Davala, Sarath, Renana Jhabvala, Soumya Kapoor Mehta, and Guy Standing. "The Transformative Potential." *Basic Income: A Transformative Policy for India*. London: Bloomsbury Academic, 2015. 195–214. *Bloomsbury Collections*. Web. 26 Apr. 2023. <<http://dx.doi.org/10.5040/9781472593061.ch-011>>.

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The Transformative Potential

*A little more, how much it is
A little less, what worlds apart*

Robert Browning

Dictated by financial constraints, the period for the general pilot was originally limited to 12 months. Just before the end of that period, UNICEF was able to supplement the funding, enabling the pilot to be extended for another six months. Immediately, the fieldwork team visited the villages to inform residents through another round of what had been dubbed 'Awareness Visits'. The coordinator sent us the following account:

In the last three months, whenever we went to villages, there have been queries about cash transfers, and villagers would ask us if they would resume at a later date. Our standard reply had been that we didn't know, and if there were any likelihood of continuing, we would inform them. In Malibadodiya, when we announced a meeting, some 50 women assembled, and a dozen or so *bidi*-smoking men stood at a distance.

An old woman sitting in the front said, 'I had a dream last night. You are going to continue the cash transfers.' Some laughed and made fun of her; some nodded in agreement. When we announced they would get transfers for five months, in three instalments, people clapped and laughed. An old man came forward and said to the old woman, who had a dream, 'Ma, have more such dreams!'

Perhaps our coordinator used poetic licence. We cannot be sure. However, although sceptics might not be convinced by such accounts, we can say we are convinced that a small amount of extra money in the form of a very basic income can and did make a great deal of difference. A little more, how much it is.

And for reasons given earlier, the emancipatory value of that little amount was and is greater than the monetary value. We conclude that this makes it

doubly more valuable than indirect schemes, since more of the total money reaches the recipients.

New times

In 2014, the Indian population elected a new government, the first with an absolute majority of seats for 30 years. It took office with high hopes and new energy, amidst some well-known fears. Nevertheless, given that it should have a full term, the new government has a rare opportunity to reshape social policy as well as the economic development model. Reforms should start soon and be what is called 'evidence-based'.

All the old policies seemed set for review. The new government had made a commitment to pursue the security of all groups. In doing so, it is to be hoped that the options will be evaluated by reference to the sort of social justice principles enunciated in the first chapter of this book. They should be judged too on whether or not they facilitate economic growth and sustainable development. It is in that context that modest basic income schemes should be considered objectively and dispassionately.

People's preferences

People the world over tend to prefer the security they know over the security they might obtain from something else. The average human being tends to be risk-averse. We adapt to what is known, and have anxiety about what is not. This is highly relevant to assessing attitudes to basic income.

If, for generations, people have been receiving some modest benefits in a particular form, they are likely to cling to them even if somebody assures them that something else would actually provide them with more security, income or satisfaction. This psychological barrier to something new is well known and rational. But it should be taken into account in assessing people's attitudes to basic income.

In that context, social policy analysts have repeatedly asserted that Indian villagers prefer subsidized food to basic cash income. Take the well-known critic, Jean Dreze (2011):

The most common argument for cash transfers is that cash makes it possible to satisfy a variety of needs (not just food), and that people are best judges of their

own priorities. Fair enough. But if people are best judges of their own interest, why not ask them whether they prefer food or cash? In my limited experience, poor people tend to prefer food, with a gradual shift from food-preference to cash-preference among better-off households.

Similarly, in a vehement defence of the PDS, Reetika Khera (2011a) reported on a survey, considerably smaller than those in the pilots, whereby only those actually possessing a BPL or AAY card were asked their opinions on the PDS and cash transfers. A decision was made in that project to exclude anybody without a card. Since those denied a card are much more likely to be dissatisfied with the PDS system, excluding them gave a strong bias in favour of supporting the PDS. If you exclude those most likely to be dissatisfied, it is quite wrong to draw a conclusion that people are satisfied!

In the FES, the question was asked of every respondent, 'Would you prefer to have subsidized goods in a ration shop or to receive cash equal to the value of the subsidy so that you can decide what goods to buy and where, or do you not mind which?'

