting in tribal village



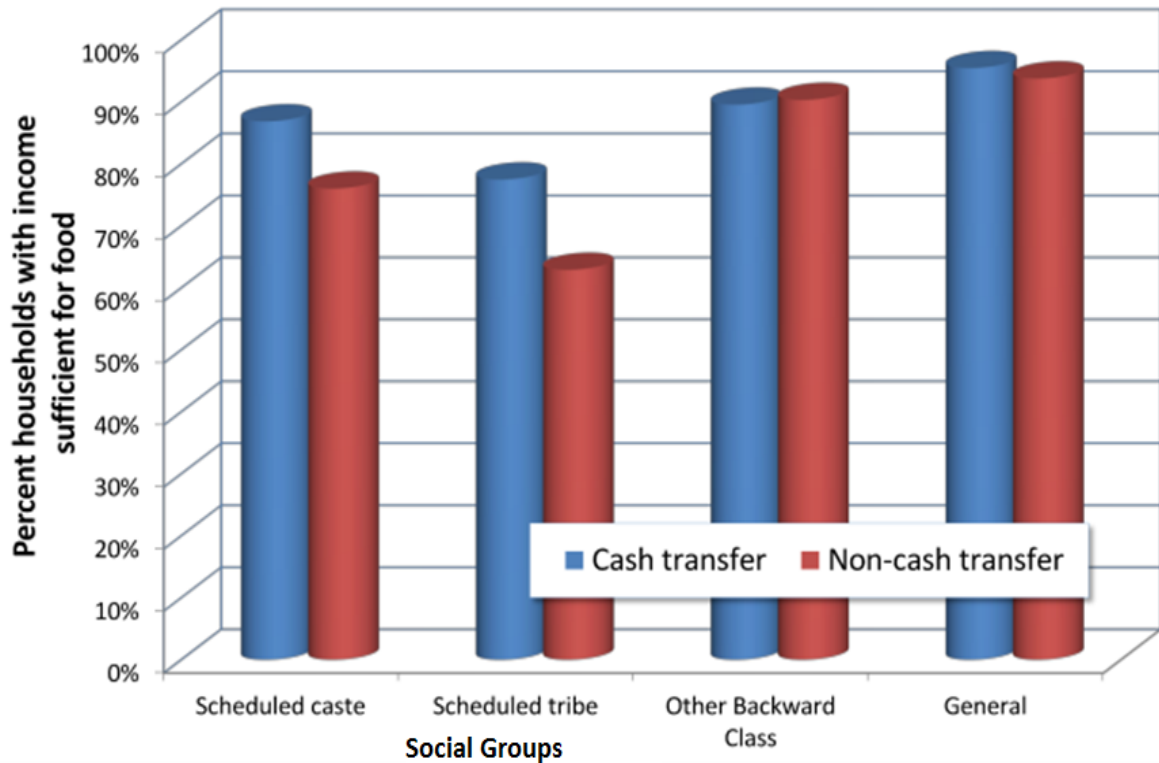
Source: Tribal FES, January 2013, n=215

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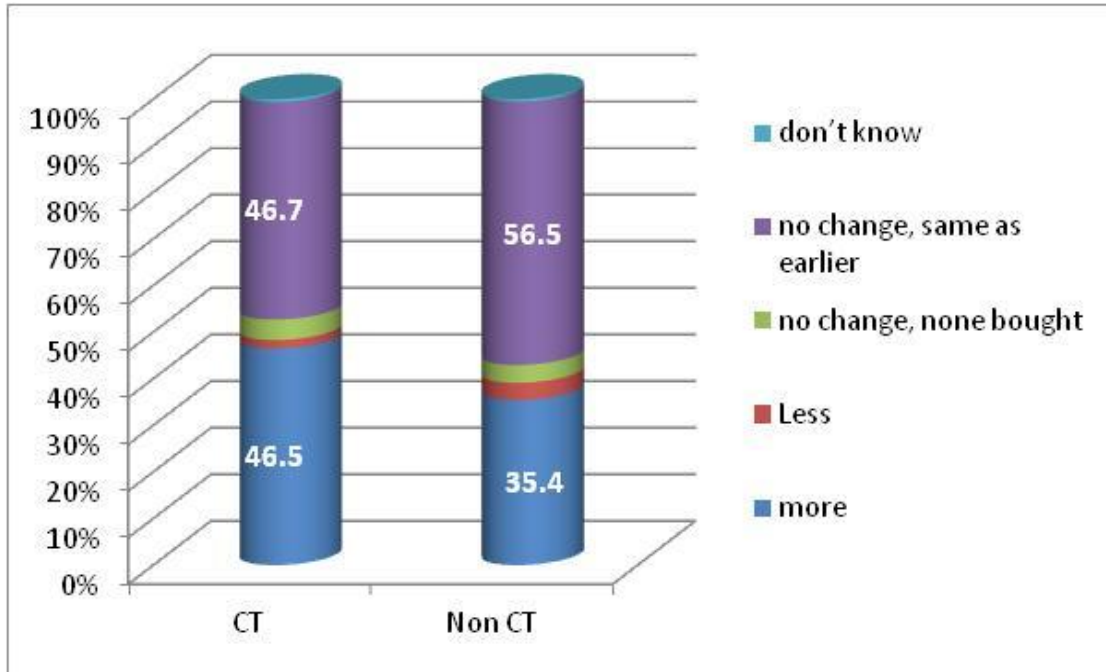
# NUTRITION & DIET

