

# THE GREAT INDIAN BASIC INCOME DEBATE

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India Network for Basic Income



Vanya Mehta is an independent researcher with a Bachelors in Foreign Service from Georgetown University and a Masters of Professional Studies in Agriculture and Life Sciences from Cornell University.

## **India Network for Basic Income**

Email: [inbi.foundation@gmail.com](mailto:inbi.foundation@gmail.com)

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## Foreword

India Network for Basic Income (INBI) is proud to present its first publication titled “The Great Indian Basic Income Debate.” The significance of this essay lies in the fact that it tells the story of how a basic income discussion originates and plays out in a particular context. How different actors – civil society, academia, politicians, bureaucrats, and policy pundits – respond to a radically new idea. While the idea of basic income is universal in nature, a Weberian ideal-type, the implementation of it always necessarily begins in a context. The arguments for and against basic income are as much contextual as the very definition of it is, reminding us of the familiar tension between the universal and particular. We see this essay as a contribution to the basic income debate across the world, in this specific sense. We hope that readers would find the narrative instructive, intellectually stimulating and politically engaging.

Vanya Mehta is an independent scholar and in this essay she has diligently attempted to trace different opinions and perspectives on basic income. While basic income in India has several proponents and supporters across societal domains, there are also equally strong opponents. What is fascinating in her account is that we see a kaleidoscope of political, economic and moral arguments both in favour of and opposing the idea of basic income. That makes this essay an excellent resource for not just those who are curious about the Indian basic income debate, but to anyone who is interested in the implementation of basic income.

INBI hopes to continue to make efforts to produce research work that would contribute to enhancing the debate among people who are searching for ways to make this world a better place. We

believe that an unconditional basic income should be a right of every citizen of this world because it provides a solid ground for a human being to stand on and then build her life. We would like to promote this cause by striving to produce research and education material of highest academic standards.

## Sarath Davala

Coordinator, India Network for Basic Income  
Vice-Chair, Basic Income Earth Network  
August 10, 2019

## 1

# The Great Indian Basic Income Debate

## Introduction

In India, a basic income is becoming a real and tangible policy consideration with trials taking place at the national and state level. Several prominent Indian economists have put forth proposals for basic income schemes with the intention to resolve the problem of chronic and widespread poverty. In 2017, the concept of a universal basic income (UBI) featured in one of the most important policy documents in India, the annually published Economic Survey of the Union Budget. Although the proposed basic income schemes are not “universal,”<sup>1</sup> four of the five key characteristics<sup>2</sup> of a UBI are present: it should be given periodically, as cash, to individuals—and unconditionally.

The debate around a basic income has many dimensions. While some are arguing about the feasibility of its execution— what is the fiscal space for a basic income, how to target the beneficiaries, which existing welfare schemes will be sacrificed—others are debating how a basic income scheme changes the role of the welfare state. Only a few select proponents have discussed the possibility of taxation as a potential funding source for a UBI or a basic income in India. Most criticized by basic income proponents is the system in India of providing food grains, energy and fertilizer at subsidized rates to the poor. As a result of this juxtaposition of subsidized goods to cash transfers, the basic income debate has also encapsulated the debate around the benefits and drawbacks of cash vs. in-kind transfers to the poor.

There is no doubt that the existing welfare schemes in India have contributed to a reduction in poverty over the years. Based on absolute numbers, latest World Bank estimates show that poverty declined in India from 21.6 percent in 2011/12 to 13.4 percent in 2015 at the international poverty line (2011 PPP \$1.90 per person per day). Researchers have proven that the Public Distribution System (PDS), through which the poor are able to purchase rice and wheat at subsidized prices, has reduced caloric deficiency over time (Himanshu and Sen 2013). However, a growing base of literature demonstrates major inefficiencies and corruption in the PDS and several other schemes (Niehaus et al 2013, Jhabvala and Standing 2010). Researchers at the International Monetary Fund also found significant redistributive effects and gains in welfare for the poor in a UBI in India over providing subsidized energy sources (Coady and Prady 2018). Even those who opposed the idea of switching to cash transfers criticize the present inefficient welfare system in India.

This paper is an introduction to the debate around a basic income in India. The debate began in earnest in 2008 when the former Chief Economic Advisor to the Government of India, Arvind Subramanian, proposed to replace several major welfare schemes with what he called “direct cash transfers” (DCTs). This radical proposal launched over ten years’ worth of debate and experimentation with different versions of a basic income. This paper will outline a history of the trials with DCTs and cash transfers in India since 2008, as well as briefly survey economic, political and moral arguments for and against these changes. The paper will conclude with an annotated bibliography of the prominent academics, activists and policymakers who have provided their opinions on a basic income in India.

## **Arguing for a Paradigm Shift**

The story begins with Arvind Subramanian, Devesh Kapur and Partha Mukhopadhyay’s seminal paper titled “The Case for Direct Cash Transfers to the Poor,” published in the *Economic and Political Weekly* (EPW) in April 2008. The three economists,

heretofore referred to as KMS, argued that the Indian government should consider replacing massive central sector schemes (CSS) as well as subsidies for food, fuel and fertilizers with a single direct cash transfer to the target groups. Central to KMS's argument was that the failure of the existing welfare schemes in India was a product of "(a) a deeply ingrained culture of immunity in public administration that is yoked to (b) a local public administration with weak capabilities." To overcome this, they propose that central expenditures go directly to individuals and also to local governments, particularly the village government bodies, or *panchayats*.

Without a doubt, KMS proposed something radical, launching the nation into a decade of discussion around not just cash transfers but the possibility of a basic income for all citizens. To make space in the fiscal system for a direct cash transfer, KMS proposed to eliminate the following: the Public Distribution System (PDS) for food<sup>3</sup> and fuel, fertilizer subsidies, a rural housing scheme called the Indira Awaas Yojana (IAY) and a self-employment scheme called the Swarnajayanti Gram Swarozgar Yojana (SGSY). In order to overcome issues of targeting, KMS pushed for a "single individual biometric card," which would combine the functions of other existing cards that are required to avail of social welfare services.

The proposal to eliminate these major schemes was not met without resistance. The most prominent criticism of this proposal, at the time, came from former Planning Commission member Mihir Shah, a grassroots organizer and economist. Shah's contention was that the switch to cash transfers was "no magic bullet" and would not encourage a robust approach to development for the poor. In particular, he argued that these cash transfers would not translate into "concrete assets," given that the infrastructure and private sector in rural areas was in such poor condition. He concluded that the major schemes such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) or the PDS should be improved upon but not eradicated, citing their capacity for improvement in the past.<sup>4</sup>

Providing subsidized food grains, kerosene, liquefied petroleum gas (LPG) and fertilizers to Indians has been a longstanding welfare strategy of the Indian government. The PDS began in 1947 as a universal program to deal with food grain shortages post-Independence, distributing food and non-food items to all at subsidized rates. The PDS became targeted in 1997 (Niti Aayog 2016). Today, about 527,000 ration shops across the country provide rice, wheat, sugar or kerosene to those with one of two cards, a Below Poverty Level (BPL) card, or for the extreme poor, the Antyodaya Anna Yojana (AAY) card. While states have the authority to change the food basket, only a very few have trialed any non-perishables, including dried lentils, given a lack of uniform storage infrastructure in any given state. In addition to food, the PDS also distributes kerosene, which is used by the poor as a source of electricity and cooking fuel.

Criticisms of the PDS are wide-ranging, a few being the illegal diversion of resources, the rotting of food grains in storage, inferior quality grains distributed and problems of inefficient targeting, inclusion and exclusion errors, with the BPL identification and implementation system. It is estimated that 38.6 percent of kerosene from the PDS is leaked or diverted to the black market, which is in turn mixed with petrol or diesel, contributing to pollution (Kapur 2011). Food grains also have been known to rot and waste in storage of the distributing authority, the Food Corporation of India (FCI). It has been reported that the corruption begins at the procurement level itself.<sup>5</sup> In addition to this, it was recently found that the FCI is both underfunded by the government and in debt to banks, calling into question its efficiency as an organization (Gulati 2019). KMS identified the PDS as a major source of inefficient government spending that should be replaced with cash.

