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A Minimum Income Guarantee in India: Social Assistance for a Post-Pandemic World

Santosh Mehrotra[1], Anjana Rajagopalan[2] and Rakesh Ranjan Kumar[3]

[1] Centre for Development Studies, University of Bath
[2] Janaagraha Centre for Citizenship and Democracy
[3] International Institute for Migration and Development

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Series Editors:
James Copestake
Cynthia Kamwengo

Corresponding author:
Santosh Mehrotra
Email: santoshmeh@gmail.com

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A Minimum Income Guarantee in India: Social Assistance for a Post-Pandemic World

Santosh Mehrotra[1], Anjana Rajagopalan[2] and Rakesh Ranjan Kumar[3]

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Abstract

Amidst the bleak picture of increasing joblessness and indebtedness presented by employment surveys and debt surveys, a minimum standard of living for India's poor seems to be under threat. The sudden exogenous shock of COVID-19 to the incomes of the poor has made the case of a minimum income guarantee (MIG) for the poor more urgent. Rather than adopting a quasi-UBI and doing away with many existing developmental programmes, this paper makes a case for, and presents the design of a better strategy of cash transfers as a supplement to income from livelihoods, keeping fiscal considerations in mind. Had it already been in place by early 2020, it would only have required a ramping up of transfers to protect the incomes of the poor. This paper focuses on feasible pathways for ensuring equity, recognising the importance of addressing the issues of social justice, and reduction of vulnerabilities. Thus, the stress is on technical and economic aspects of such a programme. Essentially, the paper focuses on identifying vulnerable populations to be targeted for efficient and just transfer.

Keywords: Universal Basic Income, Conditional Cash Transfer, Minimum Income Guarantee

1. Introduction

Universal Basic Income (UBI) is a globally debated concept. While India still lags in provision of public goods like universal healthcare and quality school education, it has been difficult to make a credible case for UBI. In the Indian context, attempt by academia to build a case for UBI rests to a large extent on the premise that UBI can be funded through reduction of subsidies on existing public goods.[1] Given an abysmally low level of investment in India in health and education (2 and 3 per cent of GDP respectively at best) there is a need to increase spending on public good and, *in addition*, make a case for fiscal transfers especially post-pandemic.

Cash transfers in India as suggested by Davala et al (2016)[2] have been proved to have transformative impact on well-being of households. Post-pandemic vulnerability of households increased, reinforcing a case for public goods provisioning supplemented by financial assistance. The magnitude of resources needed to fund UBI has kept policy makers from implementing unconditional cash transfers at a national level. However, our paper argues that in India, instead of substituting existing developmental programmes of the government in the short run, any income guarantee should be supplementary, keeping fiscal constraints in mind. The case for a minimum income guarantee has been strengthened by COVID-19, the consequent lockdowns of the population and economy, and the exogenous shock on incomes of the most vulnerable households.

UBI in India came into common parlance with the Economic Survey 2016-17 (Ministry of Finance, 2017) which proposed an Income Transfer aimed at 'wiping every tear from every eye' as a potential alternative to the diverse existing social and anti-poverty programmes. However, academic literature preceded the UBI discourse by nearly a decade in India and multiple decades outside of India. Long before the post-2017 discussion, the Planning Commission had commissioned one of the authors in 2008 during the global economic crisis, to examine the feasibility of cash transfers for the poor.[3] Another discussion originated from a 2008 series of essays in the Economic & Political Weekly, beginning with Kapur, Mukhopadhaya & Subramanian (2008) arguing for replacing centrally sponsored poverty schemes with cash transfers and citing structural inefficiencies in these schemes: barriers to enrolment, inaccurate identification of beneficiaries, and high administrative costs. The authors proposed rerouting public expenditures into a system of direct cash transfers to expand recipients' spending choices, and increased funding for local governments for monitoring and implementing such transfers.

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[1] Food, fertilizer, petroleum and LPG subsidies for instance (as discussed later in this paper)

[2] Sarath Davala, Renana Jhabvala, Guy Standing, Soumya Kapoor Mehta (2016), 'Basic Income: A Transformative Policy for India', Bloomsbury. The authors found evidence of positive impacts of basic income in Madhya Pradesh, with considerable reductions in debt, and increased avenues to raise more loans for instance. They also found evidence of improvements in schooling, nutrition etc., contrary to the concerns of a basic income leading to squandered spending.

[3] A Planning Commission Working Paper, it was later published as: S. Mehrotra, "Introducing Conditional Cash Transfers in India. A Proposal for Five CCTS", *Indian Economic Journal, Volume: 58, Issue: 2, 140-161*

This met criticism from Shah (2008) (former member of erstwhile Planning Commission) who argued that such transfers were "no magic bullet," given the widespread failure of rural markets across India. In the absence of improvements in public institutions and private markets, Shah pointed out that cash transfers would do little to guarantee food security or generate sustainable livelihoods as compared to the Public Distribution System (PDS) of food grains or Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).[4]

However, other academics pitched in favour of UBI. Bardhan (2011) argued that UBI would eliminate the complicated task of identifying the poor and is fiscally feasible as India's poverty line is relatively low and a smaller transfer would be needed. Bardhan (2016) recommended an inflation-indexed annual transfer of Rs 10,000 which is 75% of India's 2014–15 poverty line, to *every* Indian citizen, which would cost an estimated 10% of India's GDP. Ghatak (2016) (London School of Economics) proposed a more liberal annual transfer of Rs 13,432, which would cost 11% of GDP, to push recipients' incomes over the poverty line. Joshi (2016) (Oxford) recommended a smaller grant equal to 20% of the poverty line: Rs 3,500 per year at a cost of 3.5% of GDP. Banerjee (2016) meanwhile suggested a minimum weekly income of Rs 250 for each adult resident (13,000 Rs per year) in lieu of subsidies and welfare programs. All of them seemed to assume that it was politically feasible to abrogate all other welfare programmes with a UBI.

Bardhan and Joshi felt UBI could be financed by reducing non-merit subsidies like fuel, fertilizer, and electricity that benefit relatively better-off Indians. To finance UBI Bardhan and Joshi also advocated trimming tax exemptions and customs-duty exemptions. Joshi further suggested doing away with non-performing poverty alleviation schemes. A similar argument was recently made by Mundle and Sikdar (2020), who estimate that non-merit subsidies and tax expenditures (forgone revenues) amount to a growing share of total public expenditure, of both the central and state governments. However, Ghatak (2016) felt that a UBI would require additional taxation and an expanded tax base. Banerjee suggested that a universal basic subsidy could replace the PDS, MGNREGS and other welfare schemes. These ideas also met with criticism. Aiyar (2016) claimed that universal entitlements cannot empower the poor the way a concerted improvement of public goods and services can, on which the government should focus. Kant (2017) preferred the idea of giving below-poverty-line families Rs 1,000 per month as interest-free loans for productive use. Khera (2016), and Chidambaram (2017) argued that it would not be politically feasible to roll back India's corporate tax exemptions or non-merit subsidies as Bardhan and Joshi suggested. Bhalla (2017) recommended carving out fiscal space for an income grant for the bottom quintile of the income distribution, partly by doing away with PDS and MGNREGS.

[4] PDS has been in existence since the Green Revolution in the late seventies, wherein the central government procures staple cereals (mainly wheat and rice) and distributes them at highly subsidised prices to nearly two-thirds of the population. This was enshrined in a law in 2013: the National Food Security Act. MGNREGS, initiated in 2005 across the country, is the world's largest publicly funded wage work programme, intended to provide 100 person-days of work a year to each rural household that demands it. It has proved critical to the survival of poor rural households before and since the pandemic.

Finally, Economic Survey, 2017 (led by Subramanian, then chief economic advisor to the government) suggested a 'quasi-universal' transfer of Rs 7620 to 75% of the population to remove poverty, costing 4.9% of India's GDP. It argued that to be fiscally viable, the top 25% of the population should be left out, which would also make the system of transfer more pro-poor than existing programmes that are hampered by leakages and miss the intended populations (Khosla (2018), Sandefur (2017)). Subsequently, Ghatak and Muralidharan (2019) proposed an 'Inclusive Growth Dividend (IGD)' to be pegged at 1% of GDP per capita as a universal basic income transfer to all individuals. This was claimed to be "inclusive" as it was progressive; the marginal value of the transfer would be greater for the poor than the rich. "Growth" would imply that as the economy grows so will GDP, and income transferred to individuals would also grow.