## Food Sufficiency by Social Groups



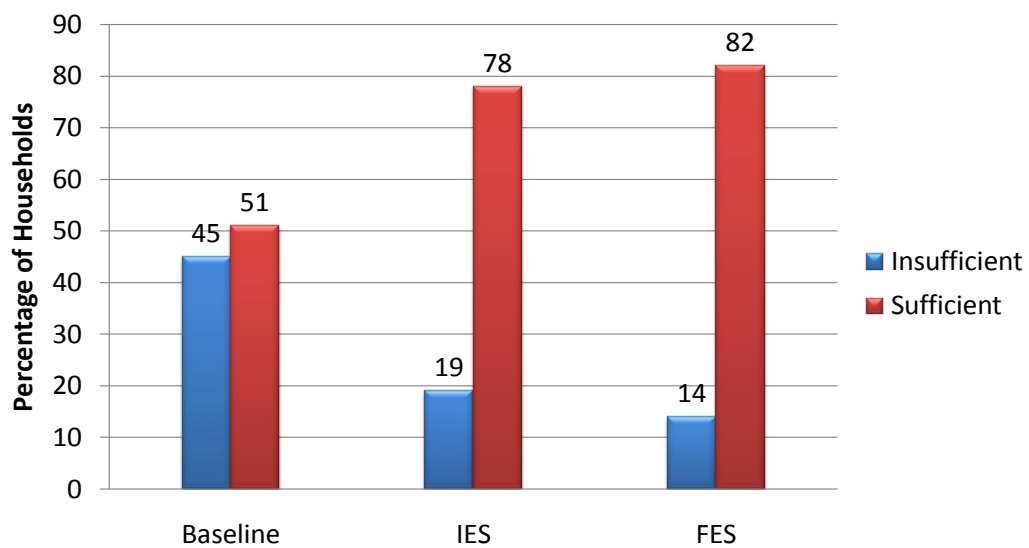
Source: MPUCT FES, 2012, n= 1090

## Cash Transfer recipients were buying more food from the market



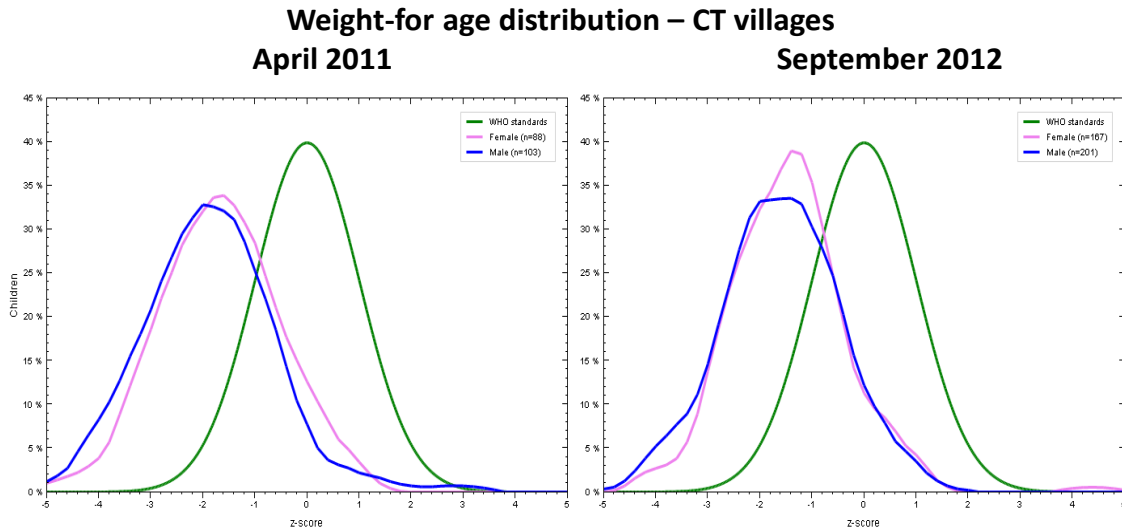
Source: MPUCT FES, 2012, n= 2033

## Food Sufficiency in Tribal Cash Transfer Village

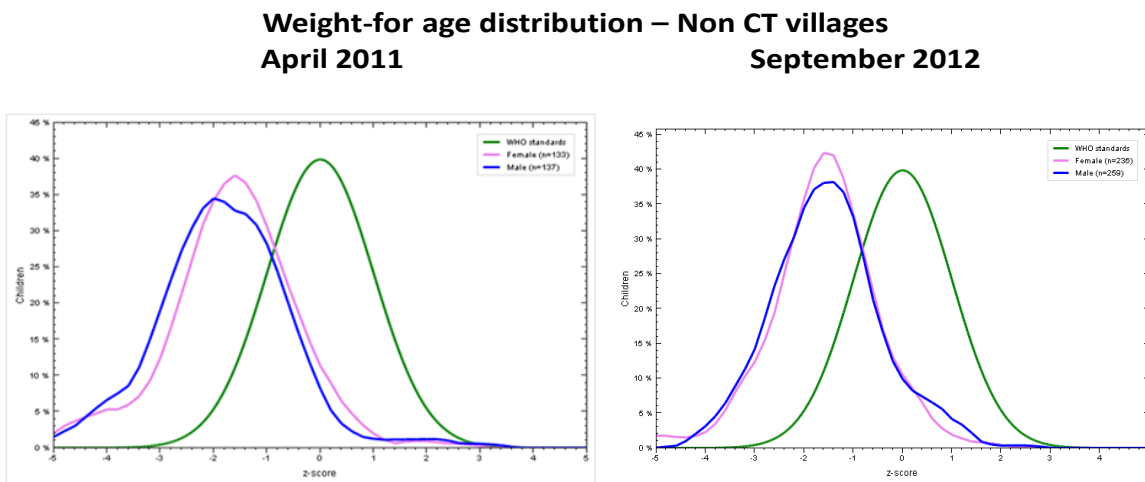


Source: Tribal Village, FES 2013, n=215

**Proportion of underweight children – particularly girls - came down in CT villages (as marked by a shift in the z-scores towards the right, to normal)**