Another hallmark of the Indian welfare system is subsidized fertilizer for farmers, a program launched in India to make domestic fertilizer production competitive and also increase food grain output in the 1970s (Kapur 2011). The difference between the cost of fertilizers and their maximum retail price is paid to the fertilizer industry. KMS targets fertilizer subsidies as problematic, arguing that their impact is higher for big farmers in states that

have better access to irrigation. Fertilizer subsidies have also encouraged excessive use of chemicals in agriculture (Kapur 2011). Last but not least, the LPG subsidies, which were also universal since inception and paid to oil companies. In 2015-16, the government switched the LPG subsidy to a cash transfer to consumers, allowing any oil company to sell to the people. In the case of LPG subsidies, this cash transfer was considered highly beneficial, particularly in the savings it achieved as reported by the public exchequer.<sup>6</sup>

The KMS proposal was particularly radical in that it suggested the removal of subsidized food, which worked against the tireless efforts of food rights activists in India. Seven years prior to the KMS publication, in 2001, the People's Union for Civil Liberties (PUCI), Rajasthan, filed a case in the Supreme Court petitioning that the "right to food" be considered a legal right under the Constitution. The Court ruled in favor of the Right to Food campaigners. In this debate we see a major divergence: while the cash transfer proponents were asserting the right to a secured, regular, minimum income support from the government, the Right to Food campaign were concerned with the failure of the PDS's demands that the government reform the PDS not to allow food grains to waste away in the FCI warehouses.

## **Right to Food under Threat?**

KMS's proposal to eliminate welfare subsidies and replace with cash transfers fell favorably on the ears of the government. In 2011, two major steps took place in the direction of cash transfers that posed a threat to the work of the Right to Food campaign. The first was on February 28, 2011, when the then-Minister of Finance Pranab Mukherjee announced the government's plan to shift from fuel and fertilizer subsidies to a cash transfer in the 2011-12 Budget Speech:

The Government provides subsidies, notably on fuel and food grains, to enable the common man to have access to these basic

necessities at affordable prices. A significant proportion of subsidised fuel does not reach the targeted beneficiaries and there is large-scale diversion of subsidised kerosene oil. A recent tragic event has highlighted this practice. We have deliberated for long the modalities of implementing such subsidies. The debate now has to make way for decision. To ensure greater efficiency, cost effectiveness and better delivery for both kerosene and fertilisers, the Government will move towards direct transfer of cash subsidy to people living below poverty line in a phased manner.

The announcement shook the academic sphere—although not yet an attack on the right to food, the government committed to moving away from in-kind and towards the direct cash transfer. Mukherjee further announced the initiative would be spearheaded by Nandan Nilekani, co-founder of multinational corporation Infosys and the then-chairperson of the Unique Identification Authority of India (UIAI), the government body in charge of the individual biometric ID system known as the Aadhaar card. Digitalization through the Aadhaar card was integral to this policy shift, as the government planned to ensure that each Indian citizen had a bank account linked to this government-issued identification card. The establishment of this move towards direct cash transfers set the stage for experimentation with food subsidies as well.

Shortly after Mukherjee's Budget Speech, *EPW* published a series called "Perspectives on Cash Transfers," featuring three critiques of this move from Indian academics. Kapur, who wrote alongside Subramanian in 2008, argued that the removal of kerosene subsidies would not reduce fiscal costs or dependency on petroleum imports, while eliminating fertilizer subsidies will require action to mitigate the impact on domestic petroleum production (Kapur 2011). Ghosh spoke with caution against the move, expressing concerns of supply-side support to a cash transfer as well as the potential impact of inflation (Ghosh 2011). Lastly, Narayan reviewed results of several cash transfer programs and concluded that in-kind in combination with cash, or "cash-assisted kind transfers," are more successful than only cash (Narayan 2011).

The Right to Food campaign faced its most aggressive critique, in earnest, after the presentation of the National Food Security (NFS) Bill to the *Lok Sabha*, or the lower house of

Parliament, on December 22, 2011. In this bill, a new clause called the “right to a food security allowance” gave state governments, with approval from the central government, the right to give cash equivalent in lieu of food to beneficiaries. The NFS Bill also doubled coverage of food entitlements to the poor, aiming to reach 75 percent of rural and 50 percent of urban populations. The Bill introduced separate meal entitlements to pregnant and lactating mothers, children from 6-months- to 14- years-old, malnourished children, destitute persons, homeless persons, starving persons and emergency or disaster-affected persons.

Among many other criticisms of the NFS Bill, 2011, the Right to Food campaign appeared to be most alarmed with the introduction of the “food security allowance.” Kavita Srivastava and leaders of ten other people’s rights organizations wrote a letter published on August 13, 2011 in *EPW* to the then-Prime Minister Manmohan Singh rejecting the idea of scaling down the PDS and replacing with a cash transfer, suggesting that the move reeked of corporate conspiracy:

The Right to Food campaign apprehends that the dismantling of the PDS is being done deliberately to pave the way for the entry of organized retail into the country. Giving cash without ensuring proper food availability is putting people at the mercy of food retailer sharks and cartels. We see the replacement of food grains with cash in conjunction with the decision of your government to raise the foreign direct investment limit for international capital in the retail business. This could lead to bigger retail corruption than the supposed leakages in the PDS, apart from putting farms at risk.

The group of civil liberties activists, development professionals and academics expressed concerns that cash transfers, replacing subsidized food, would severely endanger the poor due to lack of “food availability.” The campaign was also against the use of Aadhaar, which they would remain so for many years.

Despite the strong resistance, the final National Food Security Act passed in 2013 with the right to food security allowance intact. Later, in 2015, the government would pilot a switch from food rations to cash in the three Union Territories of Chandigarh, Pondicherry and Dadra and Haveli. These actions by

the government paved the way for yet another shift in the cash transfer debate in India, a turn in favor of its proponents.

## **India's First Basic Income Experiments**

While the debate over the PDS raged in the foreground, the trade union Self Employed Women's Association (SEWA) piloted two basic income experiments, one in New Delhi and another in rural Madhya Pradesh (MP). The New Delhi experiment was carried out by SEWA in partnership with the United Nations Development Program (UNDP), while the MP project was carried out in partnership with the United Nations Children's Fund (UNICEF). Academics Guy Standing, Renana Jhabvala, Sarath Davala and Soumya Kapoor Mehta were the primary architects behind these UBI experiments.

These two experiments yielded positive results on nutrition, debt, asset building and several other livelihood measurements for the beneficiaries. In the West Delhi experiment, 100 families categorized as below poverty level (BPL) were selected to receive 1,000 rupees per month over the course of one year in 2011. In the MP experiment, 6,000 individuals, men, women and children, were given between 150 to 300 rupees per month between the years of 2011 and 2013. In the case of the SEWA-MP UBI experiment, the modified randomized controlled trial found that households receiving the cash transfer were more likely to begin utilizing banking institutions, make improvements to their dwellings, reduce indebtedness, increase spending on assets such as livestock and switch from manual labor to own-account farming and small-scale business. The cash-transfer households also spent on farm inputs, transport to school, private health and private tuition for children.

Meanwhile, the Indian government launched its own first experiments, switching from subsidies to Direct Benefit Transfers (DBTs) to individuals, particularly to save expenditure on social welfare schemes. In early 2013, a shift to cash transfers for scholarships and old age pensions began. Shortly thereafter, the

government began the process of shifting the universal subsidy for liquefied petroleum gas (LPG), using the Aadhaar card to make payments to people's bank accounts. The DBT for LPG (DBTL), however, was halted as the Supreme Court ruled that having an Aadhaar card cannot be a prerequisite to gaining any benefit from any welfare scheme. Despite this setback, these experiments marked the beginning of a shift Indian social policy in favor of cash transfers.

In 2014, the Bhartiya Janata Party (BJP) swept the majority of seats in the Lok Sabha and the new Prime Minister Narendra Modi, building upon the infrastructure developed before him, began more fervently to set the scene for cash transfers. Appointing Arvind Subramanian as Chief Economic Advisor was one move in that direction. More drastically, in August 2014, Modi launched a scheme called the Pradhan Mantri Jan Dhan Yojana (PMJDY), reducing the obstacles to opening bank accounts for the poor. Over 18 million bank accounts opened within the first week of its launch. In November 2014, Modi renamed the DBT for LPG scheme as Patrayaksh Hanstantrit Labh (PAHAL)-DBTL and introduced an option for those who do not have an Aadhaar. The scheme resulted in immense savings for the government, to the tune of Rs. 9,211 crore, or USD 1.3 billion<sup>7</sup> (Petroleum Ministry, 2015-16), as they were no longer paying subsidies to oil companies but instead directly to the people.

In another historic move, the government launched its first DBT in lieu of food rations through the PDS in 2015 in the three Union Territories of Chandigarh, Puducherry and Dadra and Haveli. The pilot had infrastructural hurdles: many of the beneficiaries were unable to access the money and experienced welfare losses (Muralidharan et al, 2017). The independent analysis also found that the households receiving DBT spent more time accessing cash through markets or banks than they would accessing in-kind PDS benefits (Ibid, p.5), which the authors argued was due to poor banking infrastructure and low utilization of mobile phones and ATMs. Another problem was that the government had uneven or non-universal coverage, as almost 20 percent of those surveyed did not receive a cash transfer (Ibid, p.5). A potential reason for this, provided by the analysts, was that the government was

transferring cash to inactive or inaccessible bank accounts. Nevertheless, the analysts found that over time, beneficiaries preferred to receive a DBT instead of in-kind benefits through the PDS.