India's case is particularly important as over 90% of the workforce is still informally employed and barely 5% of the total working population falls under the organised sector (Davala, 2017). However, on the one hand, a debate on cash versus kind transfers persists (for instance, Khera, 2014; Ghatak et al, 2016). At the same time, most voices in favour of cash transfers suggested replacing existing forms of social protection to do so (for instance, Bardhan, Joshi and Banerjee, discussed above). Srivastava (2017) suggested that while UBI may sound conceptually good, a targeted transfer to the most vulnerable could work better. At this point, it is pertinent to mention that the ruling party in Sikkim in India declared a UBI in its manifesto in 2019 which will be implemented in 2022, essentially by subsuming other subsidies and allowances to fund the UBI[5]. However, the ruling party at the Central level in India had examined the feasibility of UBI in 2014 when they came to power and concluded that even eliminating all subsidies could not provide enough funds to roll out a monthly UBI[6].

Given the persistent poverty and inequality in India, historical vulnerability of under-developed classes and castes as well as gender, and rampant informality in the labour market, social protection and public funded essential services become pre-requisites for UBI to effectively raise their level of well-being. The strategy of our paper is thus (1) To reduce the vulnerability by way of cash transfers; (2) To reach out to maximum percentage of population (excluding well-to-do households); (3) To keep fiscal considerations in mind so as to be politically and financially feasible; and lastly (4) UBI should supplement (essential) services and development schemes, not replace them.

The debate thus persists. India's national poverty line (Tendulkar line) estimates the number of poor had already risen between 2012 and 2020 (June) (before Covid's impact was felt) from 270 to 285 million, which would have been potentially exacerbated by the pandemic (Mehrotra and Parida, 2021) Given COVID-19's sudden shock to the economy, to livelihoods- especially but not only for the poor- it is worthwhile to restate some of the arguments on why a cash transfer to ensure a minimum guarantee for the poor in India is essential.

[5] https://www.indiatoday.in/education-today/gk-current-affairs/story/sikkim-to-become-first-state-to-introduce-universal-basic-income-1427662-2019-01-10

[6] https://www.theguardian.com/world/2019/mar/25/india-congress-party-universal-basic-income-rahul-gandhi

That is the case we make in Section 2. Section 3 reviews the experience with cash transfers introduced in India so far and critiques their design. Section 4 examines the three pre-conditions for comprehensive cash transfers in India and finds that those prerequisites that were wanting till about six years ago, are now mostly present, making a minimum income guarantee for the poor administratively feasible. Section 5 presents the design and fiscal cost of a minimum guarantee for India. Section 6 compares our proposal with those that have been offered in the literature on India on this subject. The final section concludes.

2. Why India Needs Social Assistance as Cash Transfers

There are several reasons why the time may be ripe for India to seriously initiate cash transfers as a policy mechanism to benefit all the poor (and not merely farmers). *First*, the COVID-19 pandemic across the globe, and in India, has demonstrated that if India is to take advantage of global integration, it cannot be immune to global bads. India has already witnessed adverse impacts on employment in several export-related sectors (gems and jewellery, leather, textiles, garments, handicrafts) since the global financial crisis of 2008 (Mehrotra, 2010). Cash transfers are thus needed now more than ever because the Indian economy is more vulnerable to exogenous shocks.

Second, to further reiterate the argument above, structural change in employment and output will continue when economic growth takes place, thus focusing on integration of poor livelihoods into the global circuits of capital, which (a) make shocks more damaging and (b) make social reproduction harder. Millions were already leaving agriculture for non-agricultural employment (5 million per annum over 2004-5 and 2011-12, and slightly lower since then (Mehrotra and Parida, 2019)). Such structural changes require that the vulnerable are protected during cyclical global or domestic economic downturns, so that their reliance upon their rural sources of livelihoods does not force reverse migrations back to rural areas during times of crises (as happened when Covid set in from April 2020). About 30 million workers were added to agriculture in 2020, as millions of migrants returned to their rural homes from urban work settings, to escape the first wave of Covid in 2020. Third, India has had a history of redistributive poverty reduction programmes, but hardly any programmes that provide direct cash assistance to the needy. India barely has three cash social assistance programmes in place on a large scale, conditional or unconditional. This lack of prioritisation of reducing vulnerabilities[7] has also to some extent contributed to the rising need for cash transfers especially post-pandemic.

The first is the Janani Suraksha Yojana (JSY), a one-time cash transfer by the central government to a pregnant mother when she delivers a baby at a public/ private health facility. The second is the Indira Gandhi Matritva Sahyog Yojana (IGMSY) of 2009, a pilot in 52 districts for maternity benefit through conditional cash transfer (CCT), wherein the women

[7] During the pandemic, the government had to reconsider these priorities and more social welfare schemes such as Pradhan Mantri Garib Kalan Yojana (PMGKY) were implemented but with limited duration but later extended till September 2022. This included cash as well as in-kind provisions (food supplies) to face the pandemic.

received Rs. 4000 (later Rs. 6000[8]) in 3 instalments.[9] In 2017, IGMSY was replaced by Pradhan Mantri Matru Vandana Yojana' (PMMVY), applicable to all districts, wherein payment of Rs. 5,000 is provided to pregnant women & lactating mothers for the first living child of the family subject to specific conditions in 3 instalments. Also, the beneficiary receives cash incentive under JSY after institutional delivery, receiving Rs. 6000 on an average. A few state governments also have a limited number of CCTs, especially to encourage girls' education. The third is PM KISAN (2019), a cash transfer to farmer-cultivators, somewhat imitative of 2 state-level schemes (KALIA in Odisha, Rythu Bandhu in Telangana, also for farmers), which we discuss later. The need for social assistance is underlined by the fact that the vast majority (91%) of India's workforce is informally employed. Such employment is characterised by low income and also a high variance in that income (Mehrotra and Parida, 2019). This workforce receives almost no social insurance either (old age pension, death and disability insurance, maternity benefit) (see Mehrotra, 2022). Most of their health expenditures are out-of-pocket, which account for 70% of all health expenditures in India. At the time of COVID-19 driven economic crisis, the absence of such an instrument is felt especially by the most vulnerable in the unorganised sector.

Fourth, the international experience highlights the need for a social contract. Rodrik (2004) & Bourguignon et al. (2002) point out that after World War II, Europe experienced rise in industrial productivity, economic growth and structural change owing to an institutional environment that permitted a social contract to emerge. Lindert (2004), analysing the now industrialised countries between 1880 to 1980, concluded that the size of government and share of government expenditure in GDP rose significantly, largely due to corresponding rise in social transfers (health, education, social security). Most emerging market economies have had a few decades' experience of running conditional cash transfers (CCTs) for the poor. However, India has seen no increase in tax-to-GDP ratio since 1991, despite per capita incomes having quadrupled and having a successful economy, which however contracted due to the pandemic. India still has a fragmented system of welfare schemes; social insurance (old age pension, death/ disability insurance, maternity benefits) cover a fraction of the workforce, and there is no cash assistance despite a large share of poor (Mehrotra, 2022). Fifth, the benefits of cash transfers are many, as demonstrated by Direct Benefit Transfers (DBT)[10]. In the Indian context, leakage of funds in government programmes is large enough to generate a mafia around each programme. This cannot simply be blamed on poor design or implementation because it is also a matter of political commitment. Often, vested interests in collaboration with the political

[8] The National Food Security Act (NFSA) passed in 2013 specified cash maternity benefit not below Rs. 6,000 to every pregnant & lactating woman

[9] A Quick Evaluation Study on IGMSY by Development Monitoring & Evaluation Office (DMEO), NITI Aayog (2015-16) revealed that though usually lack of awareness was a reason for exclusion, in case of IGMSY 81% of interviewed mothers were aware of the schemes and 72% had even tried to get the benefit. The coverage of beneficiaries under IGMSY was below 50% in some states, and even the provisioning was found below the amount prescribed or delayed. 83% of beneficiaries reported Rs. 6,000 as inadequate. It was suggested that the amount be raised to Rs. 10,000 & paid in 2 instalments (during pregnancy & after childbirth).