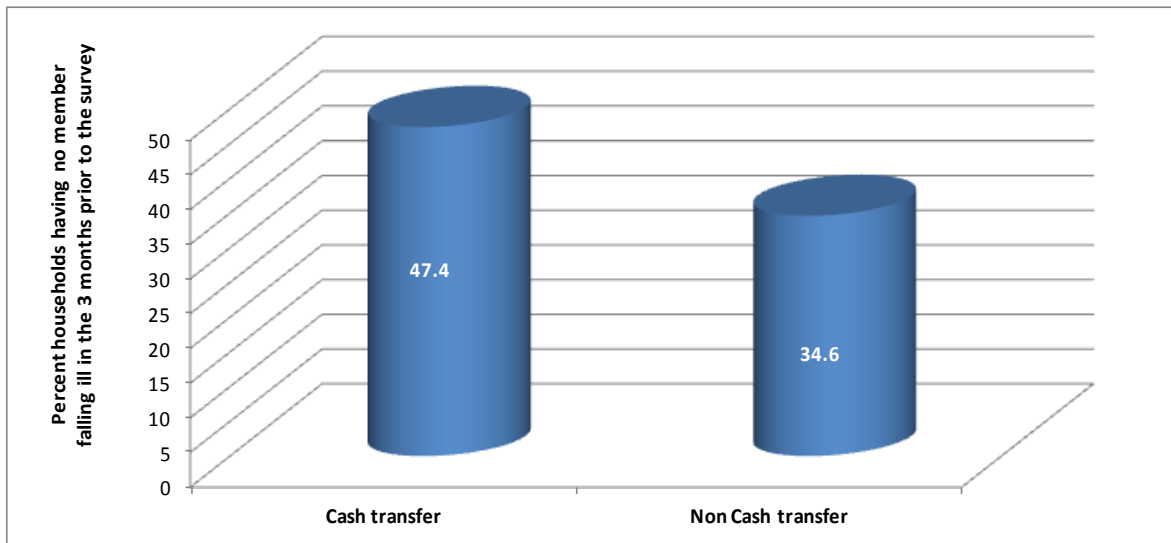
**In contrast, the shift in the z-scores in the non CT villages was not as marked**



# HEALTH & HEALTH CARE

## Incidence of illness

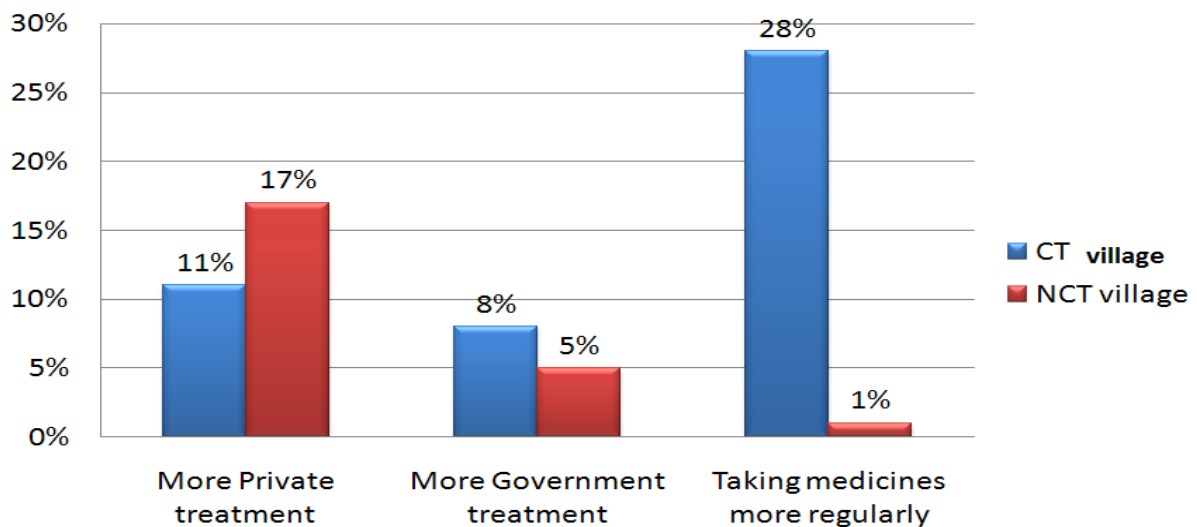
% of households with no illness in past 3 months,