Also in the case of the SEWA-MP UBI experiment, the DBT project analysts found that 95 percent of beneficiaries used the money to improve dietary diversity (Ibid, p.6). The cash transfer empowered people with the choice to use the money to buy higher quality grains and vegetables. Those who had access to ATMs were able to reduce the time spent accessing the money. Overall, the government's DBT experiment was not a failure, but pointed to the need for improvement in banking infrastructure and beneficiary coverage. The analysts concluded with a recommendation that the government should implement a "choice-based" subsidy program, wherein beneficiaries can choose to receive cash instead of in-kind benefits through the PDS (Ibid, p.6).

The SEWA UBI experiment and the several DBT experiments by the government, over the years of 2011-2015, provided some empirical background to the debate around a basic income. The new BJP government zealously advanced the idea of replacing subsidies with cash transfers, presumably because eliminating inefficient subsidies results in massive savings of public money that the government itself would see. In the case of SEWA and the architects of the basic income experiments, evidence showed that cash was emancipatory, in many instances, and freed people to even pursue healthier diets. In 2016, Subramanian wrote a full chapter on UBI in the Indian government's Economic Survey of 2016-17, with input from scholars at India's Network for Basic Income. The chapter provided empirical data and more detailed arguments to interrogate the inefficient welfare schemes and move towards a guaranteed UBI to Indian citizens. Although the chapter does not expect a UBI to be a reality in India yet, the authors deem it a "powerful idea whose time even if not ripe for implementation is ripe for serious discussion" (Economic Survey of India, p. 195).

## An Avalanche of Basic Income Proposals

The UBI chapter in the Economic Survey of 2016-17 yet again launched serious discussion among the economists and policymakers in India. The Economic Survey 2016-17, led by Subramanian, put forth a quasi-universal basic income, or a QUBI, which suggested an annual transfer of 7,260 rupees to 75 percent of India's population. Several more basic income proposals came forward from other senior economists in India, including Pranab Bardhan, Abhijeet Banerjee, Debraj Ray and Vijay Joshi. On the opposition side, Nobel Laureate economist Amartya Sen provided his first opinion in an interview with *NDTV*,<sup>8</sup> saying that a basic income for India would abdicate the state of its responsibility to improve public services.

Other proposals for a basic income in India had their own reasons and financing justifications. Bardhan argued that basic income is more desirable in a poor country like India, due to the "lower poverty threshold" and poor implementation of existing welfare schemes (Bardhan, 2016). Joshi, who outlined his idea of a UBI in a book called *India's Long Road: The Search for Prosperity*, argued that India's welfare schemes were creating fiscal deficit and crowding out public spending, which could be solved by a UBI. Banerjee, who also reviewed cash transfers in six countries and found no relationship between cash transfers and reduced incentive to work (Banerjee et al, 2017), argued in favor of replacing MGNREGA, PDS and several other social welfare schemes with a UBI. Debraj Ray argued in *Ideas for India* in 2016 for a "universal basic share," which would give each recipient a fixed share of Gross Domestic Product.

Opponents to a basic income at this time were most vociferously arguing that the government needs to focus more on the provision of public services. Although proponents of a basic income have not argued for the replacement of universal public social services, opponents remain steadfast in their concern that a basic income for the poor will divert resources away from

institutions such as government schools and government hospitals and even basic rural infrastructure. Himanshu, a professor at Jawaharlal Nehru University, responded to the Economic Survey in 2017 with an editorial in *Ideas for India*, stating that the government should focus instead on “universal basic services.” He further refers to his two-part paper in 2013 wherein the poverty alleviation impact of the PDS was established (Himanshu and Sen, 2013). Economist Jean Dreze, too, expressed skepticism at the idea of a UBI, unconvinced that it should replace the existing welfare system, and further calling Subramanian’s proposal a “Quasi-UBI Top-Up,” arguing that it does not cover basic subsistence.

Although the majority of basic income proposals for India do not seek to reduce public spending, there are several welfare schemes that are tied to the objectives of public spending on health and education. For instance, the Mid Day Meal (MDM) scheme, a program that provides one daily free meal in government schools, ensures nutrition and school attendance simultaneously. Some BI proponents, such as Bardhan, argued at the National Conference on Basic Income in April 2017 that the MDM should continue to receive funding.<sup>9</sup> In the same interview, he has also opposed cutting MGNREGA, guaranteed employment in the form of manual labor, and the Integrated Child Development Services (ICDS) scheme, which dates back to 1975 and provides funding for the nutrition and vaccinations of children under 6 years of age and their mothers. Therefore, it could be said that a large part of the debate is around which schemes to keep and which to cut.

The avalanche of proposals in 2016-17 forced social policy experts to delve into serious questions of government spending, GDP and yet again the role of the welfare state. In 2019, former President of the opposition party Indian National Congress Rahul Gandhi announced a minimum income guarantee (MIG) called Nyuntam Aay Yojana (NYAY) in the form of 6,000 rupees per month to all poor families in the bottom 20 percent, launching yet again a new debate around the feasibility and desirability of income support in India. Interestingly, those who were once suspicious of a basic income in 2017, such as Jean Dreze and Maitreesh Ghatak, began to open up to the idea of minimum income support and provide feedback. Dreze, for instance, published an article

suggesting among many things, a tax on the richest 0.1 percent to fund a MIG scheme (Dreze. 2019). Ghatak was one of the 12 economists who worked in 2018 on a proposal to suggest the government replace subsidies with cash transfers, particularly for farmers (Banerjee et al, 2018).

## The Farmer Question

In early 2019, the Indian government launched a minimum income for small and marginal farmers (SMF). India's farmers face a variety of struggles, which are economic, environmental and political, such as market failure, drought, floods, to name a few. To address this, the Prime Minister Modi introduced a minimum income support scheme called Pradhan Mantri Kisan Samman Nidhi (PM-Kisan), which promises SMFs, owning up to two hectares of land, 6,000 rupees per year in three installments.

The scheme launched just before the general elections, giving several politicians at the state level the impetus to give the first installment at the earliest. The government reports that there are 66 million total beneficiaries of PM-Kisan and 58.9 million received the first installment and 34.3 million received the second. According to India's Agricultural Census 2015-16, there are approximately 125.6 million SMFs in India. Former Secretary of Agriculture and Farmers' Welfare Siraj Hussain wrote in *The Wire* that the payments to farmers by March 2019 had reached 30 million farmers, of which 10 million farmers were in Uttar Pradesh alone, where general elections were to be held in April, suggesting a political motive for the speedy launch of the scheme.

This impetus to launch an income support scheme exclusively for farmers came when Telangana, a state in southern India, introduced a scheme in early 2018 called *Rythu Bandhu* (Farmer Investment Support). The scheme gave farmers 8,000 rupees per year unconditionally, the only conditionality being that the recipient has a land title. By latest figures, the scheme benefited

5.8 million farmers who own a total of 14 million acres of cultivable land. Close on the heels of success of Rythu Bandhu, a team of 12 prominent Indian economists, led by former Reserve Bank of India governor Raghuram Rajan, released a document called *An Economic Strategy for India*, which favors the removal of fertilizer subsidies in favor of cash transfers to farmers. In particular, they support a “fixed cash subsidy per acre based on digitizing and identifying plots,” citing the Rythu Bandhu scheme as inspiration for the suggestion. They came out against price support schemes for farmers and support NREGS as the best scheme for landless laborers.

Prior to the policy sensation of the Rythu Bandhu scheme, in 2017, the Madhya Pradesh state government trialed a farmer price support scheme, called Bhavantar Bhugtan Yojana (BBY). In the BBY scheme, the government provided a price deficiency payment (PDP) modal rate to farmers, which was the difference between the market price and the sale price of the produce. One of the most respected agricultural economists in India, Ashok Gulati, argued that the BBY-PDP scheme was a failure and income support should be given in the place of price support schemes. Gulati asserts that direct income support programs are “easier to implement, more transparent, more equitable, crop neutral, and less distortionary” than PDP schemes such as that in MP. His team approximated the cost of a national direct income support scheme for farmers in India to be USD 27.9 million, or Rs. 1.97 lakh crore, if all farmers were given 10 thousand rupees per hectare per year.

