

Targeting to the 'Poor': Clogged Pipes and Bureaucratic Blinkers

RENANA JHABVALA, GUY STANDING

Drawing on a household and village-level community survey of social income, this paper offers a critique of the widespread use of targeting in Indian social policy primarily through the use of the below poverty line card system, to include or exclude groups from access to subsidised goods and sometimes to public works. It argues that targeting is inefficient and inequitable. In India, this situation is largely an outcome of the bureaucratic raj, which has created a vast system of clogged pipes. While successive governments have dismantled state controls and interventions for the private sector, delivery of services, especially to the poor, is still firmly controlled by the same bureaucratic system, with its attendant problems. Given the limitations of targeting, the principle of universalism is worth considering as an alternative.

Although India has a very impressive economic growth record over the past two decades, it does not have the same achievements in implementing social policies that could reduce poverty, income insecurity and income inequality. The reality is that the number of people classified as *poor* has barely declined, in spite of the fact that the number is calculated by using a very meagre poverty line, which the Planning Commission itself has described as “much too low” (2007: 128). From about 32 crore people in 1993-94, the number may have fallen to 30.1 crore by 2004-05, according to the Eleventh Plan.

Drawing on a household and village-level community survey of social income conducted in 2008 (Standing et al 2010), this article offers a critique of the widespread use of targeting in Indian social policy, primarily through the use of the below poverty line (BPL) card system. Many schemes, at state and central levels make use of such targeting, combined with a complex set of selectivity criteria, by which groups are identified as the deserving poor or excluded from entitlement to targeted benefits of one kind or another, mostly in the form of subsidised goods but also in terms of access to public works.

In international debates on social protection, targeting is one of four key notions currently in vogue. *Targeting* usually means directing benefits to those deemed as in need and regarded as “deserving” of help. By *selectivity*, commentators usually mean directing benefits to a specified group, such as those belonging to a particular caste, whose members are expected to be in greatest need of assistance. The National Old Age Pension Scheme (NOAPS) is just one example of this.

By *universal*, what is usually meant is that the entire population is entitled, or all citizens or all residents; this conveys a sense of a *right*. Finally, by *conditionality*, what is usually meant is that potential recipients must conform to a specified list of behavioural conditions.¹ We will not deal with conditionality in this paper. However, it is currently popular in Indian policymaking circles, ironically just as those who had put faith in conditionality elsewhere have been coming to appreciate its limitations.

Several valuable articles on cash transfers recently in the *Economic & Political Weekly* all notably accepted the desirability of targeting and selectivity (for example, Kapur, Mukhopadhyay and Subramaniam 2008). The major claim of this paper is that the failure of social policy is largely due to reliance on a complex mix of targeting and selectivity mechanisms, which together have created a sprawling and hugely expensive “clogged pipes” system that cannot be unblocked by tinkering reforms.

Renana Jhabvala (renanaj@vsnl.com) is with SEWA Bharat and Guy Standing (guystanding@standingnet.com) is at the University of Bath.

What Targeting Means

Internationally, the main means by which social assistance, or poverty alleviation, has been targeted is by identifying those whose income falls below some designated subsistence level, although sometimes it has been done by identifying those whose assets, or wealth, are below some threshold level.

In India, as elsewhere, the conventional argument made in favour of targeting is deceptively simple, and is roughly as follows. India is a “poor” country, and cannot “afford” a comprehensive social protection system, so it must concentrate its limited resources on those most in need. Therefore, it must target the poorest, providing a “safety net” for those in need who are “deserving” of assistance. Every point in that sequence of reasoning should prompt awkward questions. Nevertheless, targeting has been part of the Washington Consensus policies, and as such, conventional wisdom, for the past two decades.

In India, the first systematic national attempt at targeting was in 1992 during the Eighth Plan, when income was used as a criterion for identifying families BPL and a nation-wide survey was undertaken to identify them. Ever since, targeting has been accepted practice, and has mirrored international practice. As one early review (Besley and Kanbur 1990: 2) put it,

Indeed, targeting has become a panacea in the area of poverty alleviation, whence it is suggested that policymakers can have their cake and eat it too – improved targeting means that more poverty alleviation could be achieved with less expenditure!

As such, targeting has been hailed as being cost-effective, even though it has not had much, if any redistributive effect (Rothstein 2001), nor is there much evidence as to its effectiveness in removing poverty.

