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A Minimum Income Guarantee amidst Joblessness & Vulnerability: A Design for Income Transfers post-Covid 19 and beyond

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Abstract

Amidst the bleak picture of increasing joblessness and indebtedness presented by the National Sample Survey's employment surveys and debt surveys, a minimum standard of living for the nation's poor seems to be under threat. In response to this, recent schemes inspired by the Universal Basic Income debates appeared to have been designed more for political considerations, and have glaring identification issues and have been exclusionary. Rather than adopting a quasi-UBI as suggested in the Economic Survey of 2017 and doing away with many existing developmental programmes, this paper makes a case for, and presents the design of, a much better method targeting of transfers as a supplement, keeping fiscal as well as labour-market outcomes in mind. 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. Had a MIG already been in place by early 2020, it would only have required a ramping up of the transfers to protect the incomes of the poor.

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A Minimum Income Guarantee amidst Joblessness & Vulnerability: A Design for Income Transfers post-Covid 19 and beyond

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The concept of Universal Basic Income (UBI) is being debated worldwide. However, in India, given that public goods like universal health care and quality school education remain to be provided, it has been difficult to make a credible case for UBI. Without first making sure that general government (centre and states together) will be able to provide for these public goods, there is little case for providing for UBI. This paper argues that in India, instead of substituting existing developmental programme of the government in the short run, any income guarantee should be supplementary, at the same time keeping fiscal constraints and labour market in mind. The case for a minimum income guarantee has only been underlined by the sudden onset of COVID-19, the consequent lockdown of the population and economy, and the exogenous shock for incomes of the most vulnerable households.

UBI in India came into common parlance with the publication of the Economic Survey in 2016-17 (though the academic literature preceded it by nearly decade). The Survey proposed an Income Transfer aimed at 'wiping every tear from every eye' as a potential alternative to the diverse array of existing social and anti-poverty programmes.

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, which were discussed within the Planning Commission.[2] Around the same time, another discussion originated from a 2008 series of essays in Economic & Political Weekly, beginning with Kapur, Mukhopadhaya and Subramanian (2008) arguing for replacing centrally sponsored poverty schemes with cash transfers. They cited structural inefficiencies in these schemes—enormous leakage to the non-poor, high barriers to enrolment, inaccurate identification of eligible individuals, and substantial administrative costs; they contended that only a miniscule proportion of benefits actually reached India's poor. They highlighted the key culprits as an administrative culture that lacked accountability and poor state capacity. As an alternative, they proposed rerouting public expenditures into a system of direct cash transfers that would expand recipients' spending choices, and an increased funding for local government institutions that are better placed to monitor and implement such transfers (as opposed to overburdened state- or district-level administrators).

Other policymakers critiqued these claims. A former member of the erstwhile Planning Commission, Mihir Shah (2008), argued that such transfers were "no magic bullet," and that given the widespread failure of rural markets across India, giving the poor cash that they

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

cannot utilize is a wasted effort. In the absence of concomitant improvements in public institutions and private markets, Shah noted, cash transfers would do little to guarantee food security or generate sustainable livelihoods in comparison to the PDS or MGNREGA.

However, four other academics from abroad pitched in in favour of UBI. Pranab Bardhan (UC, Berkeley) wrote in 2011 that a UBI is "one of the cleanest and least incentive-disruptive ideas" for enhancing social welfare. He felt a UBI for India is better than the complicated task of identifying the poor and is fiscally feasible because the country's poverty line is relatively low and a smaller transfer is needed. Bardhan (2016) recommended an inflation-indexed annual transfer of Rs 10,000 which is 75 percent of India's 2014–15 poverty line, to *every* Indian citizen, which would cost an estimated 10 percent of India's GDP. Maitreesh Ghatak (LSE) (2016) proposed a more liberal annual transfer of Rs 13,432, which would cost 11 percent of GDP, to push recipients' incomes over the poverty line. Vijay Joshi (Oxford) (2016) recommended a smaller grant equal to 20 percent of the poverty line: Rs 3,500 per year at a cost of 3.5 percent of GDP. Abhijit Banerjee (MIT) (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 certain non-merit subsidies like fuel, fertilizer, and electricity that benefit relatively better-off Indians – we consider later the political economy constraints on reducing these non-merit subsidies. Bardhan felt additional savings worth 3 percent of GDP could accrue by eliminating certain corporate tax holidays and customs-duty exemptions. Joshi also advocated for trimming tax exemptions and doing away with nonperforming poverty alleviation schemes. A similar argument has recently been made by Mundle and Sikdar (2020), who estimate that non-merit subsidies and tax expenditures (also called foregone 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. For Banerjee, a universal basic subsidy could replace the PDS and MGNREGA along with other welfare schemes. The rich would exclude themselves, he argued, if weekly verification for beneficiaries is required.

However, these ideas were also met with heavy criticism. Swaminathan Aiyar (2016) claimed that universal entitlements cannot empower the poor the way a concerted improvement of public goods and services can. The government should instead boost spending on public services. Amitabh Kant (2017) noted it is preferable to give below-poverty-line families Rs 1,000 per month as interest-free loans for productive use. Khera (2016) and Drèze (2017), and P. Chidambaram (2017) noted that it would not be as politically feasible to roll back India's corporate tax exemptions or non-merit subsidies as Bardhan and Joshi had suggested. However, the debate did not go away. Surjit Bhalla (2017) recommended carving out the fiscal space for an income grant, for the bottom quintile of the income distribution, partly by doing away with the PDS and MGNREGA.

In this debate, The Economic Survey of 2017 (led by Arvind Subramanian) suggested a form of 'quasi-universal' transfer of Rs 7620 to 75 percent of the population in order to remove

poverty, costing 4.9 per cent of India's GDP. The arguments behind such a transfer were as follows. First, it would not be viable fiscally at a universal level and hence the top 25 per cent of the population should be left out. Second, it assumed that such a system of transfer would be more pro-poor than existing programmes which are hampered by leakages and do not target the intended populations (for more discussions on these issues, see Khosla (2018) and Sandefur (2017) for instance).

Ghatak and Muralidharan (2019) propose an Inclusive Growth Dividend (IGD) which is to be pegged at 1% of GDP per capita, as an universal basic income transfer to all individuals. "Inclusive" because it would be progressive, as the marginal value of the transfer will be respectively greater for the poor than the rich. "Growth" means that as the economy grows so will the GDP, so the income transferred to individuals would also grow over time.

Given this debate, and 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 why a cash transfer to ensure a minimum guarantee for the poor in India is essential. That is the case we make in section 1. Section 2 reviews the experience with cash transfers introduced in India so far, and critiques their design. Section 3 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 4, the longest, presents the design of a minimum guarantee for India. Section 5 compares our proposal with those that have been offered in the literature on India on this subject. The final section concludes.

1. Why India Needs Social Assistance as Cash Transfers?

There are several reasons why time may be ripe for the Indian state to seriously initiate cash transfers as a policy mechanism to benefit all the poor (and not merely farmers).

First, the COVID-19 virus epidemic across the globe, and in India, has demonstrated that India is a highly integrated economy globally, and if it is to take advantage of global integration, it cannot at the same time be immune to global bads. These are the risks of global integration – which can be contained but cannot be precluded entirely. India has to be prepared to respond to such globally-triggered crises, to prevent human tragedy on a vast scale. Cash transfers are needed more than ever before because the Indian economy is more vulnerable to exogenous shocks, and India has already seen the adverse impacts on employment in a series of export-related sectors (for example, gems and jewellery, leather, textiles, garments, handicrafts) since the global financial crisis of late 2008 (Mehrotra, 2010). However, the COVID-19 crisis has only underlined this vulnerability to exogenous shocks even more, as global demand for these labour intensive exports of India will collapse as an international recession sets in.

The second reason why India needs to move towards cash assistance is the following. India has had a long history of redistributive poverty reduction programmes, but hardly any

programmes that provide direct cash assistance to the needy. India has barely three cash social assistance programmes in place on a large scale, conditional or unconditional.

The first, Janani Suraksha Yojana (JSY), meant to encourage institutional delivery of babies as opposed to home deliveries that are common, is a one-time cash transfer by the central government, given 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 for pregnant & lactating mothers aged 19 years or above for the first 2 live births. Under the scheme beneficiary women received Rs. 4000 (later Rs. 6000) in 3 instalments. The NFSA passed in 2013 specified cash maternity benefit not below Rs. 6,000 to every pregnant & lactating woman.[3] With effect from 01.01.2017, 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. On an average, a woman gets Rs. 6000. A few state governments also have a limited number of CCTs, especially to encourage girls' education. The third, started in early 2019, is PM KISAN, a cash transfer to farmer-cultivators, somewhat imitative of 2 state-level schemes (KALIA in Odisha, Rythu Bandhu in Telengana, also for farmers) – which we discuss below.

The need for social assistance is underlined by the fact that the vast majority (91 per cent) 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). Most of their health expenditures are out-of-pocket, which account for 70% of all health expenditures in India. This should be unacceptable in any civilised society on humanitarian grounds. This is especially the case since India is an outlier among emerging market economies (EMEs) outside of Sub-Saharan Africa (where the mean level of per capita income is well below India's) in having such high informality. Only 9 per cent of the total workforce of 466 mn have social insurance. Only a few have old age pensions, but only those identified as poor (by the poorly designed census of rural population in 2002 of the Ministry of Rural Development). The genuinely vulnerable in the unorganised sector, therefore, deserve social assistance in cash, which goes beyond the other programmes (for example, public distribution of subsidised cereals; the national rural employment guarantee; and so on). At the time of the COVID19-driven economic crisis the absence of such an instrument is felt even more, since the most vulnerable to its human impact are in the unorganized sector.