Note that all options were given, so the respondents were not led to any desired answer. The responses given are interesting for two reasons. First, more respondents said they preferred to receive cash benefits than subsidized goods in a ration shop. Overall, the figures were 40 per cent for basic incomes, 34 per cent for subsidized goods from the ration shop.

Second, there were differences in attitudes between those who had received basic income and those who had not. Those who had experienced receipt of basic income were more likely to support basic income rather than subsidized goods compared with those who had not experienced basic income. So 44 per cent of households preferred cash in those households which had received the basic income, while 34 per cent of those who had not preferred cash.

If one puts aside those who were unsure which option they preferred, 58 per cent of those with an opinion who had received it preferred basic income. In other words, there was a learning function. Of those who had actual experience of both types of assistance, significantly more preferred the cash option.

In sum, those who gain experience of having a basic income come to realize its value, and more people prefer that to subsidized items.

Welfare and social justice

The claim we have been making is that a basic income would be transformational, in having three integrated types of effect. Let us start with a brief review of the impact on welfare, or 'well-being', and in doing so see how well or badly it does by reference to the social justice and SEWA principles set out in the opening chapter.

Welfare covers nutrition, schooling, health and living conditions. Consider what happened in terms of the first of the justice principles, the Security Difference Principle, and SEWA's closely related Most-Vulnerable-at-the-Centre Principle. It is apt that the sentiments expressed in the report of our fieldwork coordinator came from elderly villagers. For among the strongest findings from the pilots is that it was the most insecure who benefited most, including the elderly, women of all ages, notably young girls, and the disabled.

The elderly tend to be among the most neglected in rural low-income households. Too often they do not receive the pensions owed to them, and too often life insurance benefits are unpaid to widows and widowers. They are usually 'semi-destitute', they tend to be the last to obtain medical treatment and they lack Voice to demand social assistance. But as we have seen, the individualized basic income gave them an independent voice that improved their welfare.

We may argue further that the basic income would satisfy the Security Difference Principle, and its SEWA equivalent, more than targeted and selective alternatives, since each of these has high exclusion and inclusion errors, particularly the former.

This is particularly true of schemes that have relied on possession of a BPL or AAY card. Just recall how badly the MGNREGS did in terms of reaching women, households with disabled people in them, and older-people households. It effectively discriminated against the most insecure members of those villages. And the PDS with the BPL cards was demonstrably prone to high exclusion errors.

Also recall a few of the welfare outcomes. In terms of *basic living conditions*, a significant number of households made improvements to their dwellings and invested in improving their toilets. This was likely to have demonstration effects on others, encouraging them to save and take advantage of the Total Sanitation Campaign. Improved latrines have a beneficial effect on health, particularly for young children, women and people with illnesses of one kind or another. The improved health surely has a beneficial effect on learning in school and on productivity in work and labour, and reduces pressure on public social spending.

Then there is the positive impact on *nutrition*. The effects on children's weight-for-age, notably for girls, were among the most encouraging findings. Those positive effects tended to predominate after infants moved from breast-feeding to solid foods.

We also saw that vulnerable groups gained relatively the most, notably in gaining more food sufficiency, which had a progressive effect, particularly for scheduled caste and tribe households. The improvement in diets, with more vegetables, milk, eggs, fruit and fish, was particularly striking in the tribal villages. And the individualized basic incomes make it more likely that intra-family and community concerns for social equity will come to the fore, an advance over household-based subsidies, for instance.

The improvements in *health and healthcare* were marked by a greater regularity in the taking of medicines, an aspect of healthcare that tends to be underestimated. The key point here is that the basic incomes made it easier to take rational decisions on healthcare, through more prompt treatment, change of diets or whatever specific illnesses or mishaps required.

The cash, and the assurance of it over forthcoming months, combined with access to medicines, made it more likely that low-income people would take their treatment to its proper conclusion, rather than stop when feeling slightly better. Again, the relatively vulnerable, including the disabled, benefited relatively the most in terms of improved healthcare, partly because they were less dependent on the benevolence of others inside or outside the family.

There is one potentially controversial aspect of the observed changes in healthcare, which is the shift from public to private services. We believe this is partly a reflection of a shift from situations in which people lacked any treatment, or who had postponed treatment due to lack of money, to where they had the means to obtain some treatment or to resort to treatment sooner, which should be beneficial.

