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SPECIAL REPORT : A BASIC MINIMUM INCOME

Rupees in your pocket

An experiment in paying villagers in one of India's poorest states an unconditional basic income has been successful enough to change the government's thinking.

BY BENJAMIN FERNANDEZ

THE village of Panthbadodiya lies 30km south of Indore, in Madhya Pradesh. Known as the “Heart of India”, this central state has the country's highest levels of malnutrition and largest tribal population. The ethnic majority here are the Bhil: under the classification system inherited from the British administration they are an “aboriginal tribe”; under the Indian government's policy of positive discrimination towards disadvantaged communities and castes a “scheduled tribe”.

A group of Bhil women were gathered on mats before their mud and straw homes, built some distance from the other village houses. Mamatabai Punjraj told me the government had given her a *bigha* (about a quarter of a hectare) of land to farm. But a few months later she fell from a tree while collecting firewood and broke her left leg and hand. “To pay the 25,000 rupees (\$460) we owed the hospital, we took out a mortgage on the land, for 50,000 rupees. With the 25,000 we had left, we bought half a *bigha* of land to farm: we grow maize in the rainy season and beans in winter. But last year the rains did not come on time and we lost our crop. We don't know how we are going to repay the 25,000 rupees we borrowed from the landowner.”

As in many villages, the landlord, who inherited his land and is of a high caste, is the only employer and lender. Punjraj has no job; her husband works as a day labourer in a city. Her eldest son, Vinod, is a *naukar*, working all hours for the landlord for never more than 15,000 rupees a year (\$275); her second son, Laxman, is a *gwala* — a child who works for a landlord in return for a reduction of his parents' debt; her daughter goes to school, thanks to government aid; her youngest son will be a *gwala* when he is old enough. This serfdom has contributed to the failure of the Indian government's attempts to raise the great majority of the population out of poverty. More than 77% are thought to live on less than 20 rupees (\$0.37) a day, despite India's rapid economic growth (1).

Unconditional income project

A new pilot study at Panthbadodiya could significantly change living conditions for the poor, and India's approach to fighting poverty. The village is taking part in the Madhya Pradesh Unconditional Cash Transfer Initiative, a project run by the Self Employed Women's Association (Sewa; a trade union that has defended the rights of women with low incomes in India for 40 years), with subsidies from Unicef (United Nations Children's Fund) India. The research director, Sarath Dewala, explained: "The experiment involves giving individuals a small sum of money, at regular intervals, as a supplement to all other forms of income, and observing what happens to their families if this sum is given unconditionally."

Dewala's team studied the effects of a minimum monthly income on 4,000 people in eight villages over 18 months. There were no conditions regarding wages, employment, caste, gender or age, and the recipients could use the money as they saw fit. Besides social security benefits, adults received 200 rupees (\$3.65) a month, and mothers were given 100 rupees for each child. Four of the villages had had help from Sewa for some years, with the organisation of support groups, savings cooperatives (2), bank loans, training in financial management and support during visits to local officials. Twelve non-participant villages served as controls for comparative study. The initiative, modelled on an urban Sewa project in a district of Delhi, was India's first applied research on unconditional income. The hypothesis was that direct financial payments would change behaviour and improve family living conditions, especially children's nutrition and health.

Studies at the beginning, mid-point and end of the project confirmed that, in villages receiving payments, people spent more on eggs, meat and fish, and on healthcare. Children's school marks improved in 68% of families, and the time they spent at school nearly tripled. Saving also tripled, and twice as many people were able to start a new business.

'I don't have to borrow'

"With this money, we can buy more food," said Mamatabai Punjraj. "I also spend some on medicine, and it means I don't have to borrow. I have joined the women's savings group. I'm going to save all the money I get and spend it on my son's wedding." Mamatabai's brother-in-law Bahadua was a *gwalla* until he was 13, earning 4,000 rupees a year, then he became a *naukar* on 13,000 rupees. He had to borrow his day-to-day living expenses from the landlord. Now, at 22, the unconditional income means he can refuse to work under such conditions.

The idea of giving money to the poor without asking for anything in return startled some. "They told us the men would use the money to get drunk, and the women to buy jewellery and saris," said Dewala. "But it's a middle-class prejudice that the poor don't know how to use money sensibly. The study showed that a regular income allows people to act responsibly. They know

their priorities. When something is rare, people measure its value. (Anyway, in tribal villages, people distil their own liquor.) The main advantage is regularity. It makes it possible to organise, save and borrow. The principle is that a small amount of money generates a great deal of energy in a village.”