[3] 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, but 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 child birth).

Third, there will continue to be structural change in both employment and output when economic growth takes place – this, of course, is not exogenous. Thus, millions are already leaving agriculture for non-agricultural employment (5 mn 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 urban/non-agri sector crises.

Fourth, the international experience highlights the need for a social contract. Rodrik (2000, 2004) and Bourguignon et al. (2002) point out that after Second World War, Europe would probably not have experienced a rise in industrial productivity, which went hand in hand with economic growth and structural change, without an institutional environment that permitted a social contract to emerge. In fact, the economic historian Lindert (2004), in a systematic analysis of the now industrialised countries spanning the 100-year period from 1880 to 1980, concluded that not only did the size of government and the share of government expenditure in GDP rise from 11 per cent on average to over 40 per cent of GDP, but this increase was accounted for almost entirely by the corresponding rise in social transfers (health, education, social security). Most emerging market economies already have had a few decades of experience of running conditional cash transfers (CCTs) for the poor, and India can learn from their experience. India has seen no increase in tax-to-GDP ratio since 1991, despite per capita incomes having quadrupled. In other words, over the period that India has become the second fastest, and then the fastest, growing large economy in the world, and is the fifth largest economy in the world, there is still no increase in tax to GDP ratio.

Clearly, the social contract if ever there was one, is failing. We still have a system of welfare schemes that are fragmented. Social insurance (old age pension, death and disability insurance, and maternity benefits cover a fraction of the workforce), and there is practically no social assistance in the form of cash in a country that accounts for the largest number of poor in the world.

Fifth, the benefits of cash transfers are many, given that the transfer is direct into bank accounts from the government (as demonstrated by the Direct Benefit Transfers[4]). This should be seen in the Indian context of the leakage of funds in government programmes (although difficult to estimate exactly) which is large enough to generate a mafia around each programme. The mafia arises precisely on account of the poor design of programmes: poor implementation (often blamed as the culprit) is on account of a flawed design. Over time the mafia develops such serious vested interests in collaboration with the political executive and the lower echelons of the provincial civil service that it becomes next to impossible for a radical redesign of the government programme, even if the will exists in the higher echelons of the national civil service. Thus, reform of such programmes is repeatedly deferred.

[4] DBT (Direct Benefit Transfer) is a scheme launched by Government of India to transfer the benefits and subsidies of various social welfare schemes like LPG subsidy, MNREGA payments, Old Age Pension, Scholarships etc. directly in the bank account of the beneficiary.

Sixth, there are many benefits that can flow from cash transfers, which make them superior to in-kind transfers which predominate in India's social assistance system (fragmentary as it is). Firstly, cash transfers give a beneficiary (a) access to products or services from more than one location, which is difficult to achieve 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, if one or the other cannot provide it, thus generating competition between them, and hopefully thus improving efficiency. Secondly, cash transfers facilitate delivery, in a number of ways: monitoring the list of beneficiaries; details of benefits drawn; the performance of vendors who are servicing beneficiaries can be published by government websites. Civil authority can use this information to focus on irregularities. Thirdly, in situations where products are available at two different prices (one subsidised and the other at a market price) there is an incentive for pilferage. In other words, dual pricing encourages the practice of selling the product in the higher price market. On other hand a cash transfer introduces one price for the subsidised good (whether it is cereals, fertilisers, kerosene). Fourthly, grievance redressal is made easier by a cash transfer system. Cash transfer is normally based on an IT platform, and redressal is easier as it is possible to track cash flow.

1.1 The International Experience

Interest in cash transfers has grown significantly since the beginning of the new millennium. At the end of the 1990s, they had been practiced, for example, only in Mexico and Brazil. However, 10 years later all of Latin America had introduced conditional cash transfers (CCTs), as had many other countries in Asia and Africa: Burkina Faso, Nigeria, Kenya and Yemen; and Turkey, Pakistan, India, Cambodia, Philippines and Indonesia. Evaluations showed them to be successful in achieving their objectives, hence their rapid spread (Fiszbein and Schady, 2009 had produced a global review for the World Bank). In these countries CCTs transfer cash, generally to poor households, on condition that those households make pre-specified investments in the human capital of their children. There are large programmes in Bangladesh, Indonesia, Turkey and South Africa, to smaller pilot scale programme in most other countries. In Brazil and Mexico, however, they are the largest social programme covering millions of households. In India too, we envisage a large scale programme of a minimum income guarantee.

The international evidence suggests clearly that CCTs have had beneficial impacts on consumption and even labour market participation (Fiszbein and Schady, 2009; Hanlon, Barrientos and Hulme, 2010). Evidence from several Latin American countries shows, on the basis of a comparison of cumulative distribution of consumption per capita between those who receive the transfer and those who do not, that current welfare is improved by CCTs. CCTs have not only improved the overall level of consumption, but also the composition of consumption. Thus households that received CCTs spend more on food, and within the food basket on 'higher quality' of nutrients than do households that do not receive the transfer but have comparable overall income levels.

2. Cash transfers in India: the experience so far

There are three cash transfers that have been initiated since late 2017, which we examine in this section: Rythu Bandhu (RB) scheme (Telengana), the KALIA (Odisha) scheme, and the PM-KISAN (Union government). What is common to all three is they offer cash transfers to farmers. They were started in rapid succession between late 2017 (RB), 2018 (KALIA) and 2019 (the Union government one). It is notable that each of these schemes were introduced literally 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, where the electoral outcome was similar.

2.1 The Telengana government's cash transfer: Rythu Bandhu

Th*e RB* involves the payment of a fixed amount of money per acre per agricultural season to farmers for five seasons. 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, tenant farmers are reluctant to access the benefits of Rythu Bandhu or Loan Eligibility Cards because of the fear of landlords. They fear that if they apply for benefits under RB, they will not get land the next year. Landlords were reluctant to formalise tenants through official paperwork not just because they were afraid of losing their land, but also because they frequently accessed cheap agricultural loans and received crop insurance and compensation using their land titles. Another reason tenant farmer protests were muted is because most of them own small parcels of land, which qualifies them for Rythu Bandhu benefits.

2.2 Odisha's KALIA

The scheme has four components: a cash transfer of Rs 10,000 per year to households who own less than five acres of farmland, a livelihood training component that entails the 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.

Launched in December 2018, Rs 10,180 crore will be spent over three years until 2020-21 in providing financial assistance to cultivators and landless agricultural labourers.Although the scheme is not linked to the amount of land owned, the government insists it benefits sharecroppers and cultivators, most of whom own little or no land. Whether you own one acre or five acres, you get the same financial assistance. This is one difference with RB and PM KISAN; with RB, the more land you own the more cash you get, since the benefit is per acre.

Another difference with both is that KALIA targets 10 lakh landless households, and specifically SC and ST families. They will be supported with a unit cost of Rs 12,500 for activities like goat rearing, mushroom cultivation, beekeeping, poultry farming and fishery. The beneficiary is encouraged to choose an activity with which he is familiar because these trades require some skill and a network. The idea is to identify an existing capacity and build on it. Apparently KALIA was introduced as Odisha government wished to avoid a loan waiver, and decided to go instead for this cash transfer.

The first component of the scheme provides Rs 25,000 to small and marginal farmers as investment support over five seasons, or Rs 5,000 per season. Sharecroppers, however, constitute only 57,000 of the total 40 lakh farmers identified as beneficiaries for the first component of the scheme. This is because many sharecroppers are already small and marginal farmers. They might have one acre of their own and take five acres on lease.

Unlike the first component of the scheme meant for cultivators, where the state released a first list of beneficiaries based on its existing databases and then filtered it for exclusions, people have to apply on their own for the second component (meant for the landless). Where Kalia differs from RB and PM Kisan is in its second component, in which landless people in rural areas get training and financial support of Rs 12,500 for adopting seven different livelihoods.[5]

Moreover, targeting using land alone is problematic as the Telengana and Odisha experience has already 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 (village head) or be verified by a district agricultural officer. These three options are as difficult to access in Odisha as in Telangana.

2.3 PM KISAN: A Central government cash transfer to farmers

The scheme aims to supplement the financial needs of all landholding farmers' 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 bank accounts of the eligible farmers through Direct Benefit Transfer, subject to certain exclusions (tax payers, government officers, etc). After getting re-elected, the government had relaxed the landholding criteria, making the scheme open for large farmers as well; in other words, it only reaches owner-cultivators, including large farmers.

[5] At this point, they will have to indicate their preferred livelihoods and will 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 whom they can sell their produce to and will receive the second instalment of Rs 3,000. After they set up their new livelihood and submit a photo to the district administration, they will receive the third instalment of Rs 4,500. One can foresee already in this design the possibility of gaming the system because of the sequence of transfers tied to activities that will require production of documentation; this is a design flaw.

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. The ministry has sought Rs 60,000 crore for FY21 for the PM Kisan.

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

The first issue with the schemes is that they primarily targeted farmers, leaving out millions of other vulnerable people; and even among farmers they have excluded many categories.