[10] DBT is a scheme launched by Indian Government to transfer benefits/ subsidies of social welfare schemes like LPG subsidy, MGNREGS payments, Old-Age Pension & Scholarships directly to beneficiaries' bank accounts.

executive render a redesign of the government programme impossible, even if the will exists with the administrative executive.

Sixth, benefits from cash transfers make them superior to in-kind transfers which predominate in India's fragmentary social assistance system. Firstly, cash transfers give a beneficiary (a) access to products or services from several locations, which is difficult if the beneficiary was given entitlement to a product or service itself and (b) cash transfers give beneficiaries the choice to access the product or services from a private or a government provider, generating competition and improving efficiency. Secondly, cash transfers facilitate delivery in many ways: monitoring the list of beneficiaries; details of benefits drawn; performance of vendors who are servicing beneficiaries that can be published by government websites. Thirdly, when products are available at two different prices (subsidised versus market price) there is an incentive for pilferage. A cash transfer would introduce one price for the subsidised good (cereals/ fertilisers/ kerosene). Fourthly, grievance redressal is made easier by a cash transfer system as it is based on an IT platform, and it is possible to track cash flow.

Recognising the importance of addressing the issues of social justice and reduction of vulnerabilities, this paper thus focuses majorly on the feasible pathways for ensuring equity, stressing on the technical and economic aspects of such a programme. Essentially, the paper focuses on identifying vulnerable populations to be targeted for a more efficient and just transfer.

3. Cash Transfers in India: The Experience so Far[11]

Three cash transfers have been initiated in India since 2017, which we examine in this section: Rythu Bandhu (RB) Scheme (Telangana), KALIA Scheme (Odisha), and PM-KISAN (Union government). All three offer cash transfers to farmers. They were started in rapid succession between late 2017 (RB), 2018 (KALIA) and 2019 (PM-KISAN). It is notable that each of these schemes were introduced just months before state/national elections were held: RB in September 2017 just before December elections, in which the ruling party/chief minister returned to power; KALIA in December 2018 weeks before the state assembly elections, which again returned the incumbent party to power; and PM-KISAN in February 2019, again just before voting began in April 2019 for the Lok Sabha elections, with similar outcomes.

Telangana's Rythu Bandhu

RB involves payment of Rs 5,000 per acre per agricultural season to small and marginal farmers as investment support. It does not formally exclude tenants, but the reality is more complex. Tenant farmers staged protests in six districts of Telangana, asking to be included in Rythu Bandhu. However, the protests did not last long for two reasons: one, because most of them

[11] During the pandemic, along with cash transfers, service delivery became the tool for faster remedy of socio-economic distress, mainly through the PMGKY in terms of food supply. This reiterated the importance of public provisioning of essential services in addition to cash transfers to prevent vulnerable sections from falling into a vicious cycle of economic distress.

own small parcels of land which qualifies them for RB benefits; and two, because tenant farmers were reluctant to access RB benefits because of the fear of landlords as they feared losing the land next year. Landlords were reluctant to formalise tenants as they often accessed cheap agricultural loans and received crop insurance and compensation using their land titles.

Odisha's KALIA

The scheme has 4 components: a cash transfer of Rs 10,000 per year to households owning less than 5 acres of farmland, a livelihood training component entailing transfer of Rs 12,500 to landless agricultural households, a one-time cash transfer of Rs 10,000 to vulnerable agricultural households, and a subsidy on life insurance for cultivators and landless agricultural labourers. The scheme sought to provide financial assistance to cultivators and landless agricultural labourers. Although it is not linked to the amount of land owned, the government insists it benefits sharecroppers and cultivators, who mostly own little or no land.

One difference is that with RB, the benefit is per acre while KALIA benefits are irrespective of land size owned. Another difference is that KALIA targets 1 million landless households, specifically Scheduled Caste (SC) and Scheduled Tribe (ST) families (the vulnerable sections as compared to the general population, based on caste and historical under-development) to be supported with a unit cost of Rs 12,500 for goat rearing, mushroom cultivation, beekeeping, poultry farming and fishery. Where KALIA differs from RB and PM-KISAN is in this second component, in which landless people in rural areas get training and financial support of Rs 12,500 for adopting 7 different livelihoods.[12] However, targeting using land alone is problematic as the Telangana and Odisha experience has shown. Odisha has drawn its initial data for sharecroppers from its paddy procurement database. Sharecroppers who want to register in this system have to get consent forms from the landholders, certification from a sarpanch or be verified by a district agricultural officer. These options are difficult to access in both Odisha and Telangana.

PM KISAN: A Central Government Cash Transfer to Farmers

This scheme aims to supplement financial needs of all landholding owner-cultivator families in procuring inputs to improve crop health and appropriate yields, commensurate with the anticipated farm income. An amount of Rs.6000/- per year is released (in three instalments of Rs 2000 each) by the Central Government online directly into the bank accounts of the eligible farmers through DBT, subject to certain exclusions (tax payers, government officers, etc). After getting re-elected, the government had relaxed the landholding criteria, opening the scheme for large farmers as well; in other words, it only reaches owner-cultivators, including large farmers.

[12] At this point, they have to indicate their preferred livelihoods to get the first instalment of Rs 5,000. This will be followed by block-level training, where they will be put in touch with local traders to whom they can sell their produce and will receive the second instalment of Rs 3,000. Once they set up their new livelihood and submit a photo to the district administration, they receive the third instalment of Rs 4,500. Due to the sequence of transfers tied to activities that require production of documentation; this may prove to be a design flaw.

Moreover, the benefit shall be paid to only those farmers' families whose names are entered into the land records. Given that tenant farmers will not find their names in the land records by definition, nor will the landless labourers, they are excluded.

Issues with the design and implementation of the 3 existing cash transfers to 'farmers'

The first issue with the current cash transfer schemes is that they primarily target farmers, leaving out millions of other vulnerable people; and even among the universal set of farmers, they exclude many categories which could end up worsening some of the inequalities that already pervade rural areas[13]: the owner-cultivators will benefit, the rest whose numbers are much larger will not (tenant farmers who do not own land, landless labour). The second issue is that governments seem to have decided that the way out of the crisis in agriculture is cash transfers, which are also being perceived as a way out of farm loan waivers (which many state governments have adopted in India) without necessarily improving rural distress[14]. Third, the schemes seem to suffer from a series of problems with identifying the beneficiaries in a situation where land records are poor, rarely updated, and quality of data highly variable across states.

Fourth, there are issues with individual schemes. RB is patently disequalising: the amount increases with each additional acre of land owned in Telangana, making it regressive. It also has implementation issues. A note by the state mentioned that payments were made by cheque to ensure that banks did not debit the amount to pay off outstanding loans. This is also a problem with the Centre's crop insurance scheme, Pradhan Mantri Fasal Bima Yojana (PMFBY). Farmers could present the cheque at any branch of the bank it was issued from in order to withdraw the money. In other words, the state government cannot even trust the banking system to fulfil the intention of the scheme; and has to modify the payment mechanism (via cheque), which creates another bureaucratic hurdle, rather than paying directly into the bank account of the beneficiary. Issues with the identification of beneficiaries have bedevilled PM-KISAN from the beginning too.[15]

What is clear is that whatever the political benefits the governments may have garnered, none of the prevailing cash transfer programmes can be seen as addressing the real issue of poor consumption capacity at the bottom of the income distribution, and they are highly exclusionary in that they target different categories of farmers while excluding others who may be more deserving. In times of a pandemic like COVID-19, when millions of migrant labourers returned to rural areas having been rendered jobless in cities, real wages fell further. The need for income supplementation was already great given the fact that there were already 268 million poor people in India (NSS 2011-12), which increased post the pandemic.

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[13] Since agriculture is primarily a rural activity in India, the targeted beneficiaries are mostly rural, but landed families only, while tenants and landless agricultural workers are left out.

[14] The issue of rural distress includes several dimensions- primarily lack of access to Minimum Support Price, thereby income crises at times and loan defaults. These should be explored separately.