However, to the extent there was a shift from government to private commercial institutions and treatment, the interpretation should not be that there should be more privatization. It should be that the government healthcare system must be improved, so as to become a more attractive option for everybody.

In terms of the impact on *schooling*, a key point is the positive impact on school enrolment and attendance, particularly of girls at secondary-school level. As such, there may be no need to apply conditionality, especially as applying arbitrary rules requiring some high percentage attendance rate would be administratively burdensome and expensive, as well as be prone to unfairness in

making judgements on whether non-attendance was the ‘fault’ of the mother or parents. There is also tentative evidence that the basic incomes helped improve school performance, although this requires more intensive research.

As with healthcare, the relative shift to private schooling can be interpreted in two ways, as reflecting an increase in schooling in general, particularly in the broad idea of ‘private tuition’, and as reflecting widespread concern over the quality of government schools as they exist and as they are perceived to exist.

In general, the pilots showed positive welfare effects, showing that conditionality was not required. As the Deputy Chair of the Indian Planning Commission, Montek Singh Ahluwalia, said at the conference convened to present the preliminary results of the project in May 2013 (as reported in *The Hindustan Times* (2013)):

This project proves two things. First of all, cash transfers can be organised. Secondly, when you give the money directly into the beneficiaries’ account, it is simply not wasted or used for the wrong things.

In sum, a basic income, being universal and unconditional and paid equally, improves the social and economic security of the most insecure groups, and does so by more than it does for less insecure groups.

Growth, development and social justice

There should be little doubt that the basic income was beneficial for economic growth and economic dynamism in the villages covered by the pilots. The money was not just used for welfare improvements, however important they were. It helped boost the productivity of the villagers’ farmland, and helped generate new economic activities, the essence of economic growth.

Indeed, back-of-the-envelope calculations of the cost of income transfers almost always neglect to consider the cost-saving effects and the developmental impact that make the net economic cost much less than the simple transfer cost. If, for instance, a scheme lowers the incidence of ill-health, it will lower the cost of public expenditure on healthcare; if it lowers drop-out rates from school, it increases the productivity of public spending on schooling.

The main growth-enhancing effects of the basic income, as shown in the pilots, were the significant increase in production it induced, and the corresponding increase in the extent of adult labour and work, and even more intriguingly the change in the pattern of work.

As the new economic growth was a reflection of increased local production, the economic multiplier effects could be expected to be higher. This is consistent with the *Swadeshi* Principle of local production. In promoting higher economic activity, the basic income appeared to boost local food production, particularly of wheat (through more acreage and more productive use of land), and including an intriguing revival of local strains of wheat, millet and other cereals. And it generated investment in more storage facilities, particularly of wheat, thereby providing more food security through the barren months.

There was also a growth in the number of small and large livestock, which improved nutrition and income-earning options. That surely had feedback effects on health and the learning capacities of children, particularly in the tribal villages, which were the most deprived.

The impact on child work deserves further reflection. The basic income seemed to result in less child labour of the type that is generally regarded as more 'arduous' and disruptive. To the extent that it resulted in little change, and even an increase, in the extent of child work on family farms, a policy conclusion might be that more advice should be given in educating families on how to combine schooling with useful farm work and what pitfalls to avoid. There is nothing wrong with having children involved in productive work if it does not distract them from learning, expose them to dangers or leave them too exhausted to learn.

More significantly, contrary to popular prejudices, the basic incomes did not lead to a net reduction in adult work. On the contrary, it led to more work and to a shift from casual wage labour to own-account farm and non-farm productive work, as well as more reproductive care. The principles of *Swaraj* and Dignified Work seemed to be supported in this respect.

Own-account work allowed people to try to be more self-reliant and to gain more control over their own time. As individuals and families were working more for themselves, the work surely gave greater dignity than doing casual wage labour. All of that was surely favourable for the families and for the local community. And, if it resulted in a rise in local wage rates, it could reduce the extent of exploitation and oppression that are so characteristic of the casual wage labour and *naukar* labour markets.

In sum, the development effect of a basic income was seen in several ways, which should be taken into account in any calculus of the cost of implementing a policy of this sort.

Emancipation and social justice

One of the most striking aspects of the whole project is that one can conclude by stating that the emancipatory value of the basic income is greater than its monetary value. This arises primarily from the fact that for most villagers money itself is a scarce commodity. In gaining the basic income, people gained a source of monetary liquidity, enabling them to avoid using expensive credit and having to borrow so much at seriously high rates of interest.