The second issue is that governments seem to have decided that the way out of the crisis in agriculture, where rural distress keeps rising and farmer suicides don't show any signs of stemming, is cash transfers. They are also being perceived as a way out of farm loan waivers, which many governments (federal and state) have adopted in India, without necessarily improving the state of rural distress.

Third, they exclude significant parts of the universe they seem to be trying to benefit, and in doing so may end up worsening some of the inequalities that already pervade rural areas: the owner-cultivators will benefit, the rest will not.

Fourth, they seem to suffer from a series of problems with identifying the beneficiaries in a situation where land records are poor, rarely updated, and the quality of data tend to be highly variable among the states of India. Karnataka and Goa have excellent land records, which have then been computerized, while in other states the land record updating process is still going on, so beneficiary lists are still not ready, months/years after the announcement of the scheme.

Fifth, there are issues with individual schemes. The RB is patently disequalising: the amount increases with each additional acre of land owned in Telengana. In other words, it is clearly regressive, when it should be the opposite. If anything, it has implementation issues of the following kind. Payments were made by cheque to ensure that banks did not debit the amount to pay off outstanding loans, the state said in a detailed note describing the scheme. This is a common problem with the Centre's crop insurance scheme, the Pradhan Mantri Fasal Bima Yojana. 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.[6]

[6] The government had initially hoped to transfer money to 145 million beneficiaries, but in early 2020 only 95 million farmers were registered of which 75 million have been Aadhaar verified. The rest 20 million registered farmers will get the benefit only after verification of their Aadhaar details.

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 targeted exclusively at different categories of farmers while excluding others who may be even more deserving. In times of a pandemic like COVID 19, when millions of migrant labour have returned to rural areas, having being rendered jobless in cities, real wages will fall. The need to income for income supplementation, already great given the fact that there were already 268 mn poor people in India (NSS 2011-12**),** only increased post the pandemic, which raised unemployment to 122 mn unemployed in April 2020.

3. The three pre conditions 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 the workforce that toil as informal workers.[7] Even the organized sector is characterised by the presence of informal workers without social insurance (nearly half lack social insurance). To make matters worse, what India has is a highly fragmented social assistance system, with many different kinds of conditional transfers in kind (few in cash).

We are well aware of the debates in the literature on social assistance between universalism versus targeting, which has been well summarised by Muralidharan and Ghatak (2020, cited above). 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 2018-20, with GDP growth sharply down, declining with every quarter, and the FY21 Budget officially raising the fiscal deficit target to 3.8% of GDP, which will rise further with the Covid19 pandemic contraction of the economy. We well know that the actual FY20 fiscal deficit was not the officially announced 3.4% of GDP, but as India's Comptroller and Auditor General admitted, it was 5.68% of GDP for the centre. In addition, the combined states' deficit is nearly 3% of GDP, which will rise further post-pandemic. 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. [8]

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

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[7] A Social Security Code is with the Parliament at the time of writing, which converges nine existing laws on social security, mainly for the organized sector. The unorganized sector, as noted earlier, remains uncovered, and it is indicated in the Code (that is likely to pass in Parliament within 2020) that the coverage of unorganized workers will not change any time soon.

[8] The stimulus package of Rs 20 lakh crores announced by the central government (until May 17, 2020) has no provision for cash transfer on a sustained basis.

for a UBI simply does not exist (unlike what all the authors we cited in section 1 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. Until then it is critical that the Indian state moves towards a more targeted, but much more comprehensive (than the PM-KISAN kind of) cash transfer, for *all the poor of India.*

Please note that a silent fiscal crisis had preceded the onset of the novel COVID-19 virus, which caused further disruption to the global and Indian economy. With growth expected to be barely positive in FY21, the fiscal deficit will rise sharply as economic stimulus packages are announced, and as the costs of meeting the health crisis mount. Despite the many good arguments in favour of universalism in cash transfers, there is little or, realistically, no prospect of a UBI being implemented.

It is not even clear that it should be universal, given the limited administrative capacity, and the evidence about risks and inefficiencies already experienced with cash transfers that have already been implemented (briefly discussed by Muralidharan and Ghatak, 2020).

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 the author argued (Mehrotra, 2016) 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 three requirements that should be fulfilled: (a) correct identification of the poor beneficiaries; (b) biometric identification of the beneficiaries; and (c) bank accounts for beneficiaries. Since 2018, we certainly find that these three 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).[9]

The new methodology to identify the rural areas relies on much more directly verifiable, simple, transparent and directly observable characteristics of the vulnerable. Using transparent criteria, it first excludes the non-poor; second, it similarly uses directly verifiable criteria to automatically include in the list those who are extremely poor. 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.

[9] 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.

The *second precondition* for a successful MIG would be the following: the introduction of a biometric identification system to ensure that the correct beneficiaries are actually receiving the funds. Very rapid progress has already been made in this regard by the initiation in 2010 of a Unique Identification System, or Aadhar. This would require that every adult gets their biometrics registered in a database and this is used to identify the recipients of cash.[10] By 2012, 220 million had already been registered and the number reached 650 million by July 2014. The Aadhar card (or unique identification system) is now universal in India.

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 for the un-banked population of the country. The un-banked population of the country accounted for 45 per cent of the urban population and 55 per cent of the rural population (Ministry of Finance, 2013). However, almost every household may well have at least one bank account, thanks to Jan Dhan and MGNREGA accounts being opened rapidly after 2014.

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

Firstly, there are likely to 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 even have more than one account, which is itself a problem, and will pose administrative issues in the implementation of a MIG, since we need to avoid duplicate beneficiaries in the same household. This requires immediate seeding of the bank accounts with the biometric Aadhar card number. That will help the identification of those left out, as well as those having duplicate accounts. It will also assist matching of total number of beneficiaries identified through the SECC deprivation criteria and the numbers having bank accounts. That can lead to a ground truthing of the beneficiaries through gram sabha meetings at village level. In any case, Jan Dhan account holders cannot be simply chosen as beneficiaries; the other two preconditions must also hold for the potential beneficiary household.

Moreover, without the Aadhar seeding of beneficiary account, it will be impossible to prevent duplicate benefits accruing to the same 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 meetings, as was proposed earlier (see Mehrotra and Mander, 2008).

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[10] Andhra Pradesh state made major progress with biometric payment, more than any other state. Mukhopadhyaya et al. (2014) point out that surveys they conducted show that beneficiaries support carded payments. They suggest that 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.

Fourth, the last mile of 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, post offices) a system of cash transfers is unlikely to be successful.

4. 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 the equivalent to a large scale programme of a minimum guarantee of income for the vulnerable, which takes the form of an Unconditional Cash Transfer (UCT).

The problem: India's unemployment situation is worsening (Mehrotra and Parida, 2019), 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, the All-India Debt and Investment Survey for 2013 (NSS 70th Round) revealed that 51.9 per cent of the 90 million farmer households were indebted in 2013 (Table 1). In addition, often landless labourers, small/marginal farmers and vulnerable sections in rural areas tend to get excluded from receiving credit.

Table 1: The state of Indebtedness of Farmers in India

Percentage of Indebted Agricultural Households for each Size Class of Land Possessed		
Size Class of Land Possessed (Ha)	**Percentage of Indebted Agricultural Households**	**Estimated Number of Agricultural Households (000)**
< 0.01	41.9	2,389
0.01 - 0.40	47.3	28,766
0.41 - 1.00	48.3	31,481
1.01 - 2.00	55.7	15,457
2.01 - 4.00	66.5	8,434
4.01 - 10.00	76.3	3,301
10.00 +	78.7	370
All Sizes	51.9	90,201

Source: All-India Debt and Investment Survey, 2013 (NSS 70th Round)

Of the farmer households in India, 43.4 million (48.6 per cent) were indebted, according to the All-India Debt and Investment Survey, 2001-03 (Ministry of Finance, 2007). Table 1 shows that share has risen by 2013. It had noted that landless labourers, share croppers and small/marginal farmers are among the poorest in rural areas, and they receive very little credit. What prevents them from accessing credit is the lack of land documents or other documents verifying their identity. Most of them were borrowing to meet consumption needs,

rather than for productive purposes. Many borrow from money lenders. Thus, the share of non-institutional borrowing in total rural borrowing from all sources rose after 1991 (i.e., the beginning of structural economic reforms in the Indian economy) from 32 to 39 per cent by 2002. The contraction of commercial bank branches (most of which are in the public sector) in rural areas as well as the collapse of Primary Agricultural Cooperative Societies, Cooperative credit Banks and of Regional Rural Banks after 1991 contributed to this process.

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; it was 35.1 per cent in 1993–94, 35.7 per cent in 1999–2000, 29 per cent in 2004–05, but again rose to 36.6 per cent in 2009–10.

The high interest rates moneylenders charge has been the source of rural distress. About 85 per cent of the outstanding debt on cultivator households from institutional sources was on interest rates of 12–20 per cent per annum. On the other hand, 36 per cent of cultivator households' outstanding debt from non-institutional agencies was at the interest rate of 20 to 25 per cent and another 38 per cent of outstanding debt at an even higher interest rate of 30 per cent and above (Ministry of Finance, 2007). All this strengthens our case for a basic income transfer.

Over the period between census 2001 and 2011, the occupation structure in rural India has been changing which underlines the need for financial inclusion in the form of institutional credit access. The share of cultivators in the rural workforce fell from 31.7 to 24.7 (6 per cent) and the share of agricultural labourers (who don't own cultivable land) rose from 26.5 to 30 per cent. In other words, landless labour exceeds the number of land-cultivators which shows the effects of shrinking farm size and rural distress. Clearly, landless labour cannot be excluded from a MIG.