[15] The government initially sought to transfer money to 145 million beneficiaries, but in early 2020, only 95million farmers were registered, of which 75million have been Aadhaar verified (the unique identity number available to every citizen). The remaining will get the benefit only after verification of their Aadhaar details.

4. The Three Preconditions for Comprehensive Cash Transfers: Is India Ready?

In most industrialised countries, social insurance is nearly universal, but social assistance is much more selective and targeted; India needs to move in the same direction. India has very limited social insurance (old age pension, death/disability insurance, maternity benefit) for 90% of its workforce toiling as informal workers.[16] Even the organised sector is characterised by the presence of informal workers without social insurance (nearly half lack social insurance). To make matters worse, India has a highly fragmented social assistance system, with many different kinds of conditional transfers in kind (few in cash) (Mehrotra, 2022).

The debates in the literature on social assistance between universalism versus targeting, have been well summarised by Muralidharan and Ghatak (2020). However, we believe that a universal minimum income guarantee (MIG) is not feasible at the current juncture of India's administrative capability or its fiscal capacity. India's fiscal capacity has fallen sharply over 2018-21; Budget 2022-23 has officially raised the fiscal deficit estimates to 6.4% of GDP for the Union government alone; add to that the State governments fiscal deficit, and the fiscal deficit of the government as a whole rises to close to 10% of GDP. This is by no means a fiscal situation in which the case for a universal basic income can be reasonably argued. However, given that post-pandemic the fall in incomes of the vulnerable will be high, the case for a minimum guarantee is self-evident.

We also know that there are three public goods and services – health services, education, and hard infrastructure – for which both quantitative provision by the Indian state (and its quality) must improve fast. There cannot be any compromise on these economic and social services, if India is to realise its demographic dividend before it runs out by 2040. Hence, the fiscal space for a UBI simply does not exist (unlike what Bardhan (2011), Ghatak (2016) and Banerjee (2016) recommend) unless some of the non-merit subsidies and tax expenditures that Mundle and Sikdar (2020) rightly identify amounting to over 5% of GDP are gradually eliminated[17]. Until then it is critical that India moves towards a more targeted, but much more comprehensive cash transfer, for all the poor of India.

While earlier one of us had argued (Mehrotra, 2010) that Indian conditions were not quite ripe for cash transfer as a means to ensure an income guarantee. The situation has changed quite dramatically since then. Later Mehrotra (2016) argued for a targeted transfer of cash for the poor who could now be identified well by the government of India. If cash transfers are to succeed in India, there are at least 3 requirements that should be fulfilled: (a) correct identification of the poor beneficiaries; (b) their biometric identification; and (c) bank accounts

[16] The Social Security Code passed in September 2020 converges 8 existing laws on social security, mainly for the organised sector. The unorganised sector remains uncovered, and it is indicated in the Code that the coverage of unorganised workers will not change any time soon.

[17] In light of the arguments on justice, equality and reducing vulnerability, we are proposing a targeted approach without placing an enormous burden on the fiscal space. However, the political situation in India is such that need for UBI has not been able to gain traction among the administrators and remain a non-political issue. In the subsequent elections, these discussions were not taken up.

for them. Since 2018, we find that these 3 preconditions exist, which can enable India to introduce a credible targeted cash transfer programme.

The first condition is the correct identification of beneficiaries. In all the three censuses of the rural population (1992, 1997 and 2002) there is evidence of large-scale exclusion and inclusion errors (Mehrotra, 2016, chapter 12). The Government of India completed, with the state governments, a census of the rural population (in 2013) based on a totally new methodology (henceforth the Socio-Economic and Caste Census or SECC).[18] The SECC methodology relies on much more directly verifiable, simple, transparent and directly observable characteristics of the vulnerable. Using such criteria which are explained in the following section in detail, it first excludes the non-poor; second, it similarly uses directly verifiable criteria to automatically include in the list those who are extremely poor[19]. This uses a Census-based approach using multi-dimensional criteria to include all vulnerable households in a graded manner, and hence avoids type-I and type-II errors. For the rest of the population, it uses multiple non-money-metric deprivation criteria to rank the population who are neither excluded nor automatically included.

The second precondition is a biometric identification system to ensure that the correct beneficiaries are actually receiving the funds. The Unique Identification System (Aadhar), initiated in 2010, is now universal. This would require that every adult gets their biometrics registered in a database and this is used to identify the recipients of cash.[20] By 2012, 220 million had already been registered and the number reached 650 million by July 2014. At the end of June 2020, total number of Aadhaar card holders above 18 years of age was 1.258 billion, covering almost the entire population of the country. The third prerequisite for a cash transfer system for poor beneficiaries in a country presupposes that bank or post office accounts are almost universally available[21] for the un-banked population of the country. The un-banked population of the country accounted for 45% of the urban and 55% of the rural population (Ministry of Finance, 2013). However, most households may well have at least one bank account, thanks to Jan Dhan and MGNREGS accounts being opened rapidly after 2014, and access to bank accounts is becoming universal in India.

Issues remain with the delivery mechanism of a MIG even after 3 preconditions are met

Firstly, there are likely millions of households that may still not have a bank account – a fact on which we have little firm and up to date evidence, even from the RBI. Secondly, it is with the third precondition that the most issues will need resolution. Many households have more than one account, which will pose administrative issues in the implementation of MIG, as we

[18] Mehrotra (then the head of Rural Development Division, Planning Commission) was also a member of the NC Saxena Expert Committee, which reported in 2009, to the Ministry of Rural Development (MORD), which suggested this transparent design, which was then used by the MORD to conduct the nationwide SECC.
[19] This approach identifies degrees of vulnerability as explained later and includes all the vulnerable classes.
[20] Mukhopadhyaya et al. (2014) argue that beneficiaries support carded payments; even without calculating the benefits of lower leakage of benefits, simply monetising the time saved by beneficiaries in accessing payments under the smart card-based system would pay for the cost of implementing the same.
[21] Whether these accounts are used, and functional or dormant on account of cash-flows, is another issue.

need to avoid duplicate beneficiaries in the same household. This requires immediate seeding of bank accounts with the biometric Aadhar card number, which will help in identification of those left out, as well as those having duplicate accounts. It will also assist matching of total number of beneficiaries identified through SECC deprivation criteria and the numbers having bank accounts. Jan Dhan account holders cannot be simply chosen as beneficiaries; the other two preconditions must also hold for the potential beneficiary household.

Third, there are still inclusion and exclusion errors in the beneficiary lists as determined by SECC. This is partly because the SECC was completed in 2013. The list has to be 'ground-truthed', through Gram Sabhas meeting, as proposed earlier (Mehrotra and Mander, 2008). Fourth, getting cash to the poor has to be ensured. That means a mechanism has to be developed whereby the bank/post office is not physically so far from the beneficiary that it creates opportunity costs for them in terms of travel time, the cost of which will be foregone wages. Hence, it is critical that a correspondent banking system expands rapidly before a functional cash transfer system can be put in place. That way the bank virtually comes to the beneficiary, rather than the latter going to the bank. Similarly, a post office on average serves about four villages, while a bank branch serves about five villages. All this implies that without a system of bank correspondents (for example, small village shopkeepers, and post offices) cash transfers will be unsuccessful. The other alternative is to develop mobile money transfers for easier access and penetration, especially in rural areas. Since India now has a more or less established system of Direct Benefit Transfers (DBT) and "JAM trinity" – The Jan Dhan, Aadhar Identity and Mobiles- the physical infrastructure for the proposed transfer is already in place and functioning efficiently.

5. A Minimum Income Guarantee: The Underlying Logic and its Design

India's poor need to borrow to meet even basic consumption needs. Relieving the cash constraints of the poor is a critical way forward in the light of the high dependence of the poor upon non-institutional sources to borrow money in both rural and urban areas. What we propose is a minimum guarantee of income for the different levels of vulnerable, which takes the form of an Unconditional Cash Transfer (UCT). The problem: India's unemployment situation is worsening (Mehrotra and Parida, 2021; Mehrotra, 2022), while at the same time in rural areas in particular, indebtedness has also been rising, leading to an increase in vulnerability of falling back into the poverty trap. The number of absolute poor in 2011-12 was 268 million (NSS 68th Round). At the same time, All-India Debt & Investment Survey, 2013 (NSS 70th Round) revealed that 51.9% of the 90 million farmer households were indebted in 2013. Often landless labourers, small/marginal farmers and vulnerable sections in rural areas tend to get excluded from receiving credit, mainly due to lack of land documents or other documents verifying their identity.