The government still has yet to actually reach all the farmers in India with the PM-Kisan scheme, which will largely determine its success as a scheme to uplift farmers. Price support schemes tend to be viewed as distortionary and relatively less desirable than cash transfers or a basic income. There is, however, a political divide on the issue of cash transfers. Pointed out by basic income expert and sociologist Sarath Davala, when Chhattisgarh, Rajasthan and Madhya Pradesh went to the Indian National Congress party, each of their state governments announced loan waiver programs, rather than cash transfer programs, to alleviate poverty (Davala, 2019). This measure does not have great support among academics (Banerjee et al, 2018), yet, it remains a political strategy of the

Congress Party.

The situation for farmers, according to some, can be much better resolved through a basic income for all farmers. It is another important policy consideration the government is taking, in this case, in lieu of price support schemes. Evidence regarding the distortionary politics of price support schemes is abundant as well, most supported by Gulati in his paper in 2019, and it also has been argued to impact nutritional security in the country. Promoting the production of food grains over other crops invariably promoted a mono-cropping agricultural system that reduced the incentive to produce fruits, vegetables and lentils, thereby also impacting the consumption of the same. A basic income for farmers, however, seeks to address the issue of agrarian distress, which will be increasingly important in the coming years.

## **Where Do We Stand Today?**

This year, 2019, has been the Year of the Basic Income in India. Rahul Gandhi's proposal for a minimum income guarantee, coupled with Narendra Modi's income guarantee to farmers, indicate that the political tides are in favor of a basic income in India. The position of the government has changed in the past decade, expressly supporting cash transfers over subsidies and ramping up financial inclusion in conjunction with the Aadhaar biometric identification system. The mere fact that the distributing authority of the PDS is in debt to banks and under-funded by the government (Gulati, 2019) indicates a shift in the government's priorities.

When it comes to receiving cash from the government, it is important to ask – what do the beneficiaries think? Evidence shows that in many cases the poor prefer cash to in-kind transfers. Two major experiments in India, in the three Union Territories and in Madhya Pradesh, have shown an increase in preference for cash over in-kind transfers (Muralidharan et al 2017, Davala et al 2014).

Even more, a hypothetical survey of preference for cash over in-kind (Khera 2014) found that in states where the PDS is poorly managed, such as Bihar, only 20 percent of respondents prefer food to cash. Others find that rural people prefer the idea of a cash transfer to the urban (Ghatak 2016). On the other hand, those who present a hypothetical scenario<sup>10</sup> to beneficiaries run the risk of methodologically un-sound practices, not to mention that they pit a basic income against the wrong trade-offs, such as public services.

As yet, no basic income proponent has suggested a system that would diminish the government's responsibilities towards public healthcare, education and infrastructure. These responsibilities of the government are enshrined in the Indian Constitution. Nevertheless, a section of the Indian intellectual elite fears that implementing a basic income will cause the state to neglect public services, that privatization will result in worse outcomes for the poor than for the rich and that the Indian government is not ready, technologically or infrastructure-wise, to deliver cash to its population.

Most of these fears come across as unsubstantiated. Why, or how, would a basic income encourage the government to neglect public services any more than it has for decades? What is the justification for supporting an inefficient system, hampered by corruption and, as in the case of the PDS, increasingly in debt? Even more, why is this section of the elite ready to accept privatization of public services for themselves but not for the poor?

In the Economic Survey, Subramanian calculates that 5.2 percent of India's GDP is spent on some 950 odd centrally sponsored schemes run by the government, of which 11 schemes take 50 percent of funding. It is hard to argue with the numbers that reveal a complex and overburdened system. A basic income, according to its proponents, is promoting a welfare regime that gives people choice, reduces heavy fiscal costs of the government and spends public money in a more efficient and equitable manner. If a basic income can achieve this in India, then it is sure that it will be the beginning of a major transition to a better welfare regime that will remove the poor from the chronic poverty trap and pave the way for a rights-based and unconditional system.

## Endnotes

1. The primary food security scheme in India, the Public Distribution System (PDS), was universal when it first launched during the years of India's independence and remained so until 1997.
2. See the definition provided by Basic Income Earth Network (BIEN) <https://basicincome.org/basic-income/>
3. Such a move would also impact farmers, as the PDS procures food grains from farmers by guaranteeing a Minimum Support Price (MSP).
4. KMS wrote a rebuttal to the criticism from Shah, stating that the problem of the existing welfare schemes is not just due to "limited resources and faulty design" but that they are within a "deeply ingrained culture of immunity...and local public administration with weak capabilities." They reiterate that within such parameters, improvement of existing schemes is not a feasible option.
5. Narang, Tejinder. (6 May 2015). Government buying low-quality wheat good for farmers and trade. *Financial Express*, Retrieved on August 13, 2019 from <http://www.financialexpress.com/.../govt-buying-low-qu.../69732/>
6. PTI. (12 August, 2016). Only Rs 1,764 cr subsidy saved by DBT scheme on LPG: CAG. *Economic Times*, Retrieved on August 13, 2019 from <https://economictimes.indiatimes.com/news/economy/policy/only-rs-1764-cr-subsidy-saved-by-dbt-scheme-on-lpg-cag/articleshow/53668223.cms?from=mdr>
7. In 2009-10, according to the Ministry of Finance, LPG subsidies cost the government Rs. 23,999 crore, or approximately USD 3.39 billion. All three subsidies (fertilizers, kerosene and LPG) cost Rs 95,000 crore, or USD 13.4 billion (Kapur 2011).
8. Sen, Amartya. (2017, March 6). Amartya Sen: India not ready for a basic income. *Basic Income Earth Network*. Retrieved from

<https://basicincome.org/news/2017/03/nobel-laureate-economist-amartya-sen-india-not-ready-basic-income/>

9. Bardhan, Pranab. (2017, April 9). Pranab Bardhan speaks on The Political Economy of a Basic Income. Video published on <https://www.youtube.com/watch?v=bTKveEHPTcI>

10. Khemani, Stuti, James Habyarimana and Irfan Nooruddin. (8 April, 2019). What do poor people think about direct cash transfers? *Brookings Institute Future Development Blog*, Retrieved from <https://www.brookings.edu/blog/future-development/2019/04/08/what-do-poor-people-think-about-direct-cash-transfers/>

## 2

*Annotated Bibliography*

Banerjee, A. V. (2016, June 18). The best way to welfare. *Indian Express*. Retrieved from <https://indianexpress.com/article/opinion/columns/swiss-voted-against-the-idea-of-a-universal-basic-income-but-the-debate-continues-2859528/>

A short argument in favor of a universal basic income (UBI) in India. Banerjee suggests that UBI can be an alternative to the very long list of various schemes and welfare programs led by the Indian government. In particular, he argues in favor of replacing the Public Distribution System (PDS) and the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) with a UBI. Banerjee suggests 250 rupees a week to all adults, utilizing the Aadhar card as identification.

Banerjee, A., Bhandari, P., Chinnoy, S., Ghatak, M., Gopinath, G., Lahiri, A., . . . Somanathan, E. (2018, December). An Economic Strategy for India. *University of Chicago Delhi*. Retrieved July 15, 2019, from <https://uchicago.app.box.com/s/f47rz9hwbw9z7lu41f7hnunwxsj58xhp>

In this paper, the authors support a move towards a “fixed cash subsidy per acre” for farmers, taking the Telangana Ryuthu Bandhu scheme as a success story. In addition to this, the authors promote a choice-based approach, on an “experimental basis,” to the PDS, giving beneficiaries the option to choose cash instead of food subsidies.

Bardhan, P. (2016, September 26). Basic Income in a Poor Country. *Ideas for India*. Retrieved July 15, 2019, from <https://>

[www.ideasforindia.in/topics/poverty-inequality/basic-income-in-a-poor-country.html](http://www.ideasforindia.in/topics/poverty-inequality/basic-income-in-a-poor-country.html)

Bardhan argues that a basic income is more possible in low-middle income countries than in high income countries due to the lower poverty threshold and poor implementation of existing welfare schemes. He adds that not all the poor in India possess Below Poverty level (BPL) and are excluded from anti-poverty programs, a glitch that could be eliminated with the replacement of a basic income cash transfer. According to Bardhan, a UBI will reduce the administrative and financial hassle of identifying the poor.

Bardhan, P. (2019, May 1). NYAY e-Symposium: The case for a universal basic income supplement. *Ideas for India*. Retrieved July 15, 2019, from <https://www.ideasforindia.in/topics/poverty-inequality/nyay-e-symposium-the-case-for-a-universal-basic-income-supplement.html>

Bardhan argues for a universal basic income as a “citizen’s right” and that a right to a minimum economic security can be justifiably interpreted by the Supreme Court in the Constitution’s right to life clause. He also argues for it as a way to reduce patron-client politics present in existing poverty programs and eliminates the need for targeting. He is optimistic about the potential of NYAY given the improvement in banking but is otherwise more in favor of a basic income that is universal. Bardhan proposes the use of a card to deal with targeting, using surrogate criteria to identify the bottom 20 percent. He promotes the elimination of fertilizer, water, power and capital subsidies, tax concessions for businesses, railway passenger subsidies and subsidised losses for inefficient public sector enterprises.