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. 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, 51per cent of landless agricultural labour were poor, while the head count ratio of poverty for the self-employed in agriculture was lower at 26 per cent (and 29 per cent for self-employed in non-agriculture) (National Sample Survey, 2009–10).

Thus, there is a strong case for the introduction of 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 and if they happen to do so, those assets are lost to droughts, floods, displacement by projects, and so on. The small and marginal farmers and landless labourers need cash debts to meet their consumption as well as contingency needs. This implies that their wage income goes to servicing their debt, rather than building assets. This is an underlying reason why many micro-credit customers are able to maintain high repayment rates but are rarely able to climb out of poverty even after multiple cycles of loans.

In general, the poor tend to be risk averse (see Binswanger, 1981), and hence the developmental role of the government becomes extremely important. Targeted income transfers thus become one feasible instrument for development, 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). [11]

Covid19 is expected to worsen poverty globally, and certainly in India. In a study for WIDER (Sumner et al, 2020) in a worst case scenario, the number of people in extreme poverty - defined as earning under USD 1.90 a day (which is 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).

4.1 The Design: A better Targeted Income Transfer

The cash transfer we propose must not be seen as a replacement of ongoing social welfare schemes but as an extension of the ongoing schemes. 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).

A targeted Minimum Income Guarantee should be based on verifiable visible criteria with a *household* as the unit rather than *family* as considered in the case of PM KISAN for which family data does not exist. 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 (as determined on the basis of the SECC criteria, discussed below) should be given higher income guarantee.

SECC-2011 is a census of socio economic status of rural and urban households and allows ranking of households based on predefined parameters. SECC 2011 has three census components which were conducted by three separate authorities but under the overall coordination of Department of Rural Development in the Government of India. Census in Rural Areas was conducted by the Department of Rural Development (DoRD). Census in Urban areas was under the administrative jurisdiction of the Ministry of Housing and Urban Poverty Alleviation (MoHUPA). Caste Census was under the administrative control of Ministry of Home Affairs: Registrar General of India (RGI) and Census Commissioner of India.

In Table 2, rural households included as MIG beneficiaries number 10.9 cr households, (or 60.65 percent of rural households). We omit the 7.07 cr "automatically excluded households"

[11] 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).

based on 14 parameters of exclusion (39.35 percent of all rural households). In other words, we have set up a fairly inclusive method of filtering out the undeserving: over three-fifths of India's rural population will receive a MIG transfer (a segment of the excluded category also taken up later).

Table 2: SECC-A snapshot

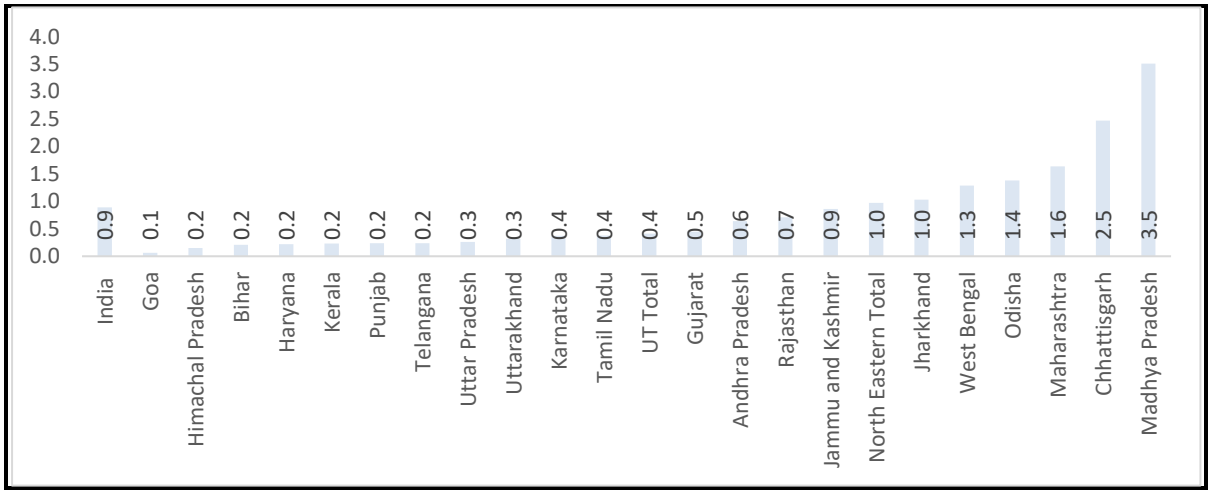
	Description	HH	(%)
A	**Total Rural Households**	17.97 cr	
B	**Automatically Excluded Households based on fulfilling any of the 14 parameters of exclusion-**	7.07 cr	39.35
1	*Motorized 2/3/4 wheeler/fishing boat.*		
2	*Mechanized 3-4 wheeler agricultural equipment.*		
3	*Kisan cr edit card with cr edit 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 1 irrigation equipment.*		
13	*5 acres or more of irrigated land for two or more cr op season.*		
14	*Owning at least 7.5 acres of land or more with at least one irrigation equipment.*		
C	**Household Considered for Inclusion (Total Rural Households- Automatically Excluded Households)**	10.9 cr	
D	**Automatically Included Households based on fulfilling any of the 5 parameters of inclusion -**	0.16 cr	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)**	**10.74 cr**	
	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**	*5.37 cr*	29.88
E2	**Households reporting just one of the Deprivation Parameter**	*3.36 cr*	18.69
E3	**Households not reporting any of the Deprivation Parameters**	*2.01 cr*	11.18
			100

Source: Estimated by authors from SECC

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.

Graph 1: Percentage of Automatically Included Rural Households across States



Source: Socio Economic Caste Census, 2011, Note: Please refer Table1 for parameter for determining Automatically Included Households

There are a total of 15.95 Lakh "Automatically Included" rural households in India (or just 0.89 percent of rural households). Overall for most of the states, the percentage of "Rural Automatically Included" was less than 1 percent of the households of the state (Graph 01), with the range being between 0.1 to 3.5 per cent of households.

4.2 Deprived Rural Household to be targeted

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 10.74 cr rural households that have one or more of seven deprivations (Category E in Table 2), which constitute 59.76 percent of total rural households. Table 3 gives the distribution of deprivation of rural households based on each parameter of deprivation across states.

Overall in rural India, 30 percent of the deprived are landless households, with income mainly from manual casual labour (Criteria 1, Table 3). This is not only in states with low per capita income of Bihar, West Bengal and Madhya Pradesh that but also states with high per capita income such as Tamil Nadu, Maharashtra, Haryana and Gujarat. These households are left out of the ambit of PM KISAN scheme, since beneficiary households are land possessing households. In rural India, 23.5 per cent of households belong to this category (SC/ST). More than 40 percent of deprived households in Chhattisgarh were SC/ST households (Criteria 2), while in case of Madhya Pradesh and Odisha more than 30 percent of the deprived households were SC/ST households.

Table 3: Percentage of Rural Deprived Households with Deprivation criteria across States

States	Criteria 1	Criteria 2	Criteria 3	Criteria 4	Criteria 5	Criteria 6	Criteria 7
India	30.0	21.6	23.5	13.3	3.6	3.9	0.4
Bihar	47.2	15.8	34.1	19.8	3.4	3.0	0.5
West Bengal	44.3	30.2	25.7	21.1	2.4	3.6	0.5
Madhya Pradesh	38.3	31.3	33.1	24.9	5.2	4.1	0.7
Tamil Nadu	37.2	18.1	16.4	12.8	6.3	6.8	0.3
Andhra Pradesh	36.4	17.4	28.7	3.8	6.1	6.7	0.4
Odisha	36.1	37.0	27.8	27.2	4.9	5.3	0.6
Chhattisgarh	34.0	42.1	33.9	29.0	6.5	6.8	0.8
Maharashtra	29.6	19.5	17.6	8.0	5.1	4.8	0.4
Haryana	27.1	15.7	16.7	3.4	1.9	1.7	0.2
Gujarat	26.6	19.3	17.0	9.8	3.4	2.8	0.3
North East Total	25.0	25.0	22.9	7.6	1.7	3.6	0.4
Telangana	22.7	15.9	25.3	1.8	4.6	5.2	0.4
Uttar Pradesh	22.1	16.6	20.3	10.7	2.5	2.0	0.2
Rajasthan	21.9	27.3	31.4	20.0	3.2	3.1	0.8
Punjab	21.1	16.3	12.5	2.5	1.7	1.2	0.2
Kerala	18.9	7.1	1.8	1.4	2.1	3.7	0.2
Jharkhand	18.1	31.3	28.4	14.8	2.6	3.1	0.3
Karnataka	14.6	16.3	19.0	4.5	2.9	4.8	0.3
Uttarakhand	12.3	12.7	12.9	2.7	3.5	5.5	0.4
Jammu& Kashmir	7.7	15.8	25.2	7.5	1.8	1.7	0.4
UT. Total	7.1	5.4	5.7	1.9	0.8	1.1	0.1
Goa	5.3	3.8	4.0	0.7	1.4	2.4	0.2
Himachal Pradesh	3.9	13.3	7.8	1.2	2.7	3.0	0.3

Source: SECC, Note: Household may have deprivation in more than one of seven criteria, which are: 1: Landless households deriving major part of their income from manual casual labour; 2: SC/ST households; 3: Households with no literate adult above 25 years; 4: household with only one room with kucha walls and kucha roof; 5: Household with no adult member between age-16 to 59; 6: Female headed households with no adult male member between age 16 to 59; 7: Household with disabled member and no able bodied adult member.