Source: MPUCT FES, Jun-Jul 2012, n= 2034

19

## More Medical Treatment



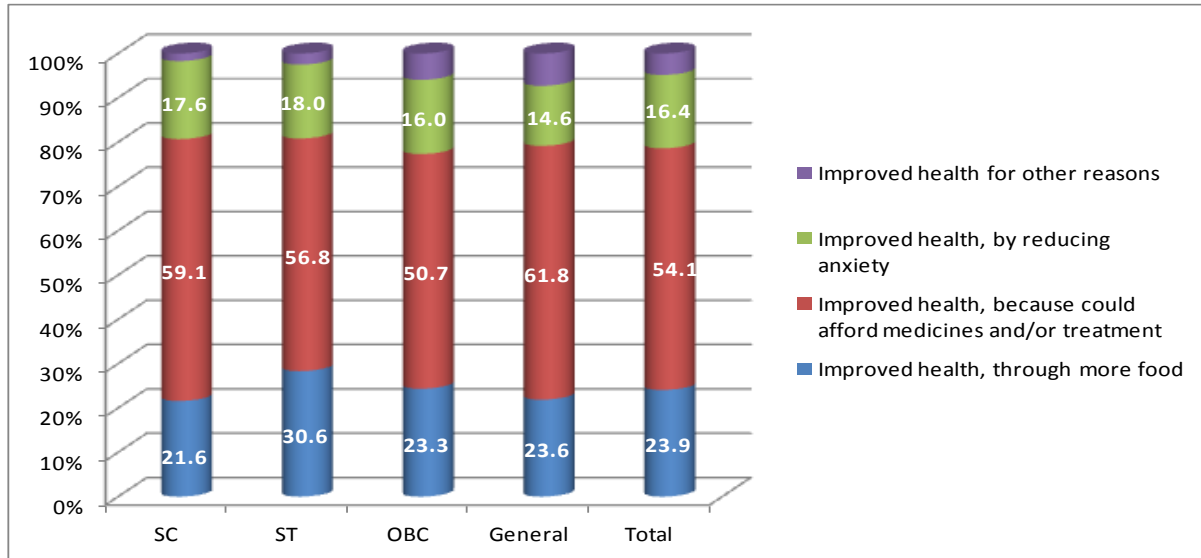
Source: MPUCT-IES, 2012

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## More ST households spoke about improvement in health on account of more food intake

Percent of cash recipient households who spoke about improvement in household health, by perceived main reason and social group

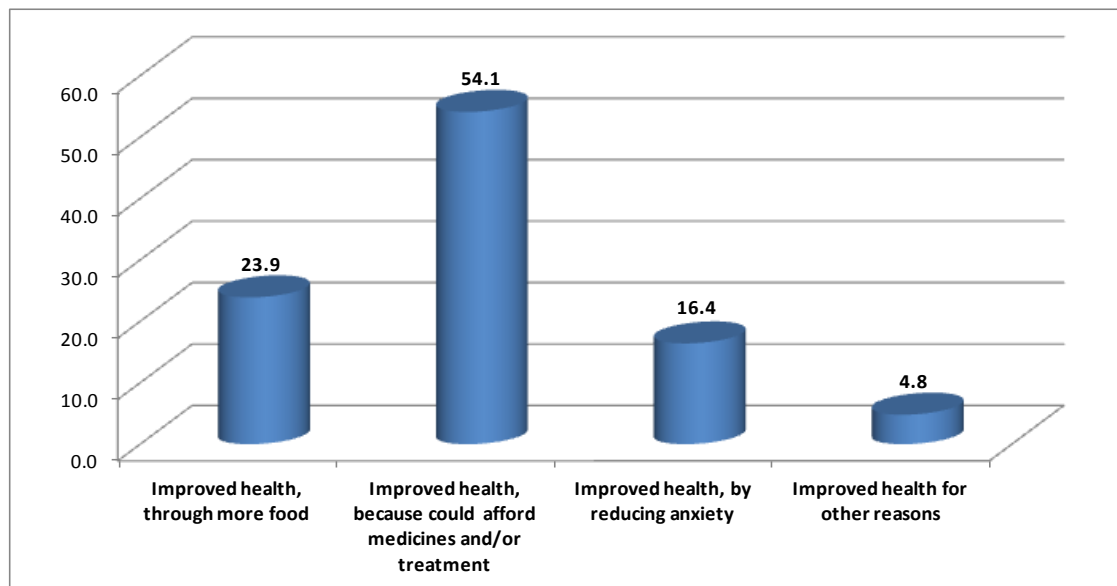


Source: MPUCT FES, Jun-Jul 2012, n= 860

21

## Most important reason for improvement in health condition in CT villages was regular medication/treatment

Percent of cash recipient households who spoke about improvement in household health, by perceived main reason