Targeting does raise some larger issues. It is a moot point whether it is consistent with the commitments made in the Indian Constitution. At Independence, the country adopted the goal of social insurance. In Article 41 of the Constitution of India, it is asserted that:

[T]he State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement and in other cases of undeserved want.

While the optimistic rhetorical commitment has never been translated into reality, we suggest that targeting seems to go against the grain of the Constitution. That aside, definitionally, targeting requires the authorities to identify those deemed to have an inadequate income, which requires complex, time-consuming and expensive household surveys in order to apply the so-called “means test”. The problems start with the difficulties of identifying what is covered by income, and with measuring non-money components of income. Then there is the problem of variability of income. This is particularly great among lower-income earners outside salaried employment. Most of the self-employed and those doing flexible or informal contract or wage labour have highly variable incomes.

This is the situation of most Indian workers. They are not alone. Rather than generating a gradual shift to regular, salaried employment, globalisation has been creating a growing *precariat* (the growing class of “precariously” employed “proletariat”). If their income is assessed in one week, it may be dramatically

different in another week. But the BPL system relies on classifying someone as poor or not poor on a survey carried out every few years. In the survey discussed later, we asked respondents whether their income had risen, fallen or stayed the same over the previous year. A majority said it had changed. There is nothing particularly surprising about that, but policymakers who rely on poverty lines implicitly presume that incomes do not change.

A literature exists on these issues, and we will not try to summarise the findings here. Bear in mind that an ostensible principle of targeting is that a benefit is provided today to someone who is in poverty today. But when were the data identifying the person as poor collected? More often than not, they will have been collected two or three years earlier, and these will be used to classify someone as poor or not-poor for several more years. So, today someone may be treated as poor or non-poor according to what somebody measured them as being one week five years ago. This would only conceivably make sense in a static social landscape, which is quite unlike the India of the 21st century.

Because of the widely observed failings of means testing, there have been attempts to develop what is called proxy means testing, whereby visible indicators of poverty or wealth, such as housing quality, are used that are supposed to be highly correlated with income poverty. This methodology began in Chile in 1980, and since that time it has been tried out in about 80 countries. The trouble is that it is subject to very large type 1 and type 2 errors (described in greater detail below), and is costly to administer. Even sophisticated statistical models identify the poor only about 50% of the time. And it also generates immoral hazards, i.e., acts of deception induced by a perception of unfairness or arbitrariness. For instance, if people find out (as they should) that possession of a particular good would remove them from entitlement to benefits, they would be likely to do without that particular good or conceal it or conceal the true ownership of it. And, finally, collecting the information would take time, and thus refer to some distant past rather than a reality today.

So far, we have considered targeting as based on means tests and proxy means tests. Policymakers in India and elsewhere also use geographical targeting, whereby they identify areas where incomes are generally low and then allocate benefits to all those living there or to those identified as poor living there. This method is particularly crude, although it has the administrative advantage of being relatively easy to implement. It leads to horizontal inequality, whereby the poor in one area benefit more than the equally poor in another. And anybody who is poor in a non-poor area is excluded.

Then there is categorical targeting, i.e., giving state benefits or services just to those identified as poor who also fit into some social category. A topical Indian example is to target benefits to low-income families with up to two children; those having more than two are excluded, in order to discourage high fertility. This is clearly unfair on third children, who will have done nothing to deserve to be malnourished compared to other children. Although there is no evidence that such targeting has resulted in lower fertility, if the financial incentive were to have the effect intended by the design of the targeting mechanism, then it would encourage unsavoury attitudes and behaviour.²

Then think of another currently popular form of categorical targeting, using the rule that “a single woman who has been deserted” should automatically be counted as someone who should receive the BPL card and thus receive state benefits. This requires that a woman declare herself as “deserted”, or find an authority to declare her as “deserted”, which many women would be ashamed to do. It would also leave out many women who may not be deserted technically but who are not supported by their husbands. And this sort of policy can encourage several immoral hazards, even if one can only speculate on them in the absence of empirical research, such as feigning desertion or bribing officials to accept a claim to being deserted.