In Bihar, Madhya Pradesh, Chhattisgarh and Rajasthan, more than 30 percent of the deprived households had no adult member over 25 years in the household; 23.5 per cent of all rural households were in this situation (Criteria 3). A smaller proportion of deprived households faced the remaining four deprivations.

Table 4 presents the proportion of households considered for deprivation, based on the extent of deprivation faced by households. A household with multiple deprivations (Column A) means that they face more than one deprivation parameter (see tables 1 and 2 above for deprivation criteria). Column B shows those households facing just one deprivation. Column C separately presents those households that are considered potential beneficiaries of the MIG, but do not face deprivation across any of the seven deprivation criteria.

Table 4: Percentage of Rural Households Targeted Based on Extent of their Deprivation, by State

States	HH with Multiple Deprivation (A)	HH With Only One Deprivation (B)	Rest Non Excluded HH, Considered for Deprivation* (C)	Total Deprived (A+B+C)**
India	29.8	18.7	11.2	59.8
Chhattisgarh	47.8	22.2	9.5	79.5
Odisha	43.3	22.7	13.8	79.9
West Bengal	40.3	23.5	13.9	77.8
Bihar	39.4	21.6	11.9	72.9
Madhya Pradesh	43.7	16.1	7.5	67.2
North East Total	24.9	27.4	16.3	68.6
Jharkhand	30.1	23.3	14.5	67.9
Andhra Pradesh	30.8	20.8	9.3	60.9
Maharashtra	25.4	18.4	15.2	59.1
Rajasthan	34	16.6	9	59.5
Tamil Nadu	30.1	16.6	6.8	53.4
Gujarat	24.3	18.5	9.9	52.8
Jammu and Kashmir	17.3	19.3	15	51.6
Uttar Pradesh	22.8	17.1	11.9	51.8
Karnataka	18	17.2	14.4	49.6
Uttarakhand	14.6	14.4	15	44
Telangana	24.1	13.8	6.2	44.1
Haryana	22	11.6	6.3	39.8
Himachal Pradesh	8.1	12.4	12.7	33.3
Kerala	9	14.3	7.1	30.3
Punjab	19.1	4.7	1.4	25.2
UT Total	5.8	7.8	8.4	22
Goa	4.7	6.1	5.3	16.1

*Source: Estimated from SECC. For the Deprivation Parameter please refer Table1 and Table 2 above. "**Households Considered for Deprivation",** which is arrived at after excluding households based on 14 parameter of exclusion, and also excluding "automatically included households". * (C) Out of "**Households Considered for Deprivation** these households do not report deprivation across any of the 7 parameters, since parameters are not very comprehensive, but such households are nonetheless vulnerable. **Percentage of Household considered for Deprivation out of total rural household of the state.*

In Table 4 nearly 30 percent of rural households are facing deprivation across more than one of the seven parameters of deprivation. While 18 percent of rural households face deprivation in just one of the seven parameters of deprivation, another 11 percent of them do not report deprivation and yet do not come under 'automatically excluded households'.

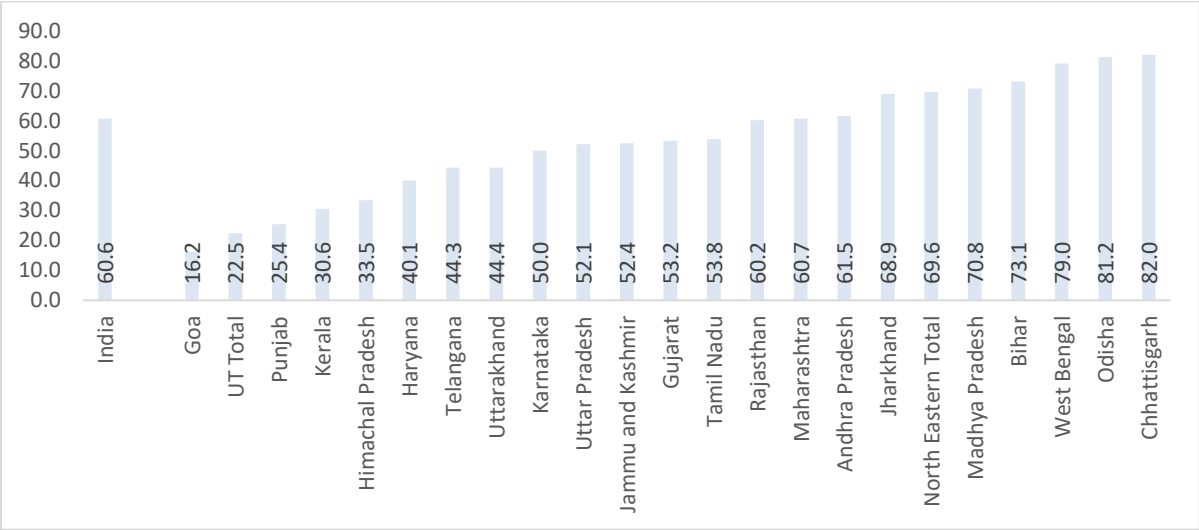
Overall nearly 60 percent of the rural household are deprived households. While nearly 80 percent of rural households of Chhattisgarh and Odisha are Deprived, in West Bengal and Bihar more than 70 percent of rural households are Deprived. However, in Kerala, 30 percent of rural households were deprived, while in Goa it was just 16 percent.

4.3 Overall Coverage of the Targeted Income Transfer

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 a MIG. However, census of India 2011 is also used later in the paper, to identify some other category of households, for income transfers.

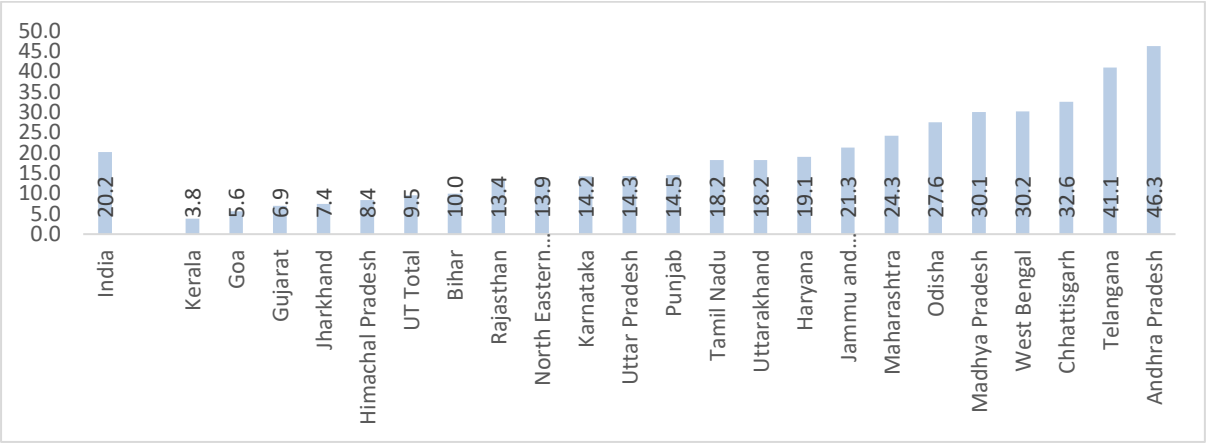
In urban areas coverage is limited to slum Households, and by SECC data, they are 20 percent of urban households of India. Slum households account for just 3 percent of urban households in Kerala, 5 percent in Goa, and 6 percent in Gujarat. However, in Andhra Pradesh and Telangana covering slum households would cover 46 and 41 percent of the urban households respectively; or more than 30 percent in Madhya Pradesh, Chhattisgarh and West Bengal.

Graph 2: Percentage of Rural Households considered for the Proposed Targeted Income Transfer



Source *SECC, Coverage: All households considered for Inclusion, which includes "Automatically Included Household" and "Households considered for Deprivation" Please refer Table 1 for parameters of inclusion of households in each of the category*

Graph 3: Percentage of Urban Households considered for the Proposed Targeted Income Transfer



Source: SECC, Coverage includes only Urban Slum Households, as per data availability; further identification of urban household groups for Targeted Income Transfers is also taken up later in the paper which is based on Census of India data.

4.4 Amount of Transfer to Households

After identifying proposed beneficiary households based on observable and verifiable characteristics of households, using SECC data of 2011, 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.

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

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 0.16 cr "Automatically Included Rural Households", and 5.37 cr "Rural Households with Multiple Deprivation", along with 1.31 cr Urban Slum households, since they are amongst the most vulnerable category of households. They are offered Rs. 8000, Rs. 6000 and Rs. 3000 respectively. The public expenditure in scenario A, amounts to Rs. 37430 cr. which constitutes 0.18 percent of GDP of India.