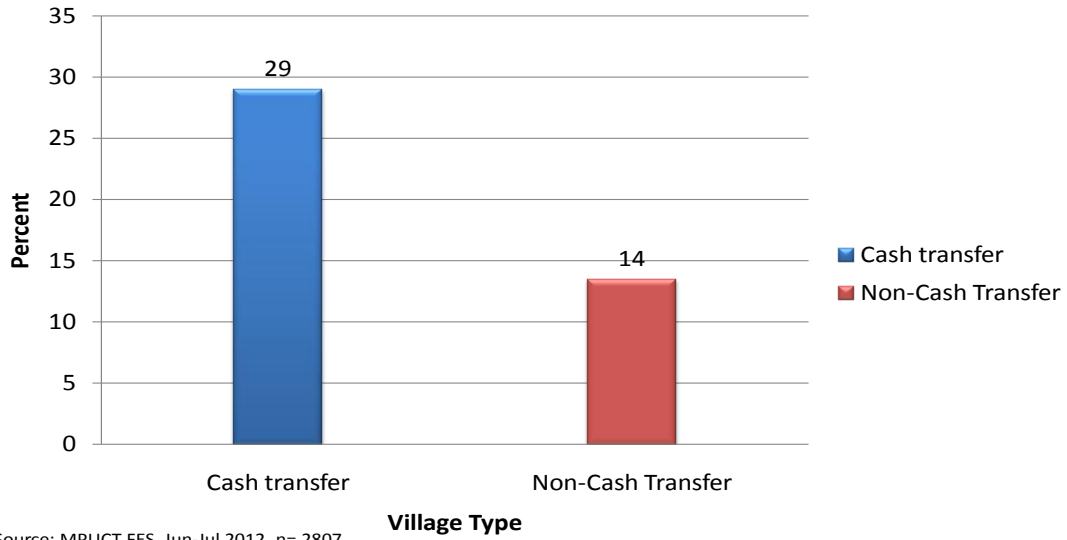


Source: MPUCT FES, Jun-Jul 2012, n= 860

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# SCHOOLING

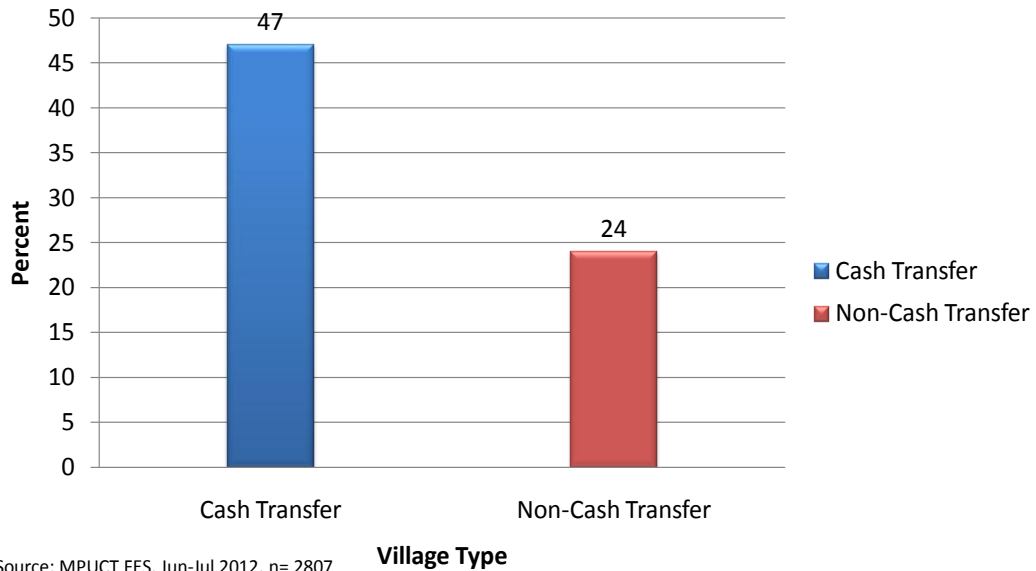
## Improvement in School Attendance, MPUCT, 2011-12



Source: MPUCT FES, Jun-Jul 2012, n= 2807

24

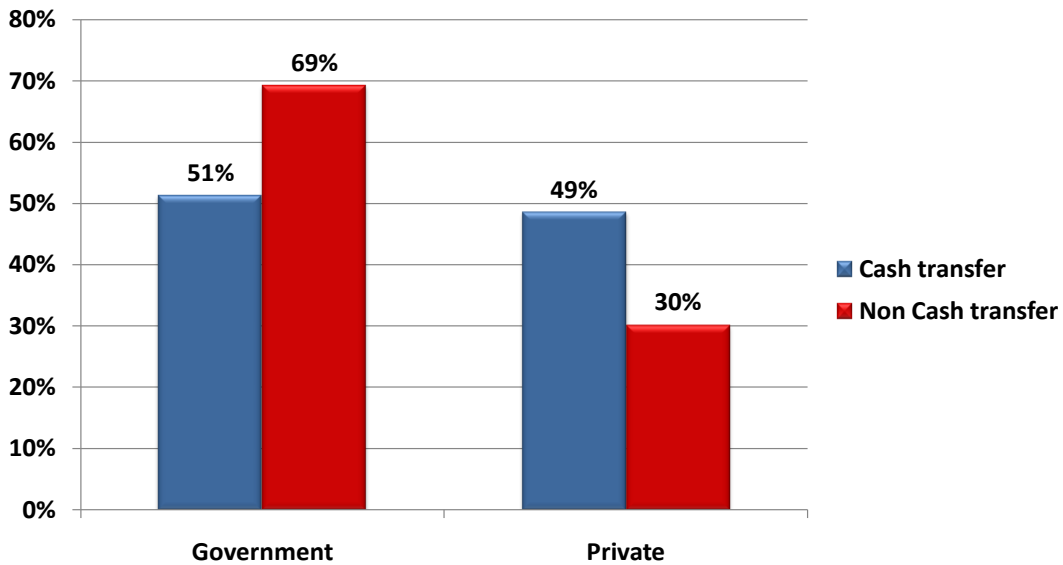
## Improvement in School Performance, MPUCT 2011-12



Source: MPUCT FES, Jun-Jul 2012, n= 2807

25

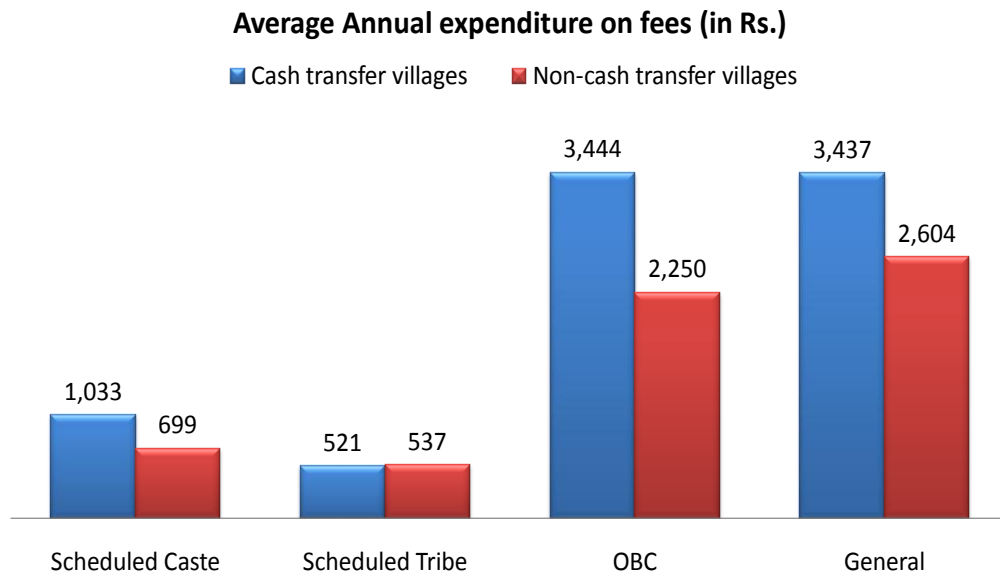
## Registration of children into different types of School