There are also emancipatory effects on the status and agency of women. The fact that the basic income was individualized and unconditional enhanced the agency and identity of women, and they themselves recognized that it gave them additional strength in decision-making. In the villages where SEWA was active, collective action helped women gain more traction in village life.

In short, the evidence is strong that the individualized payments resulted in women and other vulnerable groups, such as the disabled and elderly, having more independence, more voice and more equitable treatment within the households and within the village communities.

There is another aspect of the emancipation that derives from the community coverage of the basic income, which is what might be called a social multiplier effect. Put simply, because others are sharing in the economic security, the overall effects for individuals are more positive, because optimism spreads and social norms and expectations evolve.

Emancipation is linked to the Indian idea of *Swaraj*, of self-rule or self-reliance. As Tilak famously asserted, '*Swaraj* is my birthright, and I will have it!' Gandhi's idea of *Hind Swaraj* means more than political freedom. It means being in control of one's work, undominated by exogenous forces. This sentiment has had its counterparts elsewhere, perhaps most notably in John Ruskin's celebrated essay, 'Unto This Last'. It is an abiding human value.

From emancipation to transformation

The most important conclusion is that 'the whole is greater than the sum of the parts'. It is this which makes the basic income potentially transformative. While the individual effects, on living conditions, nutrition, health, schooling, economic activity, agency and so on, were all major in themselves, the overall effect was transformative, in the sense that constraints on economic dynamism were weakened, inducing feedback effects, while the emancipatory outcomes

were likely to lend local communities a developmental energy that the alternatives of targeted, selective subsidy schemes could not hope to achieve.

What is perhaps the most transformative outcome of all was the impact on debt and savings. The basic incomes helped families to reduce their debt and to increase their saving. But the key is that the emancipatory value of the basic income exceeds the monetary value because it gives individuals and families vital liquidity, and probably access to liquidity possessed by others, with which to confront shocks, hazards and the simple uncertainties of life. The ability to avoid or reduce dependence on usurious moneylenders and landlords, and in some cases escape from bonded labour or *naukar* relationships of exploitation and oppression, should be counted as among the most transformative aspects of all.

It allowed families and individuals to focus more on gaining control over their lives and becoming more economically productive. In this way, emancipation boosted economic growth, in the spirit of *Swadeshi* and *Swaraj*.

We have seen how emancipatory effects spilled into development effects. This is consistent with findings in other parts of the world. People who feel a sense of basic security not only feel more free but become healthier (Marmot and Wilkinson, 1999), more productive, take more entrepreneurial risks, have a longer planning horizon and act more responsibly, in large part because they feel more in control of their own lives.

The villagers speak

At the end of the evaluation questionnaires, every respondent in every village was asked a series of questions on aspects of social justice, although they were not put like that. Respondents were asked if they 'strongly agreed', 'agreed', were 'not sure', 'disagreed' or 'strongly disagreed' with several statements about social policy. All possible answers were presented to counter bias.

The first questions related to income inequality, posed in the following way:

In thinking of India, do you agree with or disagree with the following:

- a There should be an upper limit on earned incomes.
- b There should be restrictions to limit the difference in income between the richest and poorest.

On the first of those questions, the responses showed substantial public support for policies that would limit very high earnings, with 83 per cent of basic income recipients (with the same for SEWA and non-SEWA villagers) saying

they strongly agreed or agreed and about 75 per cent saying that in the control villages. To the extent that the difference is statistically significant, one can only speculate that a sense of social solidarity had been strengthened.

When the distributional question was posed as a matter of limiting income differentials, slightly more of the basic income recipients supported this, but the overwhelming view was that there should be restrictions. Villagers have an orientation towards less inequality.

A third and more immediately relevant finding is that the vast majority of people in the villages supported the idea of a basic income (Figure 11.1). In this regard, there was only a small difference between those who had been receiving the basic income and those who had not.

There may be something else going on with implications for government policy. All respondents were asked about their general assessment of government policies in combating poverty. The villagers were not impressed. Only about 4 per cent thought they were a big success, and less than a third thought they were a small success.