Table 5: Proposed Scheme of Cash Transfer

Category	Per. HH	HH (CR.)	Pay-out Per HH in RS.			Total Pay-out RS cr		
			A	B	C	A	B	C
HH Automatically Included	0.89	0.16	8000	8000	8000	1280	1280	1280
HH Multiple Deprivation	29.88	5.37	6000	6000	6000	32220	32220	32220
HH with one Deprivation	18.69	3.36	X	4000	4000	X	13440	13440
Rest of Deprived HH	11.18	2.01	X	X	3000	X	X	6030
Total Rural HH. Included	**60.64**	**10.9**						
Urban Slum HH. Included	**20.12**	**1.31**	3000	3000	3000	3930	3930	3930
Total Exp. in Rs cr .						37430	50870	56900
Per. GDP [2AE 19-20]						0.18	0.25	0.28

Source: Calculation based on SECC and MOSPI data; A, B, C are proposed scenario of Phase wise implementation of the proposed Targeted Income Transfer Scheme. GDP at Current Prices has been taken for Calculation. 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 percent of rural household and 20.12 percent of urban households, at the cost of 0.28 percent of GDP of India.

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 3.36 cr such households. This grading helps targeting based on priority sections of the population as well as fiscal feasibility. The cost incurred will be Rs. 50,870 cr, constituting 0.25 percent of India GDP.

Further, in Scenario C, we also suggest the addition of households with no deprivation reported as of now but not in the automatically excluded category. There are 2.01 cr 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 56900 cr per annum, which is 0.28 percent of GDP of India.

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 kind of exclusion errors. Each additional scenario suggests a higher cost per annum which is why we suggest that the government of India begins with scenario A and gradually move towards Scenario C. Also, the highest amount sought to be transferred is less than Rs. 60000 cr, which is the amount budgeted in FY21 for PM KISAN, and it is also on par with another government scheme, MGNREGA.

4.5 Financial Expenditure: Who pays – Centre or States?

In Table 06 below, expenditure to be incurred by states are presented. Further, two scenarios have been presented, both as a percentage of State Gross Domestic Product (GSDP). Under Scenario 1 (S1 in columns 4-6), state government incurs the entire expenditures of the MIG, while under scenario (S2 in columns 7-9), state governments absorb only 50% of the MIG, and the other half is borne by the central government. Table 6 (columns 1-3) present the total cost of Scenario Phase A, Scenario Phase B, and Scenario Phase C (Scenario Phase C being full implementation) for each state in Rs crore. The expenditure across each category of households for different scenarios has been explained in Table 05. The cost of the programme will not adversely affect financial health of any of the states.

Table 6: Cost to state as percentage of GSDP: when states run the programme on their own or with assistance from central government

	Total Cost in Rs cr.			S1: Per. Of GSDP (100)			S2:Per. Of GSDP (50%)		
	A	B	C	A	B	C	A	B	C
Uttar Pradesh	3893.9	5671.9	6601.6	0.14	0.22	0.26	0.07	0.11	0.13
West Bengal	4390.2	5872.9	6531.3	0.04	0.08	0.12	0.02	0.04	0.06
Bihar	4308.6	5851.4	6488.1	0.09	0.10	0.10	0.04	0.05	0.05
Maharashtra	2955.5	3975.0	4608.0	0.07	0.09	0.09	0.03	0.04	0.05
Madhya Pradesh	3584.6	4312.5	4565.2	0.77	1.05	1.16	0.39	0.52	0.58
Odisha	2457.1	3244.8	3604.5	0.37	0.50	0.55	0.19	0.25	0.28
Andhra Pradesh	2180.9	2958.3	3218.6	0.32	0.47	0.54	0.16	0.23	0.27
Rajasthan	2257.4	2935.1	3209.8	0.50	0.65	0.73	0.25	0.33	0.36
Tamil Nadu	2256.2	2925.5	3131.5	0.24	0.31	0.34	0.12	0.16	0.17
North Eastern Total	1381.0	2264.1	2658.9	0.08	0.11	0.12	0.04	0.05	0.06
Chhattisgarh	1508.0	1910.7	2039.7	0.12	0.16	0.19	0.06	0.08	0.10
Karnataka	1110.6	1665.5	2013.3	0.01	0.02	0.02	0.00	0.01	0.01
Gujarat	1134.0	1647.2	1852.7	0.25	0.34	0.37	0.13	0.17	0.19
Jharkhand	973.8	1444.8	1664.2	0.07	0.11	0.13	0.04	0.05	0.07
Telangana	1146.4	1457.4	1562.6	0.05	0.09	0.11	0.02	0.05	0.06
Kerala	367.3	728.2	862.4	0.14	0.18	0.19	0.07	0.09	0.09
Haryana	492.6	629.8	685.6	0.13	0.17	0.18	0.07	0.08	0.09
Punjab	458.8	519.7	533.1	0.07	0.10	0.13	0.03	0.05	0.06
Jammu and Kashmir	208.5	332.4	404.3	0.23	0.34	0.40	0.12	0.17	0.20
Uttarakhand	160.2	245.7	312.2	0.48	0.61	0.65	0.24	0.31	0.33
Himachal Pradesh	67.4	130.2	178.5	0.44	0.53	0.56	0.22	0.27	0.28
UT Total	90.2	132.2	165.8	0.26	0.42	0.50	0.13	0.21	0.25
Goa	7.7	13.1	16.6	0.01	0.02	0.02	0.01	0.01	0.01

Source: Calculation based on SECC and MOSPI Data; GSDP data pertains to the year 2018-19, except for the state of Maharashtra where GSDP data is of 2017-18. ***"S1: Percentage of GSDP"*** *is cost of Income transfer for Scenario A, Scenario B, Scenario C, as percentage of state GSDP, when states are fully funding the programme, without help from central government. "****S2:Percentage of GSDP"*** *is cost of Income transfer for Scenario A, Scenario B, Scenario C, as percentage of state GSDP, when state government are funding only 50 percent of the cost of the programme own its own and rest are taken care by central government. For the coverage of households under scenario A, B, C please refer the previous table. 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*

It is seen that total expenditure of the states will be highest for Uttar Pradesh, followed by West Bengal, and Bihar, under the various scenarios, as they are more populous states. While for Goa the cost of the programme even for full implementation under Scenario C would be just Rs. 16.6 cr, for Punjab it would be Rs. 519 cr, Uttarakhand Rs. 312 cr, and Himachal Pradesh Rs. 178 cr (All under Scenario C- full implementation of the programme).

On the basis of cost as percentage of GSDP, in the full implementation of programme (which is in scenario C), cost to Karnataka and Goa comes to just 0.01 percent of the GSDP, while for Madhya Pradesh it is 0.58 percentage of GSDP, when states bear only 50 percent of the programme cost. If states absorb the full cost of the programme the highest burden would be on state of Madhya Pradesh in Scenario C, in which case it would come to 1 percent of its GSDP.

In case, central government implements the scheme out of its own resources, in such case, state governments can supplement the central government scheme, by increasing the outlay per households across categories as per its fiscal capacity.

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

In this section, we present an alternative way of covering the additional urban poor, since in the earlier section only slum dwellers were covered as beneficiaries. Given the limitations of census data, the following new household categories have been identified, viz. Urban Homeless Households, Elderly Households, Differently Abled Households, and Female Headed Households.

In Table 7, 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 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, divorce, separated, or with female headed household that never married and above 50 years, they have been allocated Rs. 6000 per household per annum. In this additional category of households, a higher allocation of Rs.8000 and Rs. 6000 per households has been provided, which is higher than that provided to urban slum households.

Table 7: Additional Urban Beneficiary Households and Additional cost of Implementation of the Targeted Income Transfer

Additional Urban Beneficiary HH Category	% of HH (Urban)	No. of HH (CR)	Rs. Per HH	Total exp Rs. CR
Urban Houseless HH	0.4	0.03	8000	206
Elderly HH				
Single Elderly Male HH	0.4	0.03	6000	152
Single Elderly Female HH	1.0	0.07	6000	395
Elderly HH of 2 Members- Both over 60 years	1.5	0.10	8000	761
Elderly HH of 3 or 4 Members- All over 60 years	0.0	0.00	8000	28
Differently Abled HH				
HH with 1 Differently Abled Persons	6.0	0.39	6000	2354
HH with more than 1 Differently Abled Persons	1.4	0.09	8000	734
Female Headed HH				
Female Headed HH Widowed	9.4	0.61	6000	3688
Female Headed HH Divorced	0.4	0.02	6000	148
Female Headed HH Separated	0.1	0.01	6000	45
Female Headed HH Never Married (50Yrs or More)	0.2	0.01	6000	62
Additional Pay-out to Urban HH	20.84	1.36		8572
Additional Pay-out as Per. Of GDP [2AE 2019-20]				0.04

*Source: Data from Census of India and MOSPI. * Adjusted for assumed overlap with Slum Household and Non-Slum HH in 20:80 Ratio, Except for Homeless HH. GDP data is based on the Current Prices. There may be certain overlap between different categories of households. Also for consistency of analysis, Total Number of Urban Household from SECC has been used for calculating the coverage of the proposed scheme in this table, while the coverage as per decennial census data is also shown in the summary table later in the section.*

Given that the 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 percent of households so from each head 20 percent of households has been excluded while estimating the beneficiary for preventing overestimation.

The cost for targeting additional urban households comes to Rs. 8572 cr, which forms 0.04 percent of GDP of India at current prices. But in this cost an additional 20.84 percent of urban households, can be brought into the fold of targeted income transfers. This will be in addition of the 20.12 percent of the urban households already included above (slum households), thereby taking the effective coverage of the scheme in urban areas to 40 percent of total urban households. It is assumed that the category 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 rather just a starting point for implementation of the scheme, and eventually a minimum level of Rs. 6000 ought to be provided in due course.