Source: MPUCT FES, Jun-Jul 2012, n=2807

26

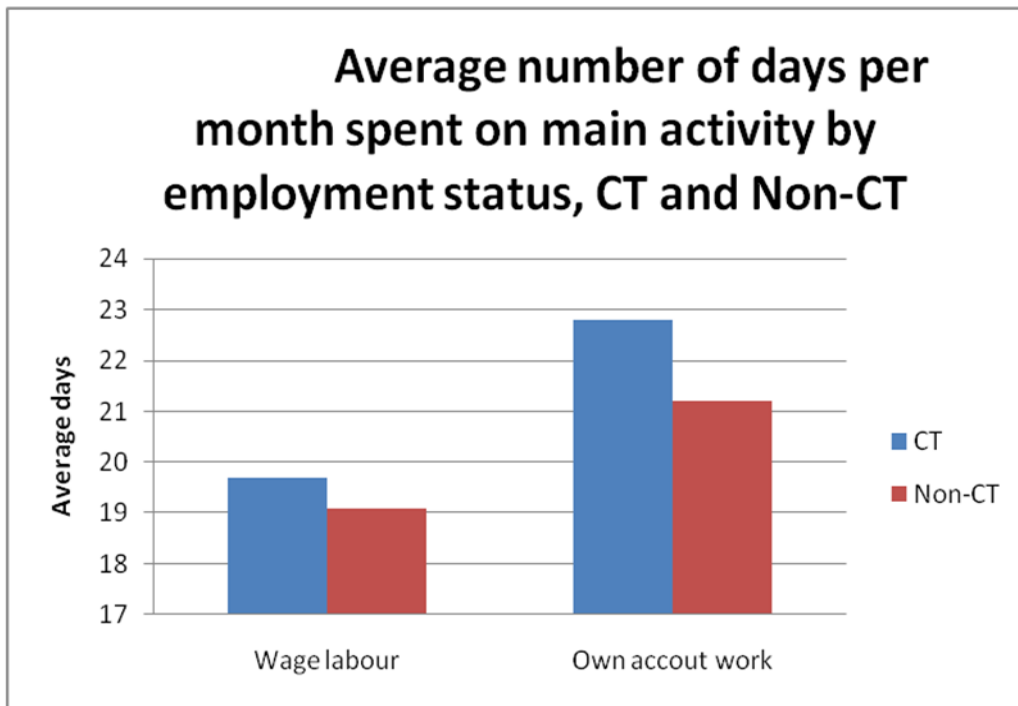
## Average Annual expenditure on fees among social categories



Source: MPUCT FES, Jun-Jul 2012,

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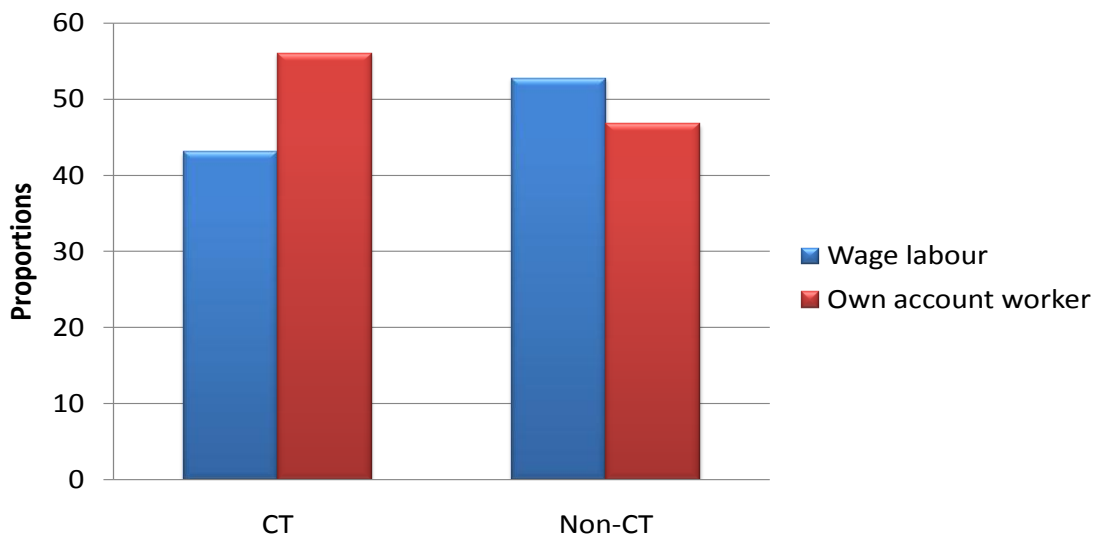
# WORK & EMPLOYMENT