In the absence of sufficient credit giving institutions, informal money lenders thrive. Data over time suggests that the share of institutional sources in outstanding debt in rural areas is not rising; 35.1% in 1993–94, it fell to 29% in 2004–05, but again rose to 36.6% in 2009–10. The

high interest rates moneylenders charge has been a source of rural distress. About 85% of the outstanding debt on cultivator households from institutional sources was on interest rates of 12–20% per annum. On the other hand, 36% of cultivator households' outstanding debt from non-institutional agencies was at the interest rate of 20-25% (Ministry of Finance, 2007). Between Census 2001 and 2011, share of cultivators in rural workforce fell from 31.7% to 24.7% and share of agricultural labourers (not owning cultivable land) rose from 26.5% to 30%. This shows the effects of shrinking farm size and rural distress.

Our case for a basic income guarantee is reinforced because of a high degree of overlap between poverty, malnutrition and indebtedness, especially indebtedness to non-institutional sources of lending. Since poverty is multi-dimensional in nature (Atkinson, 2003; Bourguignon and Chakravarty, 2003), our approach to identify the vulnerable households is also based on a non-income based multi-dimensional approach. In fact, 122 million persons in the marginal farmer households' category, and an additional 29 million persons in small farmer households' category are estimated to be undernourished (Government of India, 2007). Similarly, in 2009–10, 51% of landless agricultural labour were poor, while the head count ratio of poverty for the self-employed in agriculture was lower at 26% (29% for self-employed in non-agriculture) (NSS, 2009–10).

Thus, there is a strong case for a large-scale programme to ensure a minimum guarantee of income for the poor. The low-income levels of small and marginal farmers and agricultural labourers ensure that the poor rarely accumulate assets. The small and marginal farmers and landless labourers need cash debts to meet their consumption as well as contingency needs. This is why many micro-credit customers are able to maintain high repayment rates but rarely able to climb out of poverty even after multiple cycles of loans. The poor tend to be risk averse (Binswanger, 1981), and hence the developmental role of the government becomes extremely important through targeted income transfers, as insurance for the vulnerable sections. In the absence of such insurance, vulnerability would beget vulnerability; a person without a minimum level of consumption cannot be productive and hence becomes even more vulnerable (Ravallion, 2003).[22]

COVID-19 is expected to worsen poverty globally and in India. Sumner et al (2020) argue that in a worst-case scenario, the number of people in extreme poverty - defined as earning under USD 1.90 a day (comparable to the Tendulkar poverty line in India) - is forecast to rise from about 700 million to 1.1 billion. India is one of 5 countries likely to be most impacted (other than Pakistan, Bangladesh, Indonesia and the Philippines). The poverty rate, which is internationally calculated as the percentage of population living a day with less than $1.9, will ease to 7% to 10% in Financial Year (FY) 22. The rate had gone up to 9% to 12.3% in FY21. The number of poor according to the World Bank was 109 to 152 million in 2017, and that number has gone up (World Bank, 2021).[23] Mehrotra and Parida (2021) have estimated that by

[22] Visible examples of such successful insurance in the form of targeted transfers were seen in Rajasthan and Karnataka in their social pension transfers for the elderly and widows (Dutta, Howes and Murgai, 2015).
[23] https://databank.worldbank.org/data/download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/SM2021/Global_POVEQ_IND.pdf World Bank, Poverty and Equity Brief, India, April 2021.

the national poverty line (Tendulkar line), the number of poor had already risen between 2012 and 2020 (June), before Covid's impact was felt, from 270 to 285 million.

The Design: A Better Targeted Income Transfer

Government of India way back in 2014 had already analysed the potential cost of targeting the bottom 75% of households and trade-off forgoing many current social sector as well as economic sector subsidies. Given the low tax-GDP ratio for centre and states taken together (17 per cent in 2022-2), these allocations can be afforded to be given only to the vulnerable households, having a universal income transfer remains financially unfeasible. Low tax-base is another issue that negates the universality of such transfers. Government is bound by Fiscal Responsibility and Budget Management Act, 2003 and thereby need to control fiscal deficits, and if universal income transfers were to be undertaken, the commitment to Fiscal Responsibility and Budget Management Act, 2003 cannot be upheld.[24]

Therefore, instead of UBI or even the Quasi-UBI suggested by the Economic Survey 2016-17, a targeted income transfer would be fiscally prudent and shield the vulnerable against economic shocks. These may be in the form of income 'top-ups' (Dréze, 2019). At the same time, targeted basic incomes would be less burdensome fiscally, but more stress must be paid on effective targeting (Banerjee et al, 2019). Additionally, The cash transfer we propose must not be seen as a replacement of ongoing social welfare schemes but an extension. We understand that for justice and social welfare perspective social and economic subsidies are very much essential in ensuring welfare of the vulnerable households.

A targeted MIG should be based on verifiable visible criteria with a *household* as the unit rather than *family* as considered by PM-KISAN for which family data do not exist. Since the household continues to remain the functional economic unit in India, targeting is based on household level. Additionally, data availability is at the household level. Moreover, when two or more families reside together in a household, as in the case of large joint families in rural areas, the same household can receive multiple income grants and gains more than others. Taking the household as unit would be practical for better targeting and implementation. Households with the highest levels of deprivation (determined on the basis of the SECC criteria, discussed below) should be given higher income guarantee.

While poverty may have increased, this adds fuel to our argument. It does not affect our calculations, which are not income based, but based on multi-dimensional aspects of deprivation.

[24] Additional reasons for not undertaking a uniform universal income transfer are political, as transferring income to the well-to-do would seem contrary to the pro-poor stance and given the low tax base, recouping of income transfer by way of taxation is potentially questionable at best. The transfer of incomes on a universal basis including the well-to-do and middle-class households has not made it to the political agenda. UBI thus remains out of the purview of the political will, while at the same time, the government has been trying to rollback and curtail subsidies given to well-to-do households (such as LPG subsidies).

Overall Coverage of the Targeted Income Transfer

SECC-2011 is a census of socio-economic status of rural and urban households and allows ranking of households based on predefined parameters. In Table 1, a snapshot of SECC data is given. Rural households included as MIG beneficiaries' number 109 million households (60.65% of rural households). We omit the 70.7 million "automatically excluded households" based on 14 parameters of exclusion (39.35% of all rural households). We have thus set up a fairly inclusive method of filtering out the better-off: over 3/5th of India's rural population will receive a MIG transfer (a segment of the excluded category also taken up later).

The first category of rural household from the SECC targeted for income transfers are "Automatically Included" households, which fulfil any of the 5 parameters of inclusion (i.) Households without shelter; (ii.) Households living on alms, Destitute; (iii.) Manual scavenger households; (iv.) Primitive Tribal Group households; and (v.) Legally released bonded labour household. These households are the most vulnerable and should be given the highest priority. There are a total of 1.595 million "Automatically Included" rural households in India (or just 0.89% of rural households).

In SECC data, after removing the "Automatically Excluded" we get the inelegant phrase, "Households Considered for Deprivation". We will henceforth not use this term, but rather these are the targeted beneficiaries for the purposes of a minimum income guarantee. There are 107.4 million rural households that have one or more of seven deprivations (Category E in Table 1), which constitute 59.76% of total rural households. For urban areas, given the fact that full SECC data has not yet been released, so identification based on deprivation cannot be ascertained. Hence, for this paper only urban Slum Households are targeted for MIG. As per SECC data, urban slums are 20% of urban households, constitution 13.16 million households out of 65.13 million urban households.