Figure 11.1 General villages: Percentage of households judging whether there should be a basic income, sufficient to cover basic needs, by type of village

Note: *Due to very low levels (<1 per cent) of 'Strongly disagree' responses, they have been merged into the 'Disagree' category.

Source: MPUCT FES, 2012; n=2030

Figure 11.2 General villages: Percentage of households evaluating government achievement in poverty reduction, by type of village

Source: MPUCT FES, 2012; n=1781

However, as Figure 11.2 shows, more were positive in the basic income villages and in SEWA villages. One may speculate that a policy, even though not associated with government, that provided improved economic security can prompt better public feelings about social policies in general, especially if there is a Voice organization playing its part in making it more effective.

One cannot divorce the failings of government policy in dealing with poverty and economic insecurity from the role of institutionalized corruption. Here again the villagers were not impressed, even by comparison with their views on poverty reduction. Less than one-third of those in basic income villages regarded efforts to restrict corruption as successful, and even fewer felt that way in other villages.

In sum, what these results imply is that villagers have a well-developed sense of social justice. Rural dwellers generally favour a progressive redistribution of income and a sense of universal basic security. Neither has been on offer. We may conclude that the basic income policy would prove popular, would be ethically appealing and would engender a general improvement in trust in government.

What next? The affordability issue

An underlying theme of this book and the weight of evidence obtained through these pilots lead us to believe that moving towards a universal basic income as an anchor of the twenty-first-century social protection system of India is desirable in itself, whether it is phased in as an additional social protection policy – as a social floor, as some would put it – or as a substitute for other schemes.

The first big question, therefore, is whether or not a sensible modest basic income would be feasible and affordable. Some critics would claim that it is unaffordable, because the gross cost would impose an excessive burden on the government budget and because it would require closure of other programmes.

At the heart of any answer is the matter of deciding on policy priorities. In that regard, several stylized facts stand out. First, apart from public works and subsidies, social security accounts for a small percentage share of GDP by international standards (Weigand and Grosh, 2008).

Second, subsidies account for a remarkably high proportion of GDP, and many are both regressive and unjustifiable for growth or welfare. In 2014, it was revealed that the cost of food subsidies, much of which does not help the intended beneficiaries, had more than quadrupled since 2004 to reach Rs.1.15 lakh crore, fertilizer subsidies had quadrupled to nearly Rs.68,000 crore and fuel subsidies had risen 18-fold (Sidhartha, 2014). These bare statistics indicate vast scope for substitution.

Third, the share of total spending on social development that actually reaches the intended beneficiaries is remarkably low. According to one official estimate (Mahapatra, 2011; Ahluwalia, 2005), in order to provide one Rupee of development spending, India spends 3.65 Rupees. There has been a lot of money going to waste.

Fourth, to return to a theme of Chapter 1, the complexity of the numerous social policies instigated over the years means that many, perhaps inadvertently, channel large sums of money to commercial interests rather than to low-income families and individuals. Social insurance schemes are particularly prone to suffer from this failing. Selective social insurance schemes in the realities of India today are bad cash transfers.

Two examples relevant to the feasibility of a basic income in Madhya Pradesh should suffice to illustrate the point. Social insurance for low-income informal workers is often covered by multiple agencies, since most earn their livelihoods through various means and occupations. Commonly an insurance premium

on one person is paid by up to five government agencies or departments (Bhatnagar, 2013). But if a claim is made by a worker, it goes to just one agency.

Much more often than not, no claim for compensation is made at all, due to lack of awareness, ignorance of procedures, lack of confidence or some other reason. This is a concern that has exercised SEWA for years. But the main point here is that the state and national government are wasting money by paying multiple premiums for each person, even though there has apparently been some improvement in Madhya Pradesh since the beginning of this project. Who gains? Certainly the low-income workers do not.

Another example is life insurance. The Madhya Pradesh government pays out huge amounts each year to cover more than 4.3 million people under two insurance schemes. Under normal insurance industry outcomes, death claims should range from between 12 per cent and 15 per cent of the insured, according to reports of the Life Insurance Corporation of India and the Society for the Elimination of Rural Poverty, which run relatively successful schemes. But while the Madhya Pradesh government has been spending on life insurance, claims run at under 1 per cent. From a social equity and development point of view, the money is wasted.