In the village of Malibadodiya, a few tens of kilometres from Panthbadodyia, Sewa has been helping women for a decade. At a meeting of the women’s savings group, the members mixed freely, though they were from different castes and backgrounds. In a cheerful atmosphere, they discussed collective projects such as the building of a roof for the temple, and public toilets. Dewala joked: “Own up, how many of you have used the money to buy jewellery?” In response, one showed the sewing machine she had saved for over a year to buy, another proudly announced she had nearly finished paying for her family’s television set, and another held up a 300-rupee blanket for the winter, of far better quality than the one it replaced. Everyone laughed as Mangu, related the adventures of a group of women who had gone to a nearby town on a tractor, to demonstrate against the high cost of living, defying warnings from their menfolk and threats from the police.

“Women are no longer afraid. They are becoming independent, managing money, making plans. In several villages, they have forced the landlord to raise their wages,” said Rashmani. She worked in a *bidi* cigarette factory for 20 years before becoming a Sewa activist, and now works with more 300 villages. Some union representatives lead district communities with as many as 75,000 members. “We want to show that, if a union manages the money, it will be better shared out, and that if you take care of people, you can succeed.” Dewala added: “The key point we want to make is that the presence of a civil society body makes all the difference.”

Conditions lead to corruption

The project was prompted by an awareness of the failure of public policy measures against poverty. The Planning Commission estimates that only 27% of the spending reaches people on low incomes (3); 90% of the workforce is in the informal sector and still has no social protection. Direct cash payments cut out the many leaks and corrupt intermediaries. Delawa said: “The idea of unconditional income comes from the failure of conditional programmes. As soon as there are conditions, there is erosion. Conditionality means intermediaries, which means power, which means corruption.” According to Sewa, the state of Madhya Pradesh has 321 programmes for the distribution of land, food, gas, scholarships, bicycles, paid work — all subject to strict conditions regarding gender, caste, ethnicity, age, number of children or occupation. “The ‘true’ poor person — who is hungry and sick, homeless, and has no television — doesn’t exist,” said Delawa. “Many people live on the edge of poverty, and lose their right to public aid.” Only unconditionality can overcome these many difficulties.

The authorities are interested: on seeing the project’s promising results, the government of

Madhya Pradesh asked Sewa to include an isolated tribal village, and Unicef agreed to finance the project for another six months, increasing the allocation to 300 rupees for adults and 150 rupees for each child. In November, Manmohan Singh's federal government surprised the country by announcing an overhaul of aid programmes, under the title of Direct Benefit Transfers. From January, 29 programmes were converted to money paid into bank accounts, starting with 20 districts in 16 states. In June, this will go nationwide. The change was inspired by the success of Brazil's Bolsa Familia (family allowance), which has taken 12 million families out of poverty and made a significant contribution to the country's development. (It also ensured the re-election of President Luiz Inácio Lula da Silva in 2006).

With only a year before India's next general election, the announcement of this reorganisation, and direct cash payments to India's many poor, is appealing to the government. The idea could also appeal to the neoliberals, since the government has promised to bring the cost of social welfare down to 2% of GDP, from the current 3.5% (4). But the promise has been greeted with caution in some quarters: the minister for oil and gas has already asked for three more months in which to convert gas subsidies to cash payments (5). The neoliberal *Economic Times* estimates the programme will not be operational before October (6).

In this context, it's unsurprising that Sewa's direct cash transfers have made some wary, even if they have nothing to do with government policy. There have been rumours that the project is a prelude to the abolition of public aid, though Dewala said: "We don't see it as a substitute, but as extra support."

Left's vision of a good society

The study's economist, Guy Standing, professor of development studies at the School of Oriental and African Studies, London, and a founder member of the Basic Income Earth Network, has been defending the idea of an unconditional income for 25 years. The project team met to discuss their final evaluation at the offices of the Council for Social Development in Delhi. Standing said: "The debate has become respectable. In the face of the emerging informal sector and growing inequalities, increasing economic insecurity, a universal basic income is a necessary base for recreating social security — not as a panacea, but as a base." He said the guaranteed income was seen by libertarians as a tool to promote individual freedom, while progressives regard it as the base level of social security. "The left have to rethink their vision of a good society. We need to think from the perspective of the precariat, not from the old proletariat. We need a combination of a redistributive agenda, a move to basic income, and a policy that strengthens the voice of the precariat."