Table 1: SECC-A Snapshot

	Description	HH millions	(%)
A	**Total Rural Households (HH)**	179.7	
B	**Automatically Excluded Households based on fulfilling any of the 14 parameters of exclusion-**	70.7	39.35
1	Motorized 2/3/4 wheeler/fishing boat.		
2	Mechanized 3-4-wheeler agricultural equipment.		
3	Kisan credit card with credit limit of over Rs. 50,000/-.		
4	Household member government employee.		
5	Households with non-agricultural enterprises registered with government.		
6	Any member of household earning more than Rs. 10,000 per month.		
7	Paying income tax.		
8	Paying professional tax.		
9	3 or more rooms with pucca walls and roof.		
10	Owns a refrigerator.		
11	Owns landline phone.		
12	Owns more than 2.5 acres of irrigated land with 1irrigation equipment.		
13	5 acres or more of irrigated land for two or more cr op season.		
14	Owns at least 7.5acres of land/more with at least 1 irrigation equipment		

C	**Household Considered for Inclusion (Total Rural Households-Automatically Excluded Households)**	109	
D	**Automatically Included Households (Highest Level of Vulnerability) based on fulfilling any of the 5 parameters of inclusion -**	1.6	0.89
1	Households without shelter.		
2	Destitute, living on alms.		
3	Manual scavenger families.		
4	Primitive tribal groups.		
5	Legally released bonded labour.		
E	**Households Considered for Deprivation: (Household considered for Inclusion -Automatically Included Households)**	**107.4**	
	Extent of Deprivation among "Households considered for Deprivation" is based on fulfilling the following 7 Parameters of Deprivation		
1	Households with one or less room, kuccha walls and kuccha roof		
2	No adult member in household between age 18 and 59		
3	Female headed household with no adult male member between 16 and 59		
4	Households with differently able member with no other able bodied adult member		
5	SC/ST Households		
6	Households with no literate adult above age 25 years		
7	Landless households deriving a major part of their income from manual labour		
E1	**Households Reporting Multiple Deprivations Parameters**	*53.7*	29.88
E2	**Households reporting just one of the Deprivation Parameter**	*33.6*	18.69
E3	**Households not reporting any of the Deprivation Parameters**	*20.1*	11.18
			100

Source: Estimated by authors from SECC

The Cost and Financing of Cash Transfer

After identifying proposed beneficiary households based on observable and verifiable characteristics of households using SECC data, we suggest 3 possible phases for income transfer, which may be implemented in stages depending on the implementation difficulties of each scenario as well as fiscal concerns. The quantum of money to be transferred has been kept low, to mitigate any adverse impact on the labour supply, but at the same time it should contribute to meaningful change in the wellbeing of households. To start with the scheme, it has been decided to keep the amount around Rs. 6000 per household annually (i.e., the same as for PM KISAN, but that is meant for each owner-cultivator family, not household)[25].

We also propose that the amount of the money to be transferred should be directly proportional to the deprivation suffered by households[26]. Automatically included rural households, with the greatest vulnerability, should be eligible for Rs. 8000 per household annually; rural households

[25] UNICEF in 2020 came out with a financial benchmark indicator for child protection which could be made comparable across countries by calculating spending by government per child as a percentage of primary government spending per capita. Such standardisation measures may be useful for future studies on UBI too.
[26] Household size may differ, but for analytical purpose, we assume a household size of 5 in parity with major reports on poverty estimations (Rangarajan Committee report for instance). Like in other DBT scheme such as PM-Ujjwala Yojana, female head of the household receives such transfers in accordance with the gender dimensions. We propose the same.

with multiple deprivation to receive Rs. 6000 annually; rural household facing just one criteria of deprivation to receive Rs. 4000 annually; while rural non-excluded households, not reporting deprivation, are included as beneficiaries in the interest of being inclusive could be offered Rs. 3000 annually. In the case of urban slum households, they should receive Rs. 3000 annually.

Table 2: Proposed Scheme of Cash Transfer

Category	HH (%)	HH (Million)	Pay-out Per HH in Rs.			Total Pay-out Rs. Million		
			A	B	C	A	B	C
Rural Households								
HH Automatically Included	0.89	1.6	8000	8000	8000	12800	12800	12800
HH Multiple Deprivation	29.88	53.7	6000	6000	6000	322200	322200	322200
HH with one Deprivation	18.69	33.6	X	4000	4000	X	134400	134400
Rest Non-Excluded HH	11.18	20.1	X	X	3000	X	X	60300
Rural HH. Coverage & Exp.	**60.6%**	**109 Million**				**335000**	**469400**	**529700**
Urban Households								
Urban HH. Coverage (Slum HH)	**20.12 %**	**13.1**	3000	3000	3000	39300	39300	39300
Total Exp. in Rs Millions						**374300**	**508700**	**569000**
Exp. As % GDP [1st AE 21-22]						**0.162**	**0.221**	**0.247**

Source: Calculations based on SECC.

Note: GDP of India at Current Prices 2021-22 (1st Advance Estimate) Rs. 230387720 million has been considered for computation purpose. Percentage coverage of households has been stated for rural (out of total rural households) and urban (out of total urban households) separately. In the illustration, cash transfer for rural households has been prioritized based on the extent of vulnerability across various household categories. A, B, C are scenarios of Phase-wise implementation of the proposed Targeted Income Transfer Scheme. Scenario A: Rural household automatically included+ rural households with multiple deprivation+ urban slum households. Scenario B- Includes households under Scenario 1 and households with just one deprivation; Scenario C- households covered under scenario B along with other non-excluded households considered for deprivation. Scenario C covers 60.64% of rural households and 20.12% of urban households, at the cost of 0.25% of India's GDP.

We present three scenarios, each with different costs to the exchequer, depending upon the amount of transfer to targeted households. In Scenario A, we have considered only 1.6 million "Automatically Included Rural Households", and 53.7 million "Rural Households with Multiple Deprivation", along with 13.1 million Urban Slum households, since they are amongst the most vulnerable category of households. They are offered Rs. 8000, Rs. 6000 and Rs.

3000[27] respectively. The expenditure in Scenario A amounts to Rs. 374,300 million which constitutes 0.16% of India's GDP. In Scenario B, we suggest that in addition to the targeted population of rural households in Scenario A, we also target rural households with only 1 deprivation, and suggest that they be given Rs 4000 per annum. There are 33.6 million such additional households. This grading helps targeting based on priority sections of the population as well as fiscal feasibility. The cost incurred will be Rs. 508,700 million, constituting 0.22% of India's GDP.

Further, in Scenario C, we also suggest the addition of households with no deprivation reported but are also not in the automatically excluded category, thus neither well off nor also socio-economically deprived. There are 20.1 million such rural households. In the interest of achieving near universality, and to reduce exclusion errors, these households should become beneficiaries of MIG. However, since we assume that they suffer none of the seven deprivations, they must be quite close in characteristics to the automatically excluded households. These households may be given a lower amount, say Rs 3000 per annum, similar to the urban slum households. The total expenditure in this Scenario C turns out to be Rs 569,000 million per annum, which is 0.25% of India's GDP.

An amount of Rs. 3000 per household given to urban slum households and rural households without deprivation may seem low, but it can be enhanced, depending upon the fiscal space. We have graded the entire vulnerable population into segments and suggest a correspondingly graded cash transfer to different vulnerable groups based on the degree of vulnerability. In each additional scenario, we add a lesser vulnerable group for targeting so as to minimise any exclusion errors. Each additional scenario suggests a higher cost per annum which is why we suggest that the Indian government begins with scenario A and gradually move towards Scenario C. The highest amount sought to be transferred is less than Rs. 680,000 million, which is the amount budgeted in FY22-23 Budget Estimates for PM-KISAN; also less than MGNREGS Outlay (Rs. 730,000 million FY22-23 Budget Estimates).

Suggestions for Additional Category of Urban Households to improve Targeting of Transfer

Here we present an alternative way of covering the additional urban poor, since the earlier section only covered slum dwellers as beneficiaries. Given the limitations of SECC data, the following new household categories have been identified from Census of India 2011: Urban Homeless Households, Elderly Households, Differently-Abled Households, and Female-Headed Households. Though there may be differences in estimation of these categories between SECC and Census, but as both sources are based on population census at the same time period (2011-12), these can be used inter-changeably to some extent to fill such gaps.