One more pragmatic reason for recommending a shift to a basic income system is that the government system for delivering benefits resembles pipes that are choked up, and with growing government budgets the inefficiency of delivery has been increasing (Jhabvala and Standing, 2010). The expanding number of schemes is partly due to the paternalistic desire to extend selective, conditional policies into more and more spheres.

Often the motives for the selective targeting may be well-intentioned. But it is recommended that government should apply a practical rule, which is that such schemes should only be implemented where research has demonstrated social externalities, in the form of social costs if they are not implemented or having social benefits that would flow from such schemes.

It would be wishful thinking to claim that the schemes are only failing because of administrative deficiencies that could be overcome with due diligence. A policy that relies on something improbable to work even moderately well is not sensible. It is a waste of public funds that could be allocated to policies that do not depend on the improbable in order to work. This is a claim that can be made on behalf of a basic income.

However, the bottom line is that funding a basic income scheme is affordable, in principle. If the Rs.180,000 crore currently spent on centrally sponsored social schemes and subsidies on food, fertilizer and fuel were distributed

equally among all low-income families in the country, it would have meant Rs.2,140 per household, which is more than the poverty-line income of rural families.

These figures come from the budget documents of the Government of India. We do not advocate a targeted system. But the figures give substance to the belief that even with existing expenditures, rural poverty could be drastically reduced through shifting to a system anchored by a basic income.

Another approach would be to replace subsidized items *en bloc*. One editorial in Livemint (15 November 2013) put this perspective starkly:

The freed up money can then be used to provide UBI [Universal Basic Income]. The numbers are simple. If, to pick an arbitrary number, every Indian family is handed out 5,000 rupees every year, then for a population of 1.2 billion, the expenditure works out to Rs.1,20,000 crore every year. This is not a big, unrealistic sum. By comparison, the budgeted amount for total subsidies alone in 2013–14 is Rs.2,31,000 crore – almost double what is required to provide UBI of Rs.5,000 to every Indian family. The entire non-Plan expenditure stands at Rs.1,10,9975 crore, more than nine times what is needed for UBI. Now shaving off non-Plan expenditure in toto is not feasible, but surely if providing UBI is a political priority, the sum required can be easily found.

The writer went on to recognize that political feasibility is the big issue. More realistically, moving towards a basic income will have to be done in stages and by rolling out through a programme of selected measures, including converting some schemes.

Moving towards a basic income: Conversion of existing schemes

There are some options for helping to build towards a basic income, slowly and methodically, through a partial or complete conversion of existing schemes. Those that seem to be candidates for reform include all the extensive and costly subsidy schemes, including the fertilizer and fuel subsidies. They also include the major social policy schemes MGNREGS and the PDS.

Consider MGNREGS. In order to reduce the well-documented corruption due to the way labour was remunerated, the UPA government undertook campaigns to have bank accounts opened for people who held MGNREGS cards. Given the corruption in MGNREGS, the scheme's complexity and the number of layers involved, and the fact that it has not created much in

sustainable infrastructure, an option might be to convert it to a straightforward unconditional basic income, for all those holding cards.

This would have the advantage of ensuring that the people for whom the MGNREGS has been intended actually receive the full benefit without them having to do unnecessary and unproductive physical labour. For this to happen, of course, the MGNREGS law would have to be amended.

As for the PDS, there has been a great deal of discussion about converting it to cash transfers. The National Food Security Act of 2013 seemed to move in the opposite direction, although it did allow for use of cash as an alternative to direct provision of food. In that regard, an option would be to provide communities with a Choice Policy, roughly along the lines SEWA and the Government of Delhi did in an initial pilot in West Delhi, where residents were offered the choice of continuing with the PDS-subsidized rations or receiving a cash transfer of equivalent value.

This would be financially feasible, and it would almost certainly put positive pressure on the PDS ration shops to improve their efficiency and quality. But of course there are inherent weaknesses in the PDS system, with the BPL cards, with the realization that some of the poorest do not have them, and with the selection of items provided. Care would have to be taken to encompass those who are left out of the PDS system through the many exclusion errors that exist now.

Tribal villages as game-changers?

The pilots have shown that the basic income has particularly strong transformative potential in tribal villages. As a result, it is strongly *recommended* that state governments should conduct expanded pilots in tribal villages, particularly in states where there are large tribal populations. Much of the money needed already exists, some in tribal sub-plans, and perhaps this could be supplemented by funds from national or international donor foundations and wealthy philanthropists. There are principled and pragmatic reasons for moving in this direction.