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.

4.6 Suggestions for Additional Category of Rural households for Better Targeting for Income Transfer

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 exclusion, not just on one parameter. Since SECC gives exclusion based on fulfilling any one of the 14 parameters of exclusion, we believe that even exclusion should be based on multiple factors. For example, SECC data for example even excludes farmer households that possesses Kisan Credit Card (KCC) with limit above Rs.50,000, while the government launches saturation drive earlier this year to provide all PM KISAN beneficiary with KCC. In 2019, there were over 6.92 cr. live KCC as against 14.5 cr. operational landholdings. So excluding a household based on fulfilling one of any 14 parameters may lead to exclusion errors. In the following table, we have presented select category of households for holistic inclusion, households with differently abled members, ST households and SC households. However there may certainly be, particular well off households within each of the category that may be excluded based on fulfilling multiple deprivation parameters. However, since they are among automatically excluded households, the amount that to be transferred to these households are to be lower than those given to the household facing deprivation and vulnerability which has been considered earlier.

Table 8: Additional Rural Households included as beneficiaries of Income Transfer from Automatically Excluded Category of Households (Fulfilling any 14 Parameter of Exclusion)

Rural Excluded Beneficiary HH	% of HH (Rural)	No. of HH (Cr)	Rs. Per HH	Exp Rs.CR
Excluded Disabled Member HH	2.07	0.37	3000	1117
Excluded ST HH	2.36	0.42	3000	1274
Excluded SC HH	5.06	0.91	3000	2728
Total Additional Rural HH	9.50	1.71		5119
Exp. As Per. Of GDP [2AE 2019-20]				0.025

Source: SECC Percentage of household covered is as per SECC

In the above table excluded differently abled households, excluded Scheduled Tribe households, and excluded scheduled caste households are considered for targeted income transfer, as these groups also experience some level of socio-economic deprivation. An

overall additional 1.71 cr households constituting nearly 10 percent of the rural households, has been included in the scheme. The additional cost for including such rural households is just 0.025 percent of GDP (2019-20). This enables the coverage of 70 percent of the households (SECC) at the cost of 0.37 percent of GDP (2019-20)

4.7 Summary Coverage of the Targeted Income Transfer-MIG: SECC and Census

Table 09 summarizes the coverage of the scheme and the cost of the proposed scheme. The coverage has been shown both as per SECC and Census of India 2011. Rural and urban coverage and expenditure has also been shown separately.

Table 9: Summary Table: Beneficiary, Coverage and Expenditure on MIG

		Percentage of HH Covered		Maximum Expenditure Graded*		If Ungraded Uniform Rs. 6000 Per HH PA	
	HH No. (Cr)	% HH (SECC)	% HH (Census)	Exp. (Rs. Cr)	Exp. (GDP Pec.)	Exp. (Rs. Cr)	Exp. (GDP Pec.)
	Rural Household Covered						
Priority HH	10.9	60.6	64.9	52970	0.26	65400	0.32
Additional HH	1.71	9.5	10.2	5119	0.03	10260	0.05
Total Rural HH	12.61	**70.1**	**75.1**	56900	0.28	75660	0.37
	Urban Household Covered						
Priority HH	1.31	20.1	16.3	3930	0.02	7860	0.04
Additional HH	1.36	20.8	16.9	8572	0.04	8160	0.04
Total Urban HH	2.67	**41.0**	**33.3**	12502	0.06	16020	0.08
	Total Households Covered						
Total (R+U) Beneficiary HH	15.28	**62.4**	**61.5**	69402	**0.34**	91680	**0.45**

** Graded Expenditure will have transfer Rs. 8000 to Rs. 3000 to the identified households.*

The proposed scheme would cover just over 60 percent of all the households of India As per SECC, the proposed scheme is expected to cover 70 percent of rural households and around 40 percent of the urban households.

The cost of the proposed scheme for rural households for graded transfer will be Rs. 56,900 cr (0.28 percent of GDP); for disbursal of Rs 6000 per targeted households would cost Rs.75,660 cr (0.37 percent of GDP). For urban beneficiary households for graded transfer the cost will be Rs. 12, 502 cr (0.06 percent of GDP) and for disbursal of Rs 6000 per targeted households would cost Rs. 16020 cr (0.08 percent of GDP).

Public expenditure as per the graded and differential payment would be less than Rs. 70 000 crore (or 0.34 percent of GDP). We prefer graded targeted income transfer to ensure equity, and minimum amount guaranteed ought to be proportional to the deprivation suffered. However, that if we were to have an annual flat payment of Rs 6000 to every household, the cost of the programme would be around Rs. 91 000 crore (0.45 percent of GDP).

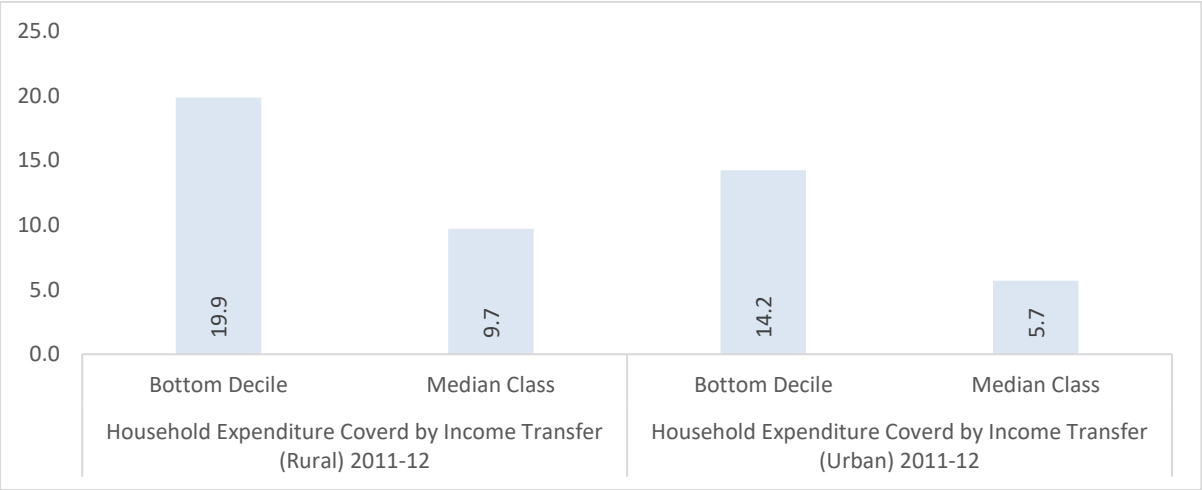
Although our estimates are adjusted for overlap with slum and non-slum households, the Census 2011 data would allow the government to identify the actual households, since the Registrar General of India would be able to share the details of households (even if they are not public to us). However, given the time that has elapsed between both SECC and Census 2011, there will need to be ground truthing of the beneficiary list; otherwise, exclusion and inclusion errors will be serious.

4.8 Benefits received as a share of household's consumption expenditure

In Figure 04 shown below, Income transfer of Rs. 6000 per annum per household (assuming household size of 5 members) is equivalent to 20 percent of household annual expenditure of the bottom decile among rural household. In urban areas the same amount would be 14 percent of annual expenditure of the bottom decile among urban households (in 2011-12, the last year for which NSS consumption data is available). Since our major focus is on the bottom 50 percent of households, the median expenditure of households is also examined to understand the impact on household expenditure. Rs. 6000 transfer would be nearly 10 percent of the expenditure of median rural household and just over 5 percent for the median urban households.

This is similar to estimates by Ghatak and Muralidharan, (2019), where IGD would be supplementing monthly consumption by 10% or more for the bottom 30 percent of rural population, and by at least 8% for the bottom 50 percent of rural population.

Graph 4: Proposed Income Transfer as a share of Household Annual Expenditure



Source: Household Consumer Expenditure Survey of NSS 68th Round, MPCE (URP). Notes: MPCE of the bottom decile was Rs. 503 in rural, and Rs. 702 in urban areas. In rural India, half the population belonged to households with MPCE below Rs.1030 (median value). In urban areas, half the population belonged to households with MPCE below Rs. 1759 (median value). For Household expenditure a family size of 5 has been considered. A transfer of Rs.6000 per household per annum is the basis for estimation.

As per Rangarajan Committee, poverty level (2011-12) is fixed at monthly per capita consumption expenditure of Rs. 972 in rural areas and Rs.1,407 in urban areas; so, a household of 5 members would have a monthly consumption expenditure of Rs.4,860 in rural areas and Rs.7,035 in urban. Thus, the transfer of Rs. 8000 to Rs 3000 for each targeted households or even Rs. 6000 at a uniform rate would make a positive contribution to the wellbeing of underprivileged households.

The per capita benefit comes to just Rs.100 per household member per month (assuming Rs. 6000 annual transfer and family size of 5 members).[12] Also, any future allocation can also 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).

5. 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 Bank Transfer directly to the beneficiary account, vetted by Aadhar authentication and updated on the real time basis to the beneficiary mobile number. However, our proposed transfer (Rs. 8000-Rs 3000) to beneficiary household is very nominal, so as to preclude any adverse effect on labour force participation or incentive to work. Similarly, our proposal is very different from Nyay, whose proposed transfer of Rs. 75000 per annum per household (to 20% of households) was so large that it would significantly alter the motivation for work, choice of work and work participation. Secondly a high level of transfer to households would likely strain the social fabric, dividing society into those 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.