Source: MPUCT FES, Jun-Jul 2012, n=2034

29

## Work and Employment - CT and Non-CT Villages

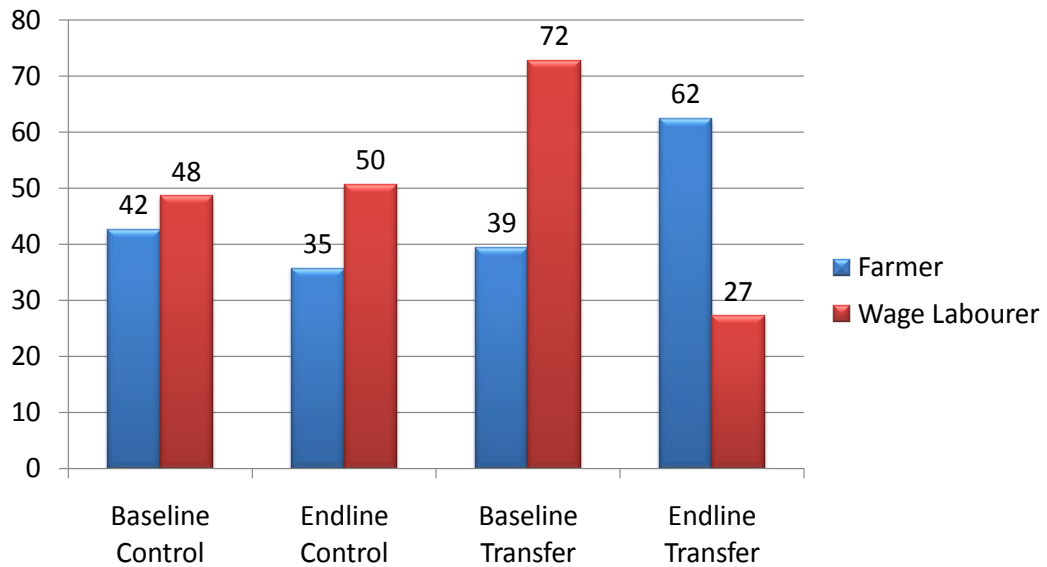


Source: MPUCT FES, Jun-Jul 2012, n=2034

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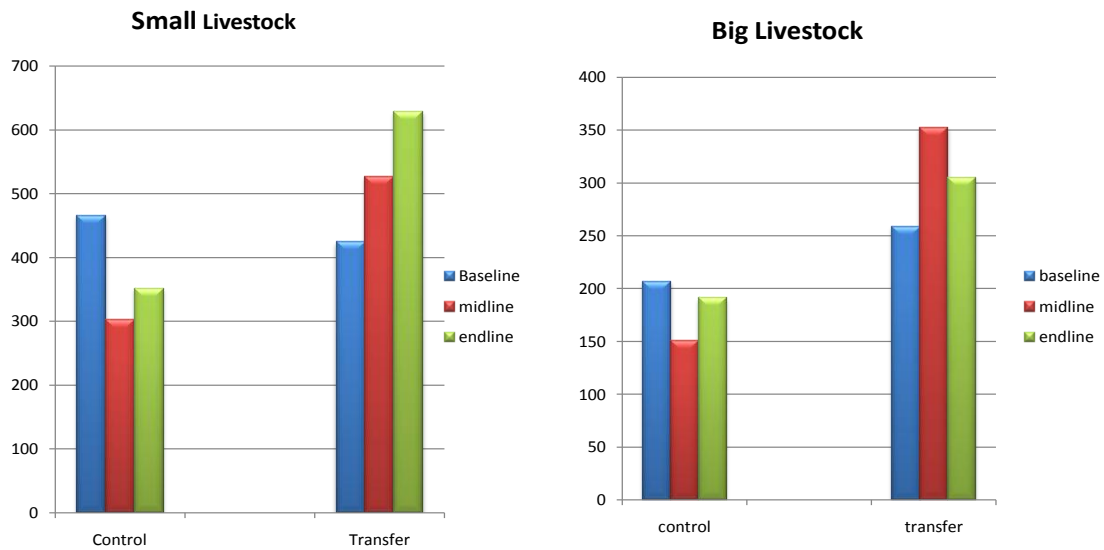
## Tribal Villages: Shift in Occupation



Source: MPUCT Baseline and FES, 2012 and 2013, n=215

31

## Livestock increased substantially

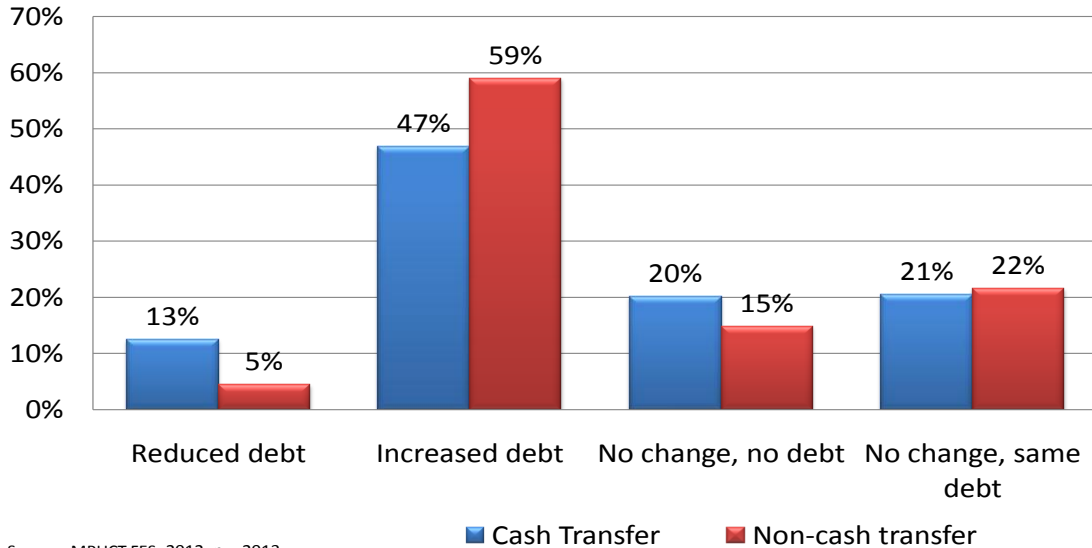


Source: Tribal 3 surveys Jan and June 2012, and Jan 2013, n = 215

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# DEBT & ECONOMIC RESILIENCE