Tribal villages are among the most deprived and vulnerable communities in Madhya Pradesh and in India generally. Focusing on them as the next phase would be socially desirable. These communities have also been centres of social discontent, ripe for becoming recruitment centres for violent groups. The tribal village pilot has surely shown that a basic income would have a high probability

of fostering economic growth while improving nutrition, health and schooling. In short, a universal basic income could induce a transformative development for all tribal villages, helping to defuse social unrest.

In 2013, the Chief Minister of Madhya Pradesh initiated Chief Minister *choupals* and held a series of *panchayats* on diverse social groups, including tribals. This is promising. And there would seem to be adequate funds available for a series of pilots that would fit that strategy. For the fiscal year 2013–14, the Government of Madhya Pradesh envisaged spending that implied a revenue surplus of Rs.5,215 crore, which was 1.3 per cent of the state's Gross Social Domestic Product.¹ That could be used wholly or in part to fund a serious pilot in at least two districts of Madhya Pradesh and/or cover a wide variety of tribal communities.

The pragmatic reasons for proposing a basic income scheme in tribal areas is that they are relatively self-contained communities and a pilot is thus relatively easy to administer. In the case of Madhya Pradesh, a scheme of this kind could allow the government to refine its *Samruddhi* three-pillar model of financial inclusion. And furthermore, tribal communities are already identified and recognized nationally as groups that deserve special assistance.

Roll-out recommendations

Moving towards providing basic economic security through a basic income is one of the great challenges that lie ahead for India. It cannot be done overnight. This does not mean it cannot be done. It means that if it is to succeed it must be rolled out slowly and methodically across individual states and across the country, step by step.

In this regard, as argued in an article written in the early stages of this project (Standing, 2011), it is *recommended* that if a system of social protection with a basic income as an anchor is to be constructed, it should be phased in before existing subsidy schemes are replaced or phased out. That was not done with the experimental schemes tried out in the latter part of the UPA government's tenure.

This approach would pay social dividends later, since it would mean that low-income families would not face the initial risk and potentially severe cost of not obtaining the cash transfers while they were losing access to subsidized goods. As with the UPA government's Kotkasim pilot mentioned in Chapter 1, mishandling the transition phase can undermine the legitimacy of cash

transfers (Prasad, 2013). Making the two changes simultaneously is a recipe for chaos and social suffering (Kazmin, 2013).

This returns us to the limited, and some say diminishing, capacity of state bureaucracy to administer a vast array of complex social policy schemes, especially at a time of budgetary cuts and public deficits. The bureaucratic raj has generated a labyrinth of schemes, based on a castle of arbitrary rules of entitlement and disentitlement. It is vital that the number of such schemes is reduced and as many as possible amalgamated. Their internal rules should be simplified and made more transparent. In doing so, they could be converted to a more rationalized structure that could be combined with a basic income anchor to a genuine social protection system.

Financial facilitation: Business correspondents and 'door-step banking'

Coincidentally, while the pilots were taking place, there was an intense debate in the mass media on the need for financial inclusion, with the emphasis being on plans to extend banking to the whole country.

The pilots showed that a regular basic income could be combined with rapid opening of bank accounts. In fact, the introduction of a basic income induced people to be enthusiastic about opening accounts. This was greatly facilitated by SEWA acting as a financial intermediary to help open the accounts. Had that not been so, the cost in time and money would have been high for villagers, and the process would have been much slower and more difficult.

SEWA was able to lessen the transaction costs for villagers considerably, while helping the banks to incorporate thousands of new low-income clients. The banks in turn generally cooperated, and this should be acknowledged with satisfaction. However, in order to make financial inclusion a reality on a countrywide scale, financial facilitation needs to be encouraged and financed properly. Most state governments have been working closely with banks to try to make this happen. In underbanked areas, working with financial facilitators would hasten the process and help legitimize it more efficiently and equitably.

Financial inclusion, however, means more than just opening a bank account; it requires the capacity to operate that account, to be able to save in it, borrow from it and use it for financial planning. Since bank branches are far from villages and understaffed, what has become known as door-step banking is the only solution. Other than the banks, there are many financial institutions, such

as cooperatives, self-help group federations and microfinance agencies, that do provide door-step banking. This experiment showed that using such institutions leads to more genuine financial inclusion.