Bera, Sayantan. (2019, March 4). India can pay Rs. 500 to each citizen every month: Guy Standing. *LiveMint*. Retrieved July 15, 2019, from <https://www.livemint.com/companies/people/india-can-pay-rs-500-to-each-citizen-every-month-economist-guy-standing-1551658172150.html>

In this article, the author interviews Guy Standing on his position on Rahul Gandhi’s minimum income guarantee proposal and Narendra Modi’s farmer income support scheme, PM Kisan. He argues that a basic income is favorable as a welfare policy because it is not paternalistic and gives the poor the choice on what to spend their money. He describes the debate in India on a basic income as “intellectually corrupt” as it is based in the notion that “complex schemes can work.” Standing argues that 8 percent of GDP is spent on subsidies in India. He refers to the present time in Indian social policy as transitional as the government takes its turn towards cash transfers. He ends by stating that it is possible for the government to pay every citizen 500 rupees.

Coady, David and Delphine Prady, 2018. “Universal Basic Income in Developing Countries; Issues, Options and Illustration for India,” IMF Working Paper 18/174, (Washington: International Monetary Fund).

This paper discusses the gains and losses that will occur if the Public Distribution System (PDS) is replaced by a Universal Basic Income (UBI). Utilizing data from the 2011 National Sample Survey (NSS), this paper argues that a UBI would result in welfare losses for low income households that can be offset by excluding highest income groups and utilizing the savings to distribute higher UBI transfers. The authors also assert that energy subsidies in India, on petroleum, diesel, etc., are highly inefficient and if replaced with a UBI in a budget-neutral way, while simultaneously making energy prices efficient, would lead to redistribution of benefits from higher to lower income groups.

Davala, S., Jhabvala, R., Standing, G., & Mehta, S. K. (2014). *Basic Income: A Transformative Policy for India*. New Delhi, India: Bloomsbury Publishing India.

This book uses evidence from a UBI pilot in Madhya Pradesh with 6,000 individuals to argue in favor of a basic income in India. The book also responds to the primary concerns of basic income opponents in India. They divide the alternatives to cash transfers in two categories: the Commodity Line, which provides food and other commodities for free or at subsidized rates for the targeted poor, and the Labor Line, which provides labor in return for monetary payment or food. The book explores the ideological and economic arguments against a basic income and subsequently defends a basic income as a superior policy, using the experiment in MP as a guiding force.

Davala, S. (2019, January 11). Why Narendra Modi May Answer Farmer’s Distress with a Basic Income Plan. *The Wire*. Retrieved July 15, 2019, from <https://thewire.in/agriculture/why-narendra-modi-may-answer-farmers-distress-with-a-basic-income-plan>

This article, written by economist Sarath Davala, argues that Narendra Modi’s interest in a basic income for farmers should be welcomed. The author discusses the evaluations of the government’s responses to farmer distress: loan waivers and the basic income initiatives in Telangana and Madhya Pradesh. Of the three initiatives, Davala argues that the Telangana government’s Rythu Bandhu scheme has fared best in terms of achieving its objectives. Davala praises the scheme for having fewer conditionalities and being a cash transfer, thereby making it easy to implement. In Madhya Pradesh, the government introduced several conditionalities that prohibited it from being successful, while in the case of loan waivers, political support is lacking and major policy analysts have come out against it. Davala suggests the possibility that the new Modi

government will likely go for a basic income for all farmers, a move that would be a step in the right direction for the country.

Davala, Sarath. (20 February 2019). Universal Basic Income: The Indian Dilemmas and Need to Innovate. *Financial Express*. Retrieved July 15, 2019, from <https://www.financialexpress.com/opinion/universal-basic-income-its-a-good-idea-but-difficult-to-implement-in-india/1492771/>

In this article, Davala argues that the present welfare system in India is paternalistic and that unconditional policy programs such as Ryuthu Bandhu are far preferable and empowering for people. Davala argues that there is plenty of evidence to refute the notion that giving cash to the poor will result in wrong spending decisions. He suggests making a basic income a law rather than a scheme, with protections against inflation, to ensure that it is not taken away from the people. He adds that conditionalities in welfare programs result in corruption.

Dev, S. M., & Rangarajan, C. (2017, August 7). Let's talk about a supplemental income. *The Hindu*. Retrieved July 15, 2019, from <https://www.thehindu.com/opinion/lead/lets-talk-about-a-supplemental-income/article19439977.ece>

S. Mahendra Dev, former chairman of Commission for Agricultural Costs and Prices, and C. Rangarajan, former Chairman of the Economic Advisory Council to the Prime Minister and 19th Governor of the Reserve Bank of India, explore the possibility of a Centrally-funded UBI in India, touching upon targeting, fiscal feasibility and welfare trade-offs. The two argue that it is fiscally impossible to make a basic income universal and argue that it could be feasible if it only accounted for 1.5-2 percent of GDP. They suggest that sourcing this money from taxes, cuts on welfare schemes such as MGNREGA, or fertilizer subsidies may be possible. While not dismissing the possibility of a basic income entirely, Dev and Rangarajan concluded that a “supplemental income,” that is targeted to “easily identifiable groups,” would be more fiscally feasible than a universal basic income.

Dreze, J. (2015, November 6). JAM and the Pursuit of Nirvana. *The Wire*. Retrieved July 15, 2019, from <https://thewire.in/economy/jam-and-the-pursuit-of-nirvana>

In this article, economist Jean Dreze presents the challenges to the utilization of the JAM (Jan-Dhan, Aadhar, Mobile) trinity, which linked bank accounts to identity cards and mobile phones for all Indians, as a method to deliver direct

cash transfers to the poor, proposed to be a “revolution” by then-Chief Economic Advisor Arvind Subramanian. First, Dreze argues that the JAM trinity is not developed enough, infrastructurally, to carry out such an ambitious program, citing experiences in Jharkhand, Rajasthan, Delhi and Puducherry with “high-tech cash transfers.” Second, he adds that the rapid transition in MGNREGS to direct transfers in bank accounts resulted in losses for the poor, suggesting that the policy should be implemented gradually. Third, Dreze argues that cash transfers are not necessarily the best policy and that the PDS, along with the Mid-Day-Meal scheme, free medicines, and bicycles for schoolchildren and other in-kind transfers have all delivered great advantages to the people. Last, Dreze states that the switch to cash transfers may result in the government withdrawing other benefits to the public, by not following the principles of a UBI, such as conditionality and universality, or by not raising the cash transfer amount according to prices.

Dreze, J. (2017, February 7). The Tales and Maths of a Universal Basic Income. *NDTV*. Retrieved July 15, 2019, from <https://www.ndtv.com/opinion/the-tale-and-maths-of-universal-basic-income-1655225>

After the release of the Economic Survey, spearheaded by Arvind Subramanian, Dreze provides feedback on Subramanian’s thoughts on the possibility of a UBI in India. Dreze describes the proposal as a “quasi-universal top-up” (QUIT), as it does not propose enough amount to cover basic subsistence and is not universal. He suggests that the estimation of GDP from the Economic Survey is not grounded in proper numbers. He also criticizes the proposal for not taking a position on financing the UBI but merely discussing options in “general terms.” He argues that the 11 schemes identified are not all in-kind, such as MGNREGS, but in fact deliver benefits in cash, and also have many benefits that are not touched upon in the proposal for a UBI. Dreze concludes by asserting that a UBI should not replace the existing welfare framework in India.

Dreze, J. (2019, May 1). NYAY e-Symposium: Doing justice to NYAY. *Ideas for India*. Retrieved July 15, 2019, from <https://www.ideasforindia.in/topics/poverty-inequality/nyay-e-symposium-doing-justice-to-nyay.html>

Dreze suggests ten principles for Rahul Gandhi’s minimum income guarantee (MIG) scheme, called NYAY. He calls it a pension scheme, rather than an income scheme, as it does not ensure most low-income households will benefit. He argues that giving 6,000 rupees to the bottom 20 percent of the population should not be final as it is still very low coverage. He argues that individual pensions would be preferable to household-level ones. He states that the first beneficiaries should be the elderly, widows and disabled persons, especially if that means the existing pension scheme for the elderly will be expanded, due to

its low coverage at present. He argues that maternity benefits should also be targeted next, after which vulnerable tribal groups. Interestingly, Dreze also argues that some amount of NYAY pension be given to the gram panchayats, which takes inspiration from the original KMS proposal in 2008 (Kapur et al, 2008). He adds that NYAY should be concentrated on rural areas and begin to move to a legal framework. Lastly, he argues that India is still not technologically capable for cash transfers and must be careful.