Ghatak (2016) proposes an annual transfer of Rs. 13,432 to every adult so that everyone's income is at least above the poverty line. Bardhan (2016) proposes a universal inflation-indexed transfer of Rs 10,000 per annum, which is 75% of the poverty line (2014–15) to every individuals. Subramanian (2019) proposes a transfer of Rs. 18000 per household that is one-third of current consumption of poorest 40% households, while Banerjee (2016) proposes Rs. 13,000 universal transfer to all adults.

Many of the proposals of UBI as shown in Table 10 require a 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 very large, as in the case of our proposal) instead of a universal scheme, thereby saving cost and restricting income transfers to well-off.

[12] This is also close to the per head outlay of cash transfer proposed by Ghatak & Muralidharan (2019) of Rs. 111 per month.

Table 10: Summary of Various UBI and Targeted Income Transfer Proposals

Proposers	Annual Transfer	Target Group	GDP Per.	Financing: Select Roll Back of Non Merit Subsidy & Inefficient Schemes
Eco. Survey (2017)	Rs. 7620	Households: Bottom 75%	4.90%	Social Sector Schemes: 2.07% GDP Middle-Class Subsidies:1.05% GDP Select Schemes: 1.38% GDP
Bardhan (2016)	Rs 10000	Individual Universal	10%	'Non-Merit' Subsidy: 9% GDP Corporate Tax: Holidays & Exemptions: 3% GDP
Ghatak (2016)	Rs 13432	All Adults	11%	Subsidies to Non Poor: 9% GDP Raise Additional Taxes
Ray (2016)	Rs 10000–Rs 13000	Individual Universal	9-12%	Commit a Budget: 9-12% of GDP
Banerjee (2016)	Rs. 13000	All Adults	11%	Replacement of Welfare Schemes: PDS, MGNREGA
Reetika Khera (2016)	Pensions Rs. 12000 Maternity Rs.600	Elderly, Widow, Disabled, Pregnant Women	1.50%	Budget Outlay
Joshi (2016)	Rs 3,500	Individual/ Family Universal	3.50%	Non-Merit &Food Subsidy: 8.5% GDP Tax Exemptions: 1.5% of GDP Privatization of PSU: 1% of GDP Social Welfare Schemes: 0.5% GDP
Subramanian (2019)	Rs. 18000	Rural Households: Poorest 75%	1.3%	Joint Scheme: Centre-State Centre : Agricultural Subsidy State: Power & Water Subsidy
Ghatak & Muralidharan (2019)	Rs. 1320	Individual Universal	Rs. 1.9 Lk Cr	Inclusive Growth Dividend (IGD) 1% of GDP Per Capita
NYAY (2019)	Upto Rs. 72000	Households: Poorest 20%	1.9%	Joint Scheme: Centre-State Revenues & Exp. Rationalization
PM KISAN (2019)	Rs. 6000	Family: All landholding Farmers	Rs. 60000 Cr	Budget Outlay
Minimum Income Guarantee	**Rs.3000-Rs.8000 (Rs.6000)***	**70% Rural HH & 40% Urban HH**	**0.34% - 0.45%***	**Increasing Tax-GDP Ratio (Phased &, Targeted Implementation, Graded & Ungraded Income Transfer**

Source: Compilations; Khosla, S. (2018); Gentilini, U., Grosh, M., Rigolini, J., & Yemtsov, R. (2019).

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 a 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 the fiscal deficit. For feasibility, the cost of MIG (Rs. 69,402 cr) is comparable to the cost of other flagship programmes. The Budgetary outlay (2020-21) for Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) is Rs. 61500 cr while for PM KISAN is Rs. 60000 cr. With respect to subsidies (Budget 2020-21), food subsidy amounts to Rs. 1,15,570 cr, and the fertilizer subsidy amounts to Rs. 71,309 cr. Thus we see that even our proposal of graded MIG which is Rs. 69402 cr is in line with the expenses on major schemes and subsidies.

In order to have an optimal coverage of the scheme, a reference has been taken from National Food Security Act (NFSA 2013), which entitles upto 75 percent of rural populations and 50 percent of urban population to obtain subsidized food grains under Targeted Public Distribution System (TPDS). It effectively covers two third of the population of India. Secondly, MIG has also been constructed with reference to Pradhan Mantri Jan Arogya Yojana (PM-JAY), which covers 8.03 cr households in the rural areas (44.6%) and 2.33 cr households in the urban areas (35.7%). Its overall coverage is 10.74 cr households of India (43.8%) based on the deprivation and occupational criteria of the SECC 2011.

Suppose a Graded MIG (that we propose) was to replace PMKISAN (Budget Rs. 60000 cr), the incremental cost in the graded transfer would be less than Rs. 10,000 cr, and for the Uniform MIG, the additional cost would be just around Rs. 30000 cr. The additional expenditure in our proposal is more than justified because the MIG is intended to cover a total of 13.28 households (12.61 cr rural, 2.67 cr urban), which is more than the families covered under PM KISAN.[13]

PM KISAN now extends to all land holding eligible farmer families, because the earlier ceiling of the PM KISAN was removed, by including all families that owned any size of landholding. However, in 2019-20 only 8.5 cr families (or 58% of all landowning farmer families) should have received the benefit.[14] The Rs. 60000 cr allocation for FY20-21 would expect to benefit 10 cr landowning farmer families (Rs 6000 x 10 cr).

Our proposal covers more households of India – 13.28 cr – as opposed to 10 cr covered by PM KISAN, while leaving out at most 5 per cent of the 10 cr that might eventually become PMKISAN beneficiaries. This 5 per cent will consist of the farmers that in 2019-20 were never covered in any case because the government of India first had a ceiling of landholding size of 2 hectares per family (which was eliminated in June 2020 by a cabinet decision).

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[13] PM KISAN's design is, we believe, flawed as it uses 'families' as beneficiaries, as identified in the Agricultural Census of India. There are likely to be more than one 'family' within one 'household', on account of the natural sub-division of plots among siblings over time. As a result, PM KISAN is doubly iniquitous: one, because it will benefit potentially two landowning families within a household; two, because it excludes non-landowners ab initio. This design element actually doubles the number of beneficiaries among landowning households.

[14] The demand for grant by Department of Agriculture, Cooperation and Farmers' Welfare for PM KISAN Budget for 2020-2021 was estimated at Rs. 75000 cr. However, in 2019-20 the government was way short of the disbursement target of Rs. 60000 cr, so even the budget outlay for 2020-21 was further trimmed to 60000 cr.

Further, PM KISAN leaves out the majority of agricultural non landholding workers, as we noted in an earlier section. Based on Census of India, of the main agricultural workers of 182.1 million, main cultivator worker were 53 percent, while the main agricultural labourers were 47 percent**.** In the case of marginal agricultural workers of 81 million, marginal agricultural cultivators were only 28 percent while total 81 million agricultural workers (main and marginal), only 45 percent are cultivators while 55 percent were agricultural labourers. Thus, PM KISAN is much more exclusionary and leaves out the landless and agricultural workers.

6. 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 post-lockdown (including migrants). As unemployment is at its highest ever, the chances of finding jobs for the unemployed will be difficult when the economy begins recovery. We are witnessing salary cuts across segments and even if one may find jobs, they may be compelled to take up jobs 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 fact it is a violation of the social contract (we discussed earlier in the paper) between the State and its Citizens.

There is evident need for some cash based transfer as the existing mechanism has failed in addressing challenge of meeting basic 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, like the COVID-19 shock. We propose visible and verifiable criteria for targeting beneficiaries in a graded and gradual manner to avoid any errors in inclusion or exclusion. We propose that the MIG covers 62.4 percent of the household of India. It covers 70 percent of rural, and 40 percent of urban households as per SECC. The cost of the proposed MIG at graded transfer to households would be Rs 69,402 cr, or 0.34 percent of India's GDP (2019-20). 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, thus giving the states flexibility and autonomy.

Our proposal avoids the narrow coverage of PM-KISAN scheme. Thus, if our proposed MIG (70 percent rural and 40 percent urban coverage, SECC) at a cost of Rs 69402 crore was to replace PM KISAN (budget Rs. 60000 cr), incremental expenditure would be just Rs. 9,402 cr. If MIG focuses only on priority households (60 percent rural and 20 percent urban coverage at cost of 56,900 cr), there is no additional expense to be undertaken. Also, soon a new census exercise will be carried out, and the scheme can be harmonised with new data to avoid exclusion and inclusion error, with special emphasis on migrant households. Additionally, the amount transferred should ideally be in the bank account of the female head

of households for which the existing JAM trinity (Jan Dhan Aadhar & Mobile) can be leveraged, which would enhance the woman's autonomy in the household.

We also agree that non-merit subsidies must be reduced, but until that happens, the probability of a UBI that so many economists have been advocating remains remote. Income transfers must be supplementary and not substitutes of existing programmes, while the government tries to reduce non-merit subsidies, in which it has had some success (though limited to liquid petroleum gas subsidies). Until India can move to more universal transfers, income transfers should be seen as buffers for the extremely poor or those who are on the verge of falling back into the poverty trap.

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 households against exogenous shocks (like COVID -19) that may befall our most vulnerable.

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