The banks and the Reserve Bank of India (RBI) have been promoting 'business correspondents' all over the country. Unfortunately, we found this system to be non-operational; the 'correspondents' could not earn even a modest living from the work, and they did not obtain the full cooperation of the banks. To derive the full benefit of basic income, the banking correspondent model should be re-examined by the RBI and be made more remunerative and easier to operate.

Voice as agency

One unique feature of this project has been that the pilots were designed to identify the impact of both basic income and independent Voice, the hypothesis being that any positive effects of the basic income would be augmented by the existence of a collective body able to assist, advise and support vulnerable recipients.

In many if not all respects, the evidence has borne out expectations. We recognize that SEWA is a particular type of collective organization, and as such we anticipated it would have stronger effects on some issues than on others. But we are confident in concluding that the involvement of a body such as SEWA can ease the process of financial inclusion.

The use of the cash transfer is enhanced when it is linked to improving public services and better access to productive activities. The study shows that basic income meshed with SEWA activities to produce better results in families using health and education services. Being a member of SEWA also tended to make people less averse to taking risks.

In many ways, the involvement of a Voice organization can help make basic income work optimally. Its first role should be to help in the education of recipients on how to acquire and manage money and how to protect the economic and social right that an unconditional basic income involves. This educational function is vital in communities where cash in people's hands has been relatively scarce. Financial emancipation, not simple inclusion, should be the goal.

In some ways, the lack of an observable effect of the Voice body points to potential learning functions. If pilots were replicated or expanded, collective organizations should be integrated into the process, with training for their activists in helping advise recipients on how best to use the new liquidity. Collective involvement can make social policy so much more effective,

particularly in safeguarding those who are most vulnerable inside families and inside any broader communities.

Concluding reflections

I will give you a talisman. Whenever you are in doubt, or when the self becomes too much with you, apply the following test. Recall the face of the poorest and the weakest man whom you may have seen, and ask yourself, if the step you contemplate is going to be of any use to him. Will he gain anything by it? Will it restore him to a control over his own life and destiny? In other words, will it lead to *swaraj* for the hungry and spiritually starving millions? Then you will find your doubts and your self melt away.

Mahatma Gandhi

This was one of the last notes written by Gandhi in 1948. It is a call to empathy, and a call to respect the Security Difference Principle and SEWA's foundational principle that the most vulnerable should have first claim on society's resources. A basic income, properly implemented and backed by the presence of a Voice organization that can defend 'the weakest', can give real effect to the hopes that Gandhi had in mind.

The basic income can be transformational. But for that to be realized, it will be crucial that policymakers handle what might be called the micro-politics of social policy reform with sensitivity. If the progressive principles of the individual, unconditional basic income are to be preserved and enhanced, it will be crucial to show that 'basic incomes', or whatever they turn out to be called, are not introduced as a means of lowering the level of state benefits, or reducing their reach, let alone as a means of rolling back the state commitment to improving the welfare of the Indian population.

They must be seen as progressive, in reducing the inequities and inequalities in Indian society, not as a step towards dismantling public and universal social services. They should be seen as helping to make public services function better. In this regard, the 'revealed preferences' of villagers should be interpreted correctly. Some used their basic income to turn to private schooling or private medical care. This does not mean that public schooling or healthcare is undesirable per se. It does suggest the quality and accessibility of those vital public services must be improved.

Indian villagers have a keen sense of social justice and generally favour a progressive redistribution of income and a sense of universal basic security.

And there is no reason to suppose that a basic income would not have a range of comparable positive effects in towns and cities across India, as the small SEWA-led pilot in West Delhi demonstrated.

We hope that the basic income as piloted in this project will be replicated and scaled up. We believe it would prove an ethical and popular policy, which would engender a general improvement in trust in government. Above all, it would liberate those constrained by debt and economic insecurity, and in doing so would surely promote sustainable economic growth and development in a way that policymakers coming from a wide range of ideological persuasions could support.

Note

- 1 These figures come from the Budget Document of the Government of Madhya Pradesh for the Financial Year 2012–13 and 2013–14. The figures are published on its website: <http://www.finance.mp.gov.in>