Dutta, P., Howes, S., & Murgai, R. (2010). Small but Effective: India's Targeted Unconditional Cash Transfers. *Economic & Political Weekly*, 45(53), 63-70. <https://www.epw.in/>

This article analyzes the social pension schemes in Karnataka and Rajasthan provided through money orders, in the context of the proposal by Arvind Subramanian et al in 2008 for replacing major welfare schemes with direct cash transfers to the poor. The authors state that the social pension schemes may be successful because of the small size of the cash transfers or the "low levels of discretion involved in their delivery." Social pension schemes are argued to be more effective than the PDS, but the authors argue that scaling would require careful monitoring.

Ghatak, M. (2016, July 1). The Price of Basic Income. *Indian Express*. Retrieved July 15, 2019, from <https://indianexpress.com/article/opinion/columns/basic-income-in-india-brexite-referendum-switzerland-basic-income-jan-dhan-yojana-guarantee-employment-programme-mgnrega-2879930/>

Maitreesh Ghatak argues that the government should not get rid of MGNREGA in order to implement a basic income and believes that a UBI is financially too difficult to implement.

Ghatak, M. (2016, August 26). Is India Ready For A Universal Basic Income Scheme? *NDTV*. Retrieved July 15, 2019, from <https://www.ndtv.com/opinion/is-india-ready-for-a-universal-basic-income-scheme-1449472?pfrom=home-opinion>

Shifting slightly from his position in the Indian Express editorial, Ghatak argues in this editorial that funding a UBI is not as much of a concern and argues for a more balanced debate around UBI. Ghatak provides certain ways to look at policies, such as comparing a policy's relative benefits to other specific policies and acknowledging that different policies work better in different contexts. Ghatak cites his study in Bihar in which a survey showed that rural respondents preferred bicycles to receiving cash, whereas urban respondents preferred to receive cash. Ghatak also argues, as many others, that a cash transfer is not a cure to poverty, as the government still needs to address lagging healthcare,

education and infrastructure. He also mentions that political support for removing subsidies is unlikely.

Ghatak, M. (2019, January 30). Rahul Gandhi's New "Game-Changing" Scheme Could Work - If Only... *NDTV*. Retrieved July 15, 2019, from <https://www.ndtv.com/opinion/rahul-gandhis-new-game-changing-scheme-could-work-if-only-1985470?pfrom=home-topstories>

Ghatak raises two major concerns with Rahul Gandhi's minimum income guarantee (MIG) proposal: targeting and incentives. Targeting the poor is too difficult, he argues, due to lack of reliable income information. Further, Ghatak states that the MIG proposal is transferring money to people based on the difference between their actual income and a targeted income level, which will incentivize people to under-report income. Ghatak measures the ideal cash transfer amount at 1,600 rupees per person per month, based on the Rangarajan poverty line, estimating 9 percent of GDP. If the Ghatak basic income is given only to the poor, he estimates it can be 3 percent of GDP and 21 percent of government expenditure. According to Ghatak, budgetary subsidies in 2011-12 accounted for 10.6 percent GDP and non-merit subsidies account for 3.5 percent of GDP.

Ghatak, M. (2019, May 2). NYAY e-Symposium: Not long term solution to poverty but useful 'first aid'. *Ideas for India*. Retrieved July 15, 2019, from <https://www.ideasforindia.in/topics/poverty-inequality/nyay-e-symposium-not-long-term-solution-to-poverty-but-useful-first-aid.html>

In contrast to his reaction to a basic income in 2016, in this interview, Ghatak does not put the Rahul Gandhi MIG proposal of a cash transfer in opposition to any spending on public health and education, terming that argument as a "false trade-off." He favors, however, a universal basic income to the MIG proposal as it avoids the issue of targeting. He also adds that a UBI could create the political support necessary to make income taxes universal and progressive. To fund Rahul Gandhi's MIG proposal, he suggests most strongly the possibility of taxing on capital gains, wealth or "some other consumer expenditure." Ghatak suggests it is possible to fund MIG by removing petroleum and fertilizer subsidies or removing tax concessions or incentives for certain groups such as corporations and individuals.

Ghosh, J. (2011). Cash Transfers as the Silver Bullet for Poverty Reduction: A Sceptical Note. *Economic & Political Weekly*, 46 (21), 67-71. <https://www.epw.in/>

This paper, written by economist at Jawaharlal Nehru University Jayati Ghosh, argues that without a proper gambit of social services such as education and health, the impact of a cash transfer may fall flat. It makes the point that the poor are not always defined by their low income status but also by their lack of assets. The main two concerns presented by Ghosh are whether cash transfers can keep up with inflation and whether the government will also deal with supply-side issues. Using various examples, Ghosh argues that there is evidence people are more likely to prefer in-kind to cash transfers. Ghosh also argues that a cash transfer program is not immune to leakage and corruption, with the possibility of funds being diverted.

Government of India, Ministry of Finance. (2017). *Economic Survey 2016-17*. Retrieved July 15, 2019, from <https://www.indiabudget.gov.in/budget2017-2018/es2016-17/echap09.pdf>

This chapter of the Economic Survey 2016-17, authored by Arvind Subramanian, then-Chief Economic Adviser. It provides a detailed account of the existing welfare schemes in India and the justification for a shift to a Universal Basic Income (UBI) in its stead. The paper estimates that 5.2 percent of India's GDP is spent on 950 different centrally sponsored and central sector sub-schemes, the top 11 schemes account for 50 percent of all expenditure. The report states that state-wise misallocation of resources is rampant with the MGNREGA scheme, where the benefits are not going to states with higher proportions of poverty. In addition to this, the report states that 40 percent of the bottom 40 percent are excluded from the PDS. The paper suggests a UBI that would cost 4.9 percent of GDP, with 7,260 rupees per year to 75 percent of the population.

Government of India, NITI Aayog, Development Monitoring and Evaluation Office. (2016, December). *Evaluation Study on Role of Public Distribution System in Shaping Household and Nutritional Security India, DMEO Report No. 233*. Retrieved July 15, 2019, from [https://www.niti.gov.in/niti/writereaddata/files/document\\_publication/Final PDS Report-new.pdf](https://www.niti.gov.in/niti/writereaddata/files/document_publication/Final_PDS_Report-new.pdf)

The report discusses the various issues with the Targeted Public Distribution System (TPDS) in India and reviews the level of access, use, targeting efficiency and coverage. The study found that households with Below Poverty Level (BPL) or AAY cards are not increasing consumption of fruits, vegetables and other non-cereals with any freed up income from subsidized cereals.

Gulati, A. (2018). Supporting Indian Farmers: Price Support or Direct Income/Investment Support?, Working Paper No. 357. *Indian Council for Research on International Economic Relations*. Retrieved July 15, 2019, from <https://icrier.org/pdf/>

### Working\_Paper\_357.pdf.

This paper explores the experiment on the price deficiency payment (PDP) scheme led by the Madhya Pradesh government called Bhavantar Bhugtan Yojana (BBY) to support farmers. The paper finds many difficulties in the implementation of the BBY and also supports the possibility of a direct income (investment) support to farmers, similar to the Telangana Ryuthu Bandhu scheme. Gulati and his team of economists estimate that a nationally-led income support scheme to farmers, giving 10,000 rupees per hectare to all farmers, would cost 1.97 lakh crore rupees to the government.

Gulati, A. (2019, July 22). From Plate to Plough: A win-win deal. *Indian Express*. Retrieved July 23, 2019, from <https://indianexpress.com/article/opinion/columns/food-safety-farmers-fertilisers-rural-distress-from-plate-to-plough-a-win-win-deal-5840746/>

In this editorial, agricultural economist Ashok Gulati argues to replace the food and fertilizer subsidies in India with a direct cash transfer to beneficiaries, adding that it would save the government 50,000 crore rupees annually. He explains that the Food Corporation of India, the body which procures and distributes food grains to the poor for the PDS, is under funded by the government and indebted to banks. This debt is only increasing over the years. He argues that the FCI therefore is highly inefficient and the PDS should be eliminated in the place of direct cash transfers.

