



drishti

Targeting Whom: The Challenges in the Welfare Programme

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This editorial is based on the article "[The targeting challenge in India's welfare program](#)" which appeared in "Livemint" on 8th May, 2019. The article talks about the problems of targeting in welfare measures to the beneficiaries.

Why in News?

With an increasing focus on welfare based schemes by different governments, one pertinent question remains in Indian welfare -discourse that who should be targeted?

How it is done presently?

- Most of these initiatives depend on either land records — which are often patchy — or on a dated database based on 2011 numbers: the Socio-Economic Caste Census (SECC).
- The SECC is also being used in other central schemes such as the Ayushman Bharat and Pradhan Mantri Awas Yojana to identify beneficiaries.

What is the problem with SECC?

- **Discrepancies in the set of data:** A district-wise comparison with data from the last census conducted in 2011 and numbers from the more recent National Family Health Survey (NFHS 2015-16) suggest that while there are some common patterns in all three databases, there are considerable differences when it comes to identification of the most backward districts.
- **The SECC was conducted to replace the old below-poverty-line (BPL) lists** to identify the potential beneficiaries of government schemes better. As a result, it is likely that the SECC overestimates deprivation, at least in some parts of the country.
 - Respondents had a **vested interest to overstate the extent of their deprivation** in order to be identified as beneficiaries of welfare schemes.
 - Errors in enumeration may have led to **under-counting of the poorest**

sections. Further, with regard to the caste information, there were 81 million errors reported, that are still being rectified.

- The other challenge in using the SECC database is that it is already **eight years old** in an economy which is transforming fast, and where some people have climbed up the income ladder while others have fallen down.

This means that a SECC-type exercise needs to be repeated at frequent intervals to ensure that it matches current reality. But the more the database is mined for such use, the greater the chances of reporting biases creeping in, as people learn how to game the database to remain within the 'right' cutoff limits.

The problem with the targeted approach

SECC, in principle, remains a **targeted approach** for welfare delivery mechanism. There are various problems attached with targeted mechanism, some of which are enlisted as follows:

- Targeted programs **create tensions** between those who are excluded—some of whom may be among the poor but “missed” by targeting schemes—and the beneficiaries.
- Many scholars have pointed out the tendency of politicians to **abuse targeted programs** by converting them into instruments of patronage.
- Additionally, most of the benefits meant for **end-up being elite captured**. As, Amartya Sen points out, “benefits that go only to the poor often end up being poor benefits.”

Should welfare benefits be universalized?

There is evidence that, because of the burdens placed on state administrations, **universal benefits are sometimes cheaper than targeting**.

- Sewa-INBI took up two types of villages in Madhya Pradesh for their pilot, one was a normal Indian village while the second was only inhabited by tribals. Sewa-INBI took up two types of villages in Madhya Pradesh for their pilot, one was a normal Indian village while the second was only inhabited by tribals.
- In each case, a set of 'control' villages was identified where no UBI was given while the other set got a UBI for 12 to 17 months. Over 6,000 people got the UBI of Rs. 200 per adult and Rs. 100 per child; after a year, this was raised to Rs. 300 and Rs. 150—respectively—in the normal villages. In the tribal villages, the sum was kept at Rs. 300 and Rs. 150 in the 12-month period.

In this experiment, it was found that, on many parameters, conditions of inhabitant of UBI controlled villages improved.

- However, there are many **problems associated with universal targeting, like**
 - **Conspicuous spending:** Households, especially male members, may spend this

additional income on wasteful activities.

- **Moral hazard (reduction in labour supply):** A minimum guaranteed income might make people lazy and opt out of the labour market.
- **Gender disparity induced by cash:** Gender norms may regulate the sharing of UBI within a household – men are likely to exercise control over spending of the UBI. This may not always be the case with other in-kind transfers.

Basic Public Goods/Services V/S Social Protection

Of the two **principal components of social welfare policy—basic public goods (especially public services) and social protection**—India has focused on the latter in the last two decades, expanding existing social protection programs and creating new ones.

This is the case even when benefits from basic public good approach can outweigh the benefits of social protection as can be seen in the following case study.

A policy debate design challenge: a case of PMGSY

Analysis of the social impact of PMGSY:

Long term impact

- The growth rate in FDI investment in tier II and tier III cities in India is 79% as compared to 21% in metropolitan cities. Evidently, these cities are growing at very fast rate. In such situations, role of PMGSY gains further importance. As these cities will grow, it will need more labours, the demand of which can be fulfilled by peripheral village if the connectivity is better. In such a case, PMGSY will provide the much-needed linkage.
- PMGSY will expand access to economic opportunities, which can have implications on other important economic decisions such as investment in human capital, occupation choice, and migration.
- Road construction can engender social transformation by bringing about changes in access to services such as schools and hospitals. In the long run, road connectivity can also improve access to modern practices and ideas by bringing remote locations closer to the mainstream.

Short term

- Farmers in districts with greater exposure to the road construction programme were more likely to use fertilisers and hybrid seeds, which in turn increase productivity. Further, the construction of roads enabled farmers to fetch a better price for their produce. In addition to this, the presence of a road increased the collateral value of the land itself, relieving farmers' credit constraints and enabling them to buy expensive inputs.

- Road construction also improved access of rural inhabitants to job opportunities in nearby markets. However, this had some unintended consequences. Specifically, teenagers dropped out of school and started working in construction sites in case of boy and in tailoring in case of girl.
- The consumption of perishable good and manufactured goods increased in the village which is better connected with roads. The trade also increased between two connected centres.

On this premise, it can be argued that the basic public goods approach is equally important and better placed at alleviating poverty.

Way Forward

- Most developing countries in the world rely on proxy-means tests—based on directly verifiable and observable information on household assets or amenities (such as roof and wall material) rather than on self-reported incomes—to classify and target households. This can be developed in an ecological context tailoring it to the Indian context.
- To overcome the shortcoming at national level in centrally sponsored schemes, SECC data can be used at a state-level using state-specific criteria, as being done with the PDS in many states.

Drishti Input:

Indian welfare policy making scheme is more focused towards social protection rather than towards capacity building. Comment.