Is a universal income practical in India? To extend it "to the entire population may seem unjust and unaffordable," said Standing, "but there's no reason to think that the money could not be recovered either through income tax or ... higher taxes on luxury goods and services that only

the rich consume.” The national coordinator of Sewa, Renana Jabhvala, prefers the term “unconditional” to “universal”. “Only 10% of Indians pay tax; 50% are self-employed; fewer than 20% have a regular job. Making this income universal might be difficult. But the government could consider giving it to half the population — the people who really need it.”

Sewa, founded in 1972 by textile workers in Gujarat State, has 1.7 million members and runs 112 cooperative enterprises, dozens of credit cooperatives, hospitals, legal services agencies and a bank. Jabhvala explained why Sewa had got involved in the basic income experiment: “The debate started four years ago; the neoliberals were defending it as a way to save money, and the left were criticising it because they saw it as an attack on public aid. But we run a bank, we manage money: we know that money is a powerful thing when you put it into people’s hands.”

‘Unconditional income gives equally to all’

There are issues, notably over public services: “When people have more money, they tend to switch to private services, which are not necessarily better, but which market themselves,” said Jabhvala. “Schools in Madhya Pradesh are terrible. The state must continue to work to improve the education and healthcare it provides.” The logistics of bank accounts are another problem. To fight corruption, the government plans to give each beneficiary a 12-digit biometric identification number: only 222 million Indians have such a number, though 720 million could be assigned one. And if the money doesn’t reach the beneficiaries at regular intervals, the government’s planned revolution could be an embarrassing failure. “The government is making a huge mistake,” said Standing. “The money should be handed out: cash first, then bank account. The banks must be given encouragement, maybe an incentive to have mobile banking units going to villages. Once you start a cash transfer scheme, the banking system is going to respond.”

Another 80km beyond Malibadodiya, in the hills of the southernmost part of the state, lies the isolated village of Ghodakhurd, which the state government asked Sewa to include in the last six months of the project. All 700 villagers are Bhils, and the slow pace of life is disrupted only by young children running almost naked among the buffalo and goats. But inside the modest dwellings there were changes: the walls had been strengthened with bricks and mortar, and there were large heaps of maize set aside for the dry season.

During the hot season, the inhabitants traditionally pick *tandu* leaves, which the government-owned *bidi* manufacturing company buys at 75 rupees for a bundle of 5,000 leaves. Until the Sewa project there was almost no cash in the village, but thanks to his unconditional income, Dinesh, the eldest of a family of five sons, was able to pay for private tuition, graduate from high school and go to university. The second son, Umesh, who followed his example and was now in his last year at school, said: “Unconditional income is like parents — it gives equally to all.”

As we left Ghodakhurd, Dewala told me the little white flowers growing among the wheat at the side of the road were called “*besharam*, flowers without shame, because they grow anywhere, with no regard for private property.”

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- (1) Growth reached 8.3% in 2010, but has slowed to 5-6% in 2012-13.
- (2) Women put together small sums of money to constitute a fund from which members can borrow.
- (3) “Eleventh Five-Year Plan 2007-2012”, Planning Commission, Government of India, New Delhi, 2009.
- (4) Minhaz Merchant, “[Gamechanger? Why the cash transfer math doesn’t add up \[http://blogs.timesofindia.indiatimes.com/headon/entry/the-cash-transfer-math-doesn-t-add-up\]](http://blogs.timesofindia.indiatimes.com/headon/entry/the-cash-transfer-math-doesn-t-add-up)”, The Times of India Blogs, 30 November 2012.
- (5) *The Indian Express*, New Delhi, 5 December 2012.
- (6) “[Did government jump gun on cash transfers? \[http://articles.timesofindia.indiatimes.com/2012-11-27/india/35387400_1_direct-cash-cash-transfer-oil-subsidies\]](http://articles.timesofindia.indiatimes.com/2012-11-27/india/35387400_1_direct-cash-cash-transfer-oil-subsidies)”, *The Economic Times*, New Delhi, 27 November 2012.

TRANSLATIONS >>

FRANÇAIS En Inde, l'expérience revitalise les villages