Gupta, A. (2019, January 14). Amartya Sen: Granting basic income to all may lead to more privatisation. *Indian Express*. Retrieved July 15, 2019, from <https://indianexpress.com/article/cities/kolkata/amartya-sen-universal-basic-income-ashok-rudra-memorial-lecture-5536609/>

Amartya Sen argues that privatization is a concern with basic income and the government will have less accountability to give other social welfare services. Pranab Bardhan argues that it should be a citizenship right and not an anti-poverty measure. He also says that the government should give a basic income as it will help women and serve as insurance to natural calamities.

Himanshu, & Sen, A. (2013). In-Kind Food Transfers -- I: Impact on Poverty. *Economic & Political Weekly*, 48 (45&46), 46-54,1-4. <https://epw.in/>

In this paper, the authors conclude that in-kind food transfers through the Public Distribution System and the Mid Day Meal Scheme have reduced poverty, over time, by Tendulkar poverty line estimates. Specifically, the authors estimate that food transfers accounted for 32 percent reduction of the Tendulkar headcount

ratio from 2004/05 to 2009/10 and 52 percent of the reduction in the squared poverty gap (SPG), two major poverty measurements.

Himanshu and Abhijit Sen. (2013). In-Kind Food Transfers -- II: Impact on Nutrition and Implications for Food Security and Costs. *Economic & Political Weekly*, 48 (47), 60-73. <https://epw.in/>

This paper argues that the “calorie-elasticity of PDS transfers is twice as large as compared to additional out-of-pocket income compared to additional out-of-pocket income equal to the cash equivalent of PDS transfers.”

Himanshu. (2016, November 8). Is India ready for universal basic income? *LiveMint*. Retrieved July 15, 2019, from <https://www.livemint.com/Opinion/SJZ14YNRG109R0MadtsqpL/Is-India-ready-for-universal-basic-income.html>

In this article, Himanshu argues whether it is possible to replace in-kind with cash transfers to the poor. He argues that the problem of self-selection or targeting was overcome by the government when the NFSA was made universal or quasi-universal. He points out that the debate over a universal basic income in India centers around “the approach to public service delivery in a welfare state.” His concluding argument is that a UBI can only increase demand for services such as education and health care but cannot improve the quality of these services and that it should not substitute the provision of “universal basic services.”

Himanshu. (2017, May 21). A Proposal for Universal Basic Services. *Ideas for India*. Retrieved July 15, 2019, from <https://www.ideasforindia.in/topics/poverty-inequality/a-proposal-for-universal-basic-services.html>

Himanshu presents proponents of a UBI as arguing that its provision will be an alternative to basic services such as education, health and nutrition programs. He argues that as yet, no one has proposed a truly universal basic income as it is found to be difficult to finance. Himanshu rebuts a proposal by Mundle and Sikdar that estimates subsidies by only removing spending on defense and general administration, arguing that such a proposal would club together all services including education, health and infrastructure, as subsidy. He characterizes the J-PAL study of the DBT in the three Union Territories as evidence of the failure of cash transfers and their equal levels of corruption and leakage. He argues that the MGNREGA programs in Telangana prove that Aadhar based identification is at present ineffective in authentication.

Hussain, Siraj. (2019, July 18). Will PM-Kisan Eventually Evolve and Replace Farm Subsidies During Modi 2.0? *The Wire*. Retrieved

July 15, 2019, from <https://thewire.in/agriculture/will-pm-kisan-eventually-evolve-and-replace-farm-subsidies-during-modi-2-0>

In this article, former Secretary of Agriculture and Farmers' Welfare Siraj Hussain, presently a Visiting Fellow at the Indian Council for Research on International Economic Relations (ICRIER), takes numbers from the PM-Kisan government reports to indicate that a very low percentage of farmers have been reached so far in the scheme. He also mentions the back-dating of the scheme, which he suggests to be politically motivated for the general elections. Lastly, he supports the move to switch from fertilizer subsidies to companies to direct cash transfers to farmers, but warns that the Modi government must work to get support from the opposition for such a move.

Jhabavala, Renana and Guy Standing. (2010). Targeting to the 'Poor': Clogged Pipes and Bureaucratic Blinkers. *Economic & Political Weekly* 45 (26 & 27), 239-247. <https://epw.in/>

In this paper, the authors argue that targeting through the usage of things like the Below Poverty Level (BPL) card are inefficient and should not be used, while universal coverage should be the norm in its place. This paper outlines all the different methods of targeting used by the government since the 1990s and the difficulties in their implementation, such as having high type 1 and type 2 errors in part due to the fluctuating incomes of the poor. The authors also cite findings from their own survey conducted in Gujarat to reveal major discrepancies in the outlay of ration cards.

Jhabavala, Renana. (2012, October 22). Let the people choose: Government should not dictate whether they are to be served by the PDS or direct cash transfers. *Times of India*. Retrieved July 15, 2019, from <https://timesofindia.indiatimes.com/edit-page/Let-the-people-choose-Government-should-not-dictate-whether-they-are-to-be-served-by-the-PDS-or-direct-cash-transfers/articleshow/16905407.cms>

In this editorial, Jhabavala, citing her experience working on a Universal Basic Income experiment in Delhi, argues that the people should be allowed to choose between receiving food rations or direct cash transfers. She explains that the Delhi experiment showed 60 percent more non-cereals were purchased by those with cash transfers than those with the PDS. Women even pooled resources to go to wholesale markets to buy higher quality grains. In particular she stated that direct cash transfers are preferable for women and lead to women's empowerment.

Jhabvala, Renana. (2014, December 9). No conditions apply. *The Indian Express*. Retrieved July 15, 2019, from <https://indianexpress.com/article/opinion/columns/no-conditions-apply/>

In this editorial, Jhabvala explains how the results of the UBI experiment in Madhya Pradesh proved that unconditional cash transfers can be very successful. She argues that a UBI, as per the experiment in MP, lead to growth and income-earning opportunities. The number of livestock in a village increased by 30 percent in the experiment. Multivariate analysis showed that women were able to take up a second income if receiving a basic income. Fifty percent of beneficiaries also used the money to improve their land productivity.

Joshi, Vijay. (2016, October 21). Universal Basic Income for India. *Ideas for India*, Retrieved July 15, 2019, from <https://www.ideasforindia.in/topics/poverty-inequality/universal-basic-income-for-india.html>

Vijay Joshi outlines his proposal for a universal basic income in India. Joshi's UBI proposal is to provide Rs. 3,500-4,000 per head per year to all individuals and alleges it will cost only 3.5 percent of GDP. He clearly states that India's spending on oil-based, fertilizer and food subsidies are "dysfunctional" as they "raise fiscal deficits and crowd-out essential public spending." His calculation for a UBI amount is based on 20% of the Tendulkar poverty line, indexed to a relevant cost of living.

Joshi, Vijay. (2019, February 12). Travesty of basic income. *Business Standard*. Retrieved July 15, 2019, from [https://www.business-standard.com/article/opinion/travesty-of-basic-income-119021101336\\_1.html](https://www.business-standard.com/article/opinion/travesty-of-basic-income-119021101336_1.html)

Joshi argues that recent minimum income proposals do not do justice to the concept of a universal basic income, such as Telangana's Ryuthu Bandhu, Odisha's Kalia, Rahul Gandhi's NYAY and Modi's cash transfers to small farmers. Joshi acknowledges that it may be difficult fiscally to implement a UBI, universally in particular, but puts forth his original proposal of a "UBI Supplement." He argues that it will not replace basic services but instead be financed through a variety of means: the elimination of non-merit subsidies, the elimination of certain welfare programs deemed ineffective, the privatization of inefficient public sector enterprises, the removal of certain tax exemptions, or taxing agricultural incomes above a threshold level, all in all financed partly by the centre and partly by the state. He argues that the quantity proposed by Modi was too small, the Ryuthu Bandhu and Kalia schemes are too restrictive in coverage and that Rahul Gandhi's NYAY scheme's proposal to write off rural debt is "regressive."

Kapur, Devesh, Partha Mukhopadhyay and Arvind Subramaniam. (2008). The Case for Direct Cash Transfers to the Poor. *Economic & Political Weekly* 43 (15), 37-41. <https://epw.in/>

In this paper, the three authors argue in favor of “direct benefit cash transfers” in lieu of subsidies in Indian economic development policy. They argue to replace the Public Distribution System with a cash transfer and allege that it will have much more transformational impact on poverty. The authors also argue for enhancing the utilization of panchayati raj institutions for the delivery of social welfare programs on the ground level, giving cash directly to the PRIs. KMS argue that cash transfers will eliminate paternalism, reduce dependence on corrupt moneylenders, have less administrative costs, reduce or stop immunity in public administration, eliminate the inequity of subsidies such as fertilizer subsidies, and lastly, reduce clientelism, patronage and corruption characterized by existing welfare schemes.