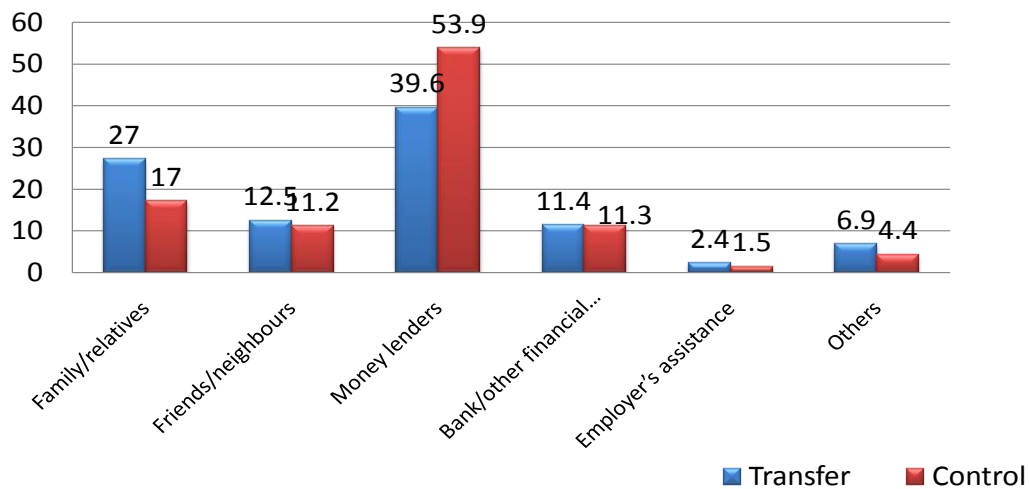
## Percent of households with change in debt



Source: MPUCT FES, 2012, n = 2013

34

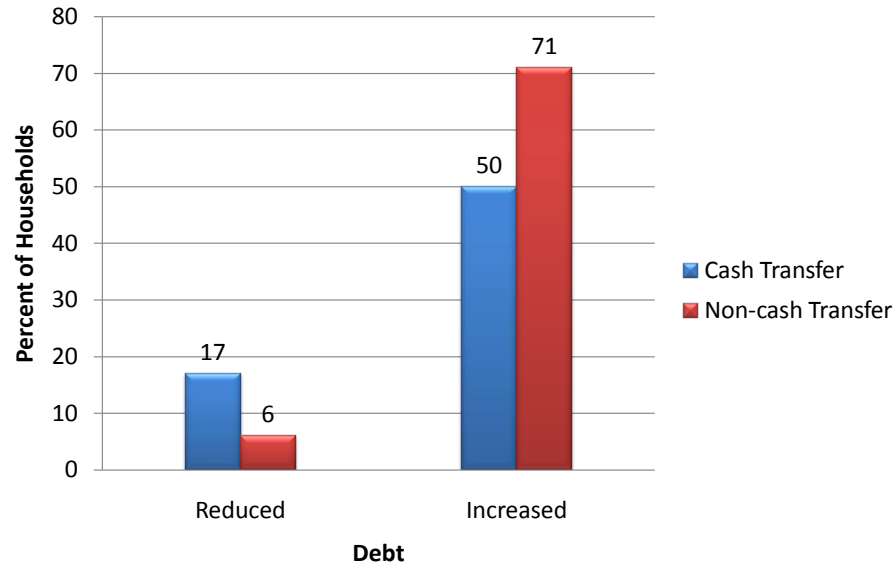
## Percent of the households for Main Source of financial support during most serious crisis



Source: MPUCT FES, 2012, n = 2013

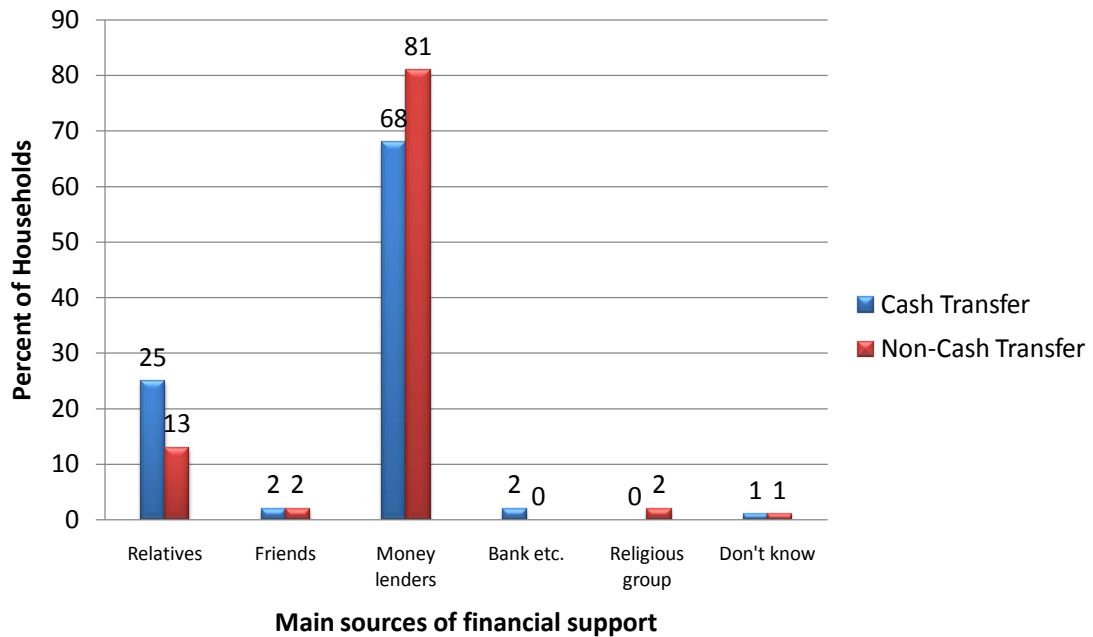
35

## Variations in Debt in Tribal Villages



Source: Tribal Interim Evaluation Survey 2012

## Main source of financial support during crisis in tribal villages



Source: Tribal FES Jan 2013

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