Finally, there is a peculiar notion of self-targeting. Bear in mind that it is the intention of policymakers that should be subject to scrutiny here. Essentially, the intention is to deter those not in financial need from applying for benefits, and to do this, the idea is to make people come forward to declare and display their poverty. This could only work if the display was stigmatising, even traumatising. But if this is the intention, it implies that humiliation is a deliberate part of social policy.

One does not dispute that in India, many groups want to have themselves declared poor. Many castes have lobbied intensively to be declared as “backward”, and there have been many violent agitations because a caste has not been declared poor and backward. In India, self-targeting is mainly in schemes involving manual labour, the conventional argument being that only those who need it will undertake such hard labour.

In the remainder of this article, we will focus on aspects and outcomes of targeting and selectivity in general, rather than one particular form of either. We believe the criticisms apply to a greater or lesser extent to all forms of targeting, and that the main outcome has been one of clogged pipes, by which those in need in India see far less benefit than they should.

General Criticisms of Targeting

One argument made in favour of targeting is that social benefits, in money or in services, are only a boost to consumption expenditure, and that they crowd out investment and lower economic growth. This is at best unproven, and probably wrong, as the World Bank has recently accepted. Social and economic spending blur into one another. Better nourished children make for students who learn better and who go on to make more productive citizens and workers; healthier people not only reduce the demands on the healthcare system but also foster economic growth.

Targeting schemes are invariably costly to administer. There are high administrative costs and high transaction costs imposed on those contemplating applying for a benefit. It is also stigmatising, since the person must display his or her poverty. This contributes to what is almost always a low take-up rate, even in the most developed welfare states.

The low take-up rate is part of what is described as type 1 error, i.e., that some of the intended beneficiaries do not receive the benefit. There are many reasons for a high type 1 error, including ignorance, fear, stigma, inability of the intended recipient to afford to apply for benefits, bureaucratic inefficiency, and unintended or blatant discrimination. In addition, there is

type 2 error, i.e., the tendency for a targeted scheme to include some of those for whom, under the design criteria, it is not intended. This is usually much higher than policy designers or commentators envisage.

Targeting schemes usually also entail what are usually called “poverty traps”. If a person is receiving a state benefit only because he or she is poor, then there is a disincentive to try to become non-poor, because the person would risk losing the entitlement to the benefit. In economic parlance, this is the equivalent of a very high marginal rate of taxation. This is a classic moral hazard. For a group of people on the margin, it actually pays not to work harder or to earn more by such work. But in addition, there is an immoral hazard, since the prospect of losing benefits means that the recipient will have an incentive to conceal the extra income or the earning activity that he or she is actually engaged in. Only a very naïve policymaker would think there is no moral hazard behaviour or imagine that their fellow citizens would not indulge in immoral hazard behaviour. If we were honest, we would admit that we would probably do the same if we were in the beneficiary’s position.

Targeting in India Today

It should be evident that the design of the social protection system should respect the prevailing character of economic insecurity. In an industrial society, with a vast majority having stable full-time employment with contracts and union-backed collective bargaining, one could make a reasonably good estimate of which groups were in need, and which not. This is not India today, and it will not be India in the future. In a globalising, open economy, more and more people will be subject to economic shocks and have to put up with systemic uncertainty, against which they will be unable to insure properly. Many more will be vulnerable to sudden declines in income. Targeting is, at best, only suitable for a situation of relative stability, an unchanging social structure and landscape, which is not the case in India today or likely to be the case in the foreseeable future.

In India, the base of the state benefit system in most parts of the country is the ration card, consisting of the BPL and above poverty line (APL) cards, although there is also the BPL ultra-poor card (Antyodaya). The central government determines the criteria for defining the poor and ultra-poor through the National Sample Survey (NSS) surveys, which are conducted from time to time. The central government provides each state with an amount of funds based on the estimated percentage of the population qualifying for BPL cards. Then the state governments try to keep the number of BPL card holders at no more than the number specified by the central government.

There have been many attempts at nationwide targeting since the 1980s; however each attempt revealed the limits of targeting and left out a very large number of families who needed help, while bringing in many more that could have done without it. The first large-scale BPL survey was undertaken in 1992, with family income being the sole criterion. This created many problems since it was very hard to measure income, while family size was not taken into account, so that many large families were excluded and small ones included.

The next nationwide survey, in 1997, attempted to correct the earlier problems. It dropped the income criteria and was conducted in two stages. The first had five criteria by which to exclude the better-off, such as possessing two hectares or more of land or possessing valuable assets. The second stage involved measuring the value of family consumption through interviews. Again, this was all very complex and time-consuming.