In Table 3, we have also considered the homeless urban households, for whom allocation of Rs. 8000 per household per annum has been sought. While pay-out of Rs. 6000 per single

[27] These are initial proposed transfers which can be increased based on fiscal space. Given the dearth of urban household data, a minimum benchmark has been proposed.

elderly households is proposed, we again enhance it to Rs. 8000 in case of households with select category of household where all members of households are elderly persons. For households with more than one differently-abled person Rs. 8000 per household per annum and in case of households with one differently-abled person Rs. 6000 has been allocated. In case of female-headed households that are widowed, divorced, separated, or with female-headed households that never married and are above 50 years, they have been allocated Rs. 6000 per household per annum. In this additional category of households, an allocation of Rs.8000 and Rs. 6000 per households has been provided, which is higher than that provided to urban slum households.

Given that data for non-slum households was not available separately for the category selected for inclusion under the targeted income transfer, an adjustment has been made so that there is a minimum chance for overlap of data with slum households. Since slum households form an estimated 20% of households, so from each head 20% of households have been excluded while estimating the beneficiary for preventing overestimation. The cost for targeting additional urban households comes to Rs. 85266 million, which forms 0.04% of India's GDP. But in this cost an additional 20.71% of urban households can be brought into the fold of targeted income transfers. This will be in addition to the 20.12% of the urban slum households already included above, thereby taking the effective coverage of the scheme in urban areas to 40% of total urban households. It is assumed that the categories of beneficiaries are mutually exclusive. The new additional categories of households has been provided a higher level of income transfer than slum households; this does not essentially mean that they have a higher level of vulnerability, but a starting point for implementation of the scheme, and eventually a minimum level of Rs. 6000 may be provided in due course.

Table 3: Additional Urban Beneficiary Households & Additional Implementation Cost

Additional Urban Beneficiary HH	Urban HH (%)	Estimated HH (Million)	Outlay Per HH (Rs.)	Additional Pay-out (Rs. Million)
Urban Homeless HH	0.39	0.26	8000	2055
Elderly HH				
Single Elderly Male HH	0.39	0.25	6000	1524
Single Elderly Female HH	1.01	0.66	6000	3949
HH of 2 Members- Both over 60 Yrs.	1.46	0.95	8000	7607
HH of 3-4 Members- All over 60 Yrs.	0.09	0.06	8000	444
Differently Abled HH				
HH with 1 Differently Abled	6.03	3.92	6000	23538
HH with more than 1 Differently Abled	1.41	0.92	8000	7337
Female Headed HH				
Female Headed HH Widowed	9.44	6.15	6000	36882
Female Headed HH Divorced	0.38	0.25	6000	1478
Female Headed HH Separated	0.12	0.08	6000	451
Additional Coverage % Urban (SECC)	**20.71%**			
Additional Pay-out to Urban HH (Million)				**Rs. 85266 Million**
Additional Pay-out as % of GDP				**0.04 %**

Source: Data from Census of India.

Note: Additional Households Adjusted for assumed overlap with Slum Household and Non-Slum HH in 20:80 Ratios, except for Homeless Households. GDP data is for 2021-22 1st Advance Estimates, Current Prices. There may be certain overlap between different categories of households too, not undertaken due to lack of data. Given deprivation details are not available for urban household in SECC, we resort to use of Census 2011 data to hypothesise households that may require social assistance. Given the main source of analysis remains SECC, and for consistency of analysis, the proposed coverage for urban households has been made on the basis of Total Urban Households (65.1 million) as per SECC.

Thus, the scope of urban beneficiary households has been expanded with the identification and inclusion of such households from Census of India (2011) for targeted income transfer using the categories of deprivation of female-headed households; households with differently abled persons; and households with elderly populations.

Suggestions for Additional Categories of Rural households for Better Targeting

A similar exercise has been done in the rural areas to further extend the ambit of inclusion of households. At the very beginning of the section, we had excluded a section right away. Ideally, exclusion should be based on multi-dimensional criteria, not just one parameter. While the SECC definition is based on fulfilling any one of the 14 parameters of exclusion, we believe that urban exclusion should also be based on multiple factors. For example, SECC data excludes farmer households that possess Kisan Credit Card (KCC) with limit above Rs.50,000. In 2019, there were 69.2 million live KCC against 145 million operational landholdings. Thus, excluding a household based on fulfilling one of any 14 parameters may lead to exclusion errors.

In Table 4, we have presented a select category of households for holistic inclusion: households with differently-abled members, Scheduled Tribe (ST) households and Scheduled Caste (SC) households as these groups also experience some level of socio-economic deprivation, due to incidence of historical under-development. Thus, certain economic support is warranted and justified; so, they can be accommodated and base transfer of Rs. 3000 per household can be undertaken.

Table 4: Additional Rural Households included as Beneficiaries of Income Transfer from Excluded Category of Households

Additional Beneficiary HH	**Additional HH (%)**	**HH (Million)**	**Rs. Per HH**	**Exp. Rs. Million**
Disabled Member HH	2.07	3.7	3000	11170
ST HH	2.36	4.2	3000	12740
SC HH	5.06	9.1	3000	27280
Additional Rural HH	**9.50%**	**17.1 Million**		
Total Additional Rural HH				**Rs. 51190 Million**
Exp. % of GDP (2021-22)				**0.022%**

Source: SECC; Percentage of households covered is as per SECC. GDP data is for 2021-22 1st Advance Estimates, Current Prices.

Thus, an additional 17.1 million households constituting nearly 10% of rural households has been included in the proposed scheme. This would entail allocation of around Rs. 50,000 million additional cost but would amount to just 0.022% of GDP. By including additional rural households, the proposed minimum income guarantee can be extended to cover over 70% of the rural households.

Summary Coverage of the Targeted Income Transfer-MIG

Table 5 summarizes the coverage of the scheme and the cost of the proposed scheme. The coverage has been shown both as per SECC 2011 and Census 2011. Rural and urban coverage and expenditure has also been shown separately.

Table 5: Summary Table: Beneficiary, Coverage and Expenditure (Exp.) on MIG

	HH (Million)	HH (%)	Exp. Graded: Rs.8000-Rs.3000 (Rs. Million)	Exp. (% GDP)	EXP. Ungraded: @ Rs. 6000 (RS. Million)	Exp. (% GDP)
Rural HH Covered						
Priority Rural HH	109	60.7	529700	0.23	654000	0.28
Additional Rural HH	17.1	9.5	51190	0.02	102600	0.04
Rural HH Coverage	126.1	70.2	580890	0.25	756600	0.33
Urban HH Covered						
Priority Urban HH	13.1	20.1	39300	0.02	78600	0.03
Additional Urban HH	13.5	20.7	85266	0.04	81000	0.04
Urban HH Coverage	26.6	40.9	124566	0.05	159600	0.07
Total HH Coverage						
Total (Rural+Urban)	152.7	62.4	**705456**	**0.306**	**916200**	**0.398**

Note: Graded Expenditure will have transfer Rs. 8000 to Rs. 3000 to the identified households, while ungraded policy would offer all identifies households a uniform transfer of Rs. 6000 per annum. Total households in India as per SECC are 244.9 million, with 179.7 million rural households. GDP data is for 2021-22 1st Advance Estimates, Current Prices.

The proposed scheme would cover 152.7 million households out of 244.9 million households in India. The proposed Minimum Income Guarantee would cover 62.4% of total households of India. As per SECC, the proposed scheme is expected to cover 70.2% of rural households and 40.9% of urban households. The cost of the proposed scheme for rural households for differentiated transfer (depending upon extent of deprivation) will be Rs. 580,890 Million (0.25% of GDP); alternatively, a flat rate of Rs 6000 per targeted households would cost Rs.756,600 Million (0.33% of GDP). For urban beneficiary households, for differentiated transfer the fiscal cost will be Rs. 124,566 Million (0.05% of GDP) and alternatively, for flat Rs 6000 per targeted households the cost would be Rs. 159,600 Million (0.07% of GDP).

Thus, the total fiscal cost to the exchequer would be just over Rs. 700,000 Million; (0.30% of GDP), in the variant, under which differential amount is provided to the households at tune of Rs. 8,000 to Rs. 3000 per annum. We prefer the alternative differentiated income transfer, as it

would ensure equity, since the amount guaranteed ought to be proportional to the deprivation suffered. However, if we were to have an annual flat payment of Rs 6000 to every household, the cost of the programme would be Rs. 916,200 crore (0.40% of GDP). Although our estimates are adjusted for overlap with slum and non-slum households, so as to minimize double counting, the Census 2011 data would allow the government to identify the actual households, since the Registrar General of India would be able to share the details of households (even if not public). But, given the time that has elapsed between both SECC and Census 2011, ground-truthing of the beneficiary list is important to avoid serious exclusion and inclusion errors.