Kapur, Devesh, Partha Mukhopadhyay, Arvind Subramaniam. (2008). More on Direct Cash Transfers. *Economic & Political Weekly*, 85-87. <https://epw.in/>

In response to a rebuttal from Mihir Shah, KMS argue that opponents of cash transfers have yet to justify why the existing poverty programs should continue despite their failure to reduce poverty adequately. They continue to argue that cash-empowered PRIs will have more freedom to make the right decisions for their localities rather than the implementation of centrally sponsored schemes. KMS states that the NREGA scheme is not building long term infrastructure if it is depending only on manual labor. They argue that PRIs should be empowered to procure inputs themselves rather than be supplied with them by the central government. Overall, they assert that cash transfers are preferable to what they describe to be poorly functioning existing poverty programs.

Kapur, Devesh. (2011). The Shift to Cash Transfers: Running better but on the Wrong Road? *Economic & Political Weekly*, 46, 21, 80-85. <https://epw.in/>

In this paper, Kapur describes the potential impact of switching to cash for fertilizers and the kerosene delivered through the PDS. In the case of fertilizers, Kapur argues that a switch to cash transfers will create huge costs for the fertilizer industry and force plants to shut down. In response to this, he suggests several methods to deal with such a situation, one being that the Indian government could subsidize a gas pipeline infrastructure and close down high cost plants unless they are based on gas feedstock. In the case of kerosene, Kapur argues that the current system has led to the creation of a black market and increased levels of pollution. Kapur argues that a cash transfer will not reduce the government’s dependency on petroleum imports or reduce the fiscal pressures on the government, though it would address criminal activity and

pollution. He argues that since the majority of Indians are using PDS kerosene for electricity, it would be better to provide all rural and urban households with solar lanterns, rather than converting to a cash transfer. Overall, in a departure from the 2008 article with Subramanian, Kapur seems to argue that there are major challenges to switching from fertilizer and kerosene subsidies to cash transfers, ones that require “complementary actions in rebuilding public systems and market infrastructure.”

Khera, Reetika. (2014). Cash vs. In-Kind Transfers: Indian Data Meets Theory. *Food Policy*, 46, 116-128. <https://epw.in/>

In this paper, in response to several initiatives to replace in-kind with cash in India, Khera attempts to create a link between empirical and theoretical arguments for and against the switch. In the survey, Khera provides a hypothetical to respondents in rural areas of a switch from the PDS to a cash transfer. Two thirds of survey respondents preferred food to cash, while this result was specific to context (for instance, preference for food was predominantly in states where the PDS functioned regularly). The differences were wide, with 91 percent preferring food to cash in Andhra Pradesh and 20 percent preferring food to cash in Bihar. Khera continues with arguments in favor of in-kind over cash, using qualitative evidence from interviews.

Khera, Reetika. (2016, December 20). A Phased Approach will make a ‘Basic Income’ Affordable for India. *The Wire*. Retrieved on July 15, 2019, from <https://thewire.in/88350/basic-income-phased-approach>

Khera acknowledges the desirability of a UBI but expresses some reservations on its implementation. First, Khera argues that politically it will be very difficult to manipulate taxes on high income groups. Second, she argues that the GDP should be freed for more spending on public services such as health and education, rather than a UBI. Lastly, she proposes to make pensions for the elderly, widows and the disabled and maternity benefits universal, for the ease of targeting and reaching vulnerable groups. Lastly she argues that inflation can reduce the value of a cash transfer.

Muralidharan, K., Paul Niehaus and Sandip Sukhtankar. (2017). Direct Benefits Transfer in Food: Results from One Year of Process Monitoring in Union Territories. *UC San Diego*, [https://econweb.ucsd.edu/~kamurali/papers/Other%20Writing/20170905\\_UT\\_DBT\\_Report.pdf](https://econweb.ucsd.edu/~kamurali/papers/Other%20Writing/20170905_UT_DBT_Report.pdf)

This report presents findings on the government’s pilot of switching the Public Distribution System’s food rations to cash transfers in the Union Territories of Chandigarh, Pondicherry and Dadra and Nagar Haveli in September 2015. The

process monitoring study findings revealed that over the course of the program implementation, the number of people preferring cash to food increased from 35 to 65 percent of beneficiaries preferring cash. The findings also revealed use of cash to improve dietary diversity and quality of food grains purchased. Several setbacks in the implementation were noted, such as the lack of universal coverage of the direct benefit transfer (DBT), the lack of updated information on people's bank accounts, the lack of utilization of mobile phones for improved communication and grievance redressal and an increase in the time and money spent by beneficiaries to avail benefits. The team recommended a choice-based approach to any DBT pilots, giving beneficiaries the option to receive in kind or in cash, in order to protect against welfare losses.

Narayanan, Sudha. (2011). A Case for Reframing the Cash Transfer Debate in India. *Economic & Political Weekly*, 46 (21), 41-48. <https://epw.in/>

This article, written by Cornell University economist Sudha Narayan, uses evidence on the design, implementation and impact of cash transfers, concluding that often in-kind transfers work better than cash transfers, while a combination of both cash and in-kind has performed the best. According to Narayan, evidence shows that cash-assisted kind transfers such as food stamps are superior to pure cash transfers and under inflationary conditions, in-kind is superior to cash. In the context of health interventions, Narayan states that evidence shows in-kind to be more beneficial. Narayan proposes “the middle ground, where cash transfers are seen to reinforce supply-side initiatives” as the best step forward in Indian policy.

Niehaus, Paul, Antonia Atanassova, Marianne Bertrand and Sendhil Mullianathan. (2013). Targeting with Agents. *American Economic Journal: Economic Policy* 5 (1), 206-38.

This paper provides considerable evidence that targeting with the Below Poverty Line (BPL) card has significant failings. In particular, the authors find that in Karnataka, in their sample group, 70 percent of ineligible households have BPL cards, while 13 percent eligible households do not. Bribery is a huge problem with the BPL cards, with 75 percent of households paying more than the statutory fee. The authors also mention that universality is preferred in situations of “imperfect enforcement” as in India. They particularly refer to Jean Dreze and Reetika Khera's simplified targeting method proposed in 2010 to be important.

Sen, Abhijit. (2019, January 3). Interview: Income support schemes for farmers are a cop-out, says economist Abhijit Sen. *Scroll.in*. Retrieved July 15, 2019, from <https://scroll.in/article/907751/>

## interview-why-income-support-schemes-for-farmers-is-a-dangerous-idea

In this interview, Abhijit Sen argues that the Telangana Rythu Bandhu scheme is not sufficient as it gives cash per acre, benefiting the richer farmers more, and also only gives to those with a land title, thus excluding the landless and sharecroppers. He speculates that a nation wide implementation of basic income for farmers would result in the elimination of the minimum support price (MSP) and a return back to farming for many people. He likens this scheme to the Anshuman Bharat (National Health Protection Scheme) as well, asserting a general shift in the state's approach to development from favoring in-kind benefits to cash transfers for the people. Lastly, he argues that a basic income reduces the development agenda of the state and its "creative agency."

Shah, Mihir. (2008). Direct Cash Transfers: No Magic Bullet. *Economic & Political Weekly*, 43 (34), 77-79. <https://epw.in/>

In this paper, a former member of the Government of India's Planning Commission Mihir Shah argues that direct cash transfers do not have the potential to transform money into "concrete assets." He asserts that families do not always use money for long term investments in housing in the case of the IAY housing scheme, an existing direct cash transfer. Shah adds that the lack of skills, markets, technology, materials, infrastructure and institutions in rural India are the primary cause of the failure of poverty programs, not the lack of cash. He maintains that further improvements should be made upon existing poverty programs, such as MGNREGA or the PDS, rather than replacing those programs with a cash transfer.

Shah, Mihir. (2015, January 14). Cash transfers, the lazy short cut. *The Hindu*. Retrieved July 15, 2019, from <https://www.thehindu.com/opinion/op-ed/cash-transfers-the-lazy-short-cut/article6785728.ece>

Referring to cash transfers as the "lazy short-cut," Shah reiterates his position from 2008 that cash transfers are not welcome in the absence of quality services in rural areas. He argues that cash does not have the potential to transform lives when the poor are living in areas with exploitative markets, high market failure, unresponsive governments and poor quality private providers for education and health. He firmly supports cash transfers that are conditional or linked to certain conditions, such as the MGNREGA, Ladli Lakshmi Yojana or Janani Suraksha Yojana.

Standing, Guy. (2014, December 18). Basic Income Paid to the Poor Can Transform Lives. *The Guardian*. Retrieved July 15, 2019, from <https://www.theguardian.com/business/economics-blog/2014/dec/18/incomes-scheme-transforms-lives-poor>



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