The amount proposed in the minimum income guarantee is moderate Rs. 6000. It may not be a significant for growing economy such as India, but would be significant for those at the poverty level or below poverty. Given the last consumption round to estimate poverty was released in way back 2011-12, the subsequent consumer expenditure survey 2017-18 was shelved due data quality issue. Mehrotra & Parida (2021)[28] have estimated the poverty line based on Tendulkar Methodology using Periodic Labour Force Survey by National Sample Survey Organization, estimated rural per-capita poverty line of Rs. 1217.96 which translates to Rs. 6,090 for households with 5 members[29]. Thus, proposed amount Rs. 6,000 would go a long way to aid household that are vulnerable and deprived and can be increased depending on the state of economy and budgetary constraints. Also, any future allocation can be linked to the Consumer Price Index, so that there is no erosion of the real value of transfer (as so often happens with any government cash transfer, e.g., the pensions to elderly, disabled and widows in the National Social Assistance Programme is a classic example).

6. A Comparative Perspective on the Proposed MIG

This section provides a comparative perspective of our proposed programme vis-à-vis those suggested in the literature. While all these proposals have been briefly discussed in an earlier section, a brief snapshot is presented here. The Economic Survey (2016-17) proposed the Quasi-UBI linking Jan Dhan Accounts, Aadhar and Mobile (JAM). We similarly propose online Direct Benefit Transfer directly to the beneficiary's bank account, vetted by Aadhar authentication and updated on real-time basis to the beneficiary's mobile number. However, our proposed transfer (Rs. 8000-Rs 3000) to beneficiary households is not high, so as to preclude any adverse effect on labour force participation or incentive to work. Secondly, a high level of transfer to households would likely strain the social fabric, dividing society into those

[28] https://www.thehindu.com/opinion/lead/poverty-in-india-is-on-the-rise-again/article35709263.ece

[29] The proposed transfer of Rs.6000 is based on the estimated poverty line. The transfer is just one months' income to stay just on the poverty line. The amount still may not be of significant importance to the middle-class households but would mean a lot to households below poverty line. Additionally, these are to be indexed with consumer price index to protect households from inflationary impact. We would again like to state that the amount proposed in differential transfers can be later on raised to minimum of Rs.6000, depending upon financial resources of the government. Graded transfer is beneficial since it is directly proportional to the level of deprivation suffered by the households. However, there are critiques that also point out that of would lead to the race to the bottom, with each household claiming higher deprivation in order to gain highest income transfer. However, since the proposed beneficiaries are already in the government records, such a graded transfer can therefore be taken up initially to promote equity and faster inclusive growth and expanded later.

that receive large transfers, those on the margin that are left out, and the better-off that will be paying for the tax-funded sovereign income transfer but will not receive any transfers.

Many of the UBI proposals require substantial financial commitment and cannot be financed without cutting down other social welfare schemes and rollback of subsidies. Thus, it is better to have a targeted scheme (whose coverage is large, as in our proposal) instead of a universal scheme, saving cost and restricting income transfers to well-off. While most other scholars propose a fixed amount to be transferred uniformly across beneficiaries, we propose that the amount should be directly proportional to the level of deprivation. This is an inclusive approach justified on grounds of equity. A lower level of spending on MIG would not only be financially sustainable but also not put pressure on an already high fiscal deficit post Covid (for Central and State governments together nearly 10% of GDP). The cost of MIG (Rs. 705,456 million) is comparable to the cost of MGNREGS (Rs 730,000 million) and PM KISAN (Rs 680,000 million) for 2022-23, Budget Estimates.[30]

Suppose a Graded-MIG (that we propose) was to replace PM-KISAN; incremental cost in the graded transfer would be negligible, and for Uniform MIG, the additional cost would be around Rs 230,000 million. The additional expenditure in our proposal is more than justified because the MIG is intended to cover a total of 152.7 million households (126.1 million rural, 26.6 million urban), covering more than 60% of the total households in India, which is more than the families covered under PM KISAN.[31]

7. Concluding Remarks

COVID-19 has exposed the limits of India's ability to reach the most vulnerable. There is an evident need of building a structured and integrated programme that addresses the plight of vulnerable households (including migrants). As unemployment is at its highest ever, chances of finding jobs for the unemployed will be difficult when economic recovery begins. We are witnessing salary cuts across segments and even if one may find jobs, they may be at much lower wages than those prevailing before the crisis. The lack of substantial unemployment benefits and further relaxation of labour norms may further curtail social security.

In order to build a comprehensive system of social security, India needs to design and set in motion a social insurance system for its informal workers that constitute 91% of its workforce of around 500 million (see Mehrotra, 2022). But now it needs an unconditional cash transfer, which should substitute and subsume the PM KISAN cash transfer for owner-cultivator farmers, which leaves out millions of deserving poor. There is evident need for some cash-based transfer as the existing mechanism has failed in addressing challenge of meeting basic

[30] With respect to subsidies (Budget 2022-23), food subsidy amounts to Rs. 2068310 million and the fertilizer subsidy amounts to Rs. 105220 million. Our proposal of graded and comprehensive MIG for rural households cost around Rs. 580,890 million while the total for rural and urban households cost Rs. 705,456 million, in line with expenses on major schemes and subsidies.

[31] PM-KISAN's design is flawed as it uses 'families' as beneficiaries, as identified in the Agricultural Census of India. PM-KISAN is doubly iniquitous: one, because it will benefit potentially two landowning families within a household; two, because it excludes the landless *ab initio*.

needs in the COVID-19 shock. We simply propose a small contribution from the government that will help vulnerable households in meeting basic needs. Our proposal is a modest contribution to building a broader social security system. The MIG guarantee we propose can be easily ramped up at a time of crisis.

We propose visible and verifiable criteria for targeting beneficiaries in a graded and gradual manner to avoid any errors in inclusion or exclusion. Our proposed MIG covers 62.4% of India's households. It covers 70.2% of rural, and 40.9% of urban households as per SECC. The cost of the proposed MIG at graded transfer to households would be Rs. 705,456 million (0.30% of India's GDP). This can be a central sector scheme or centre-state combined scheme, or states can upgrade the scheme by having higher household outlay depending on their fiscal capacity, giving them flexibility and autonomy.

Our proposal avoids the narrow coverage of PM-KISAN and replacing it would not require any significant incremental outlay. If MIG focuses only on priority households (60.6% rural and 20.12% urban coverage costing Rs 569,000 million), the expenditure would be far less than being undertaken under PM-KISAN. When Census 2021 is carried out, the scheme can be harmonised with new data to avoid exclusion and inclusion errors, with special emphasis on migrant households. Non-merit subsidies must be reduced, but until then, the probability of a UBI remains remote. Income transfers must be supplementary and not substitutes of existing programmes. Until India can move to more universal transfers, income transfers should be buffers for the extremely poor, on the verge of falling back into the poverty-trap[32].

There is no country that has embraced UBI comprehensively. However, India can implement a structured targeted income transfers in a phased manner thereby decreasing economic vulnerability of its citizens. A targeted income transfer mechanism that guarantees a minimum income can play an important role in safeguarding even the most vulnerable households against exogenous shocks.

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[32] As discussed earlier, to prevent households from falling into poverty traps during covid, the government had implemented PM Garib Kalyan Yojna, wherein an additional free food distribution programme was undertaken. However, such schemes are for limited time periods, but the vulnerability of Indian households has remained persistent and even increased. As discussed earlier, 60% of rural households in India are vulnerable as per SECC 2011. Even transfers in "Kind" such as food grains cannot ensure reducing vulnerability. Transfer in Kind or monetary cash transfers have albeit differential welfare impacts as discussed in traditional microeconomics models and in public economics. However, cash transfers can be more effective in terms of convenience and scaling up by utilizing the existing Direct Benefit Transfers infrastructure already in place, along with the identification of beneficiaries already undertaken.

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