The next major survey, in 2002, adopted 13 socio-economic criteria for well-being, with a fancy score-based ranking carried out by the states. This method too proved to be problematic. An expert group of the Ministry of Rural Development (2009) later concluded from the 61st round of the NSS (2004-05) that 61% of households that were BPL on the basis of consumption figures were excluded from the BPL lists, and only 5% of the very poorest for whom the Antyodaya card was intended actually had them. In sum, the practical problems of identifying criteria for determining the poverty status of families have a record that should make it hard to have much faith in the whole process.

Implementation of the scheme has also been far from perfect (Mehrotra and Mander 2009). Some states, especially in the south of the country, contend that they have many more people living below the BPL than shown by the NSS survey, and hence issue more BPL cards. As for the APL card, many people remain confused about whether or not they are entitled to it, and about what it offers. In many states, the APL cards are of two types. One is the "poor" APL and the other an "ordinary" APL. The "poor" APL card holders have to obtain a stamp on their card stating that their annual income is below Rs 1,00,000. An APL card holder with a stamp has entitlement to public distribution system (PDS) benefits; one without a stamp does not. The cards are also used for other purposes. For instance, in some states, they are being used as proof of residence, to obtain gas connections and credit cards, and as proof of Indian citizenship and state residence in the context of sons-of-the-soil movements. When thinking of reforming the BPL system, one should not forget the APL system, which is possibly as important.

Nevertheless, it is usually the BPL card and the PDS that are most scrutinised. The evidence on both is not encouraging. A survey of the subsidised food distribution system found that the beneficiaries were primarily from the middle class, due to their relatively strong social position and clientelism (Farrington et al 2006). Another survey study found that the poorest and most vulnerable households found it particularly hard to be included on the BPL lists (Hirway 2003). Recently, the Planning Commission (2005) estimated that only 27% of the central government expenditure on the PDS reached low-income groups. In a speech to the National Development Council in New Delhi in December 2007, the finance minister described the PDS as becoming "an albatross around our neck and an opportunity for rent seekers to enrich themselves". Subsidies are almost certain to produce the clogged pipes that are the bane of Indian social policy. By contrast, direct cash transfers could allow people to purchase food more effectively than the complex PDS system.³

These secondary findings are not encouraging. Now let us turn to the actual process of targeting as it works out in practice in India, armed with the image of a pipe in which the central and

state governments pour money, ostensibly intended to alleviate income poverty and to enhance living standards of those deemed to be the poorest in the country.

Awareness of and Application for State Benefits

There are six stages in obtaining any targeted state benefits – awareness of their existence, self-identification of being in need of assistance, self-identification of being entitled to particular benefits, application for the benefit, receipt of the means of obtaining the benefit (a card), and actual access to and use of the benefit. If one imagines the process of succeeding at each stage having a probability of less than one, we may begin to imagine how low the probability must be of passing through the whole process successfully.

In 2008, with colleagues, we conducted a household and community survey in Gujarat, covering 1,500 households and key informants from Ahmedabad city and 47 villages of Surendranagar district, which focused on all aspects of social income and economic insecurity, including access to state benefits. In the course of this survey, respondents were asked about their awareness of the existence of BPL ration cards. Nearly one in every five people was unaware of their existence. As for awareness of targeted selective government schemes, we asked people if they were aware of any government schemes for the poor, and in response, a large number of schemes were mentioned – 38 in total, in most cases known to only a few. But knowledge of what they entailed or whether or not respondents thought they were entitled to them was very rare.⁴

Of those aware of the BPL card, 81.7% thought they might qualify for it, and more of those who had experienced a decline in their income over the past year thought so. Given the actual number with a BPL card, that was obviously wishful thinking on the part of many people. However, it is notable that one in five respondents from the scheduled castes (SCs) thought they would not qualify, 7% of scheduled tribe (ST) members and about 15% of Other Backward Classes (OBCs) thought they would not qualify. These figures point to a rarely mentioned problem with the ration card system. You have to think you qualify before you have a chance of obtaining a ration card!

The fact that those whose incomes had declined in the past year were more likely to think they qualified for a BPL card also highlights one of the most distinctive failures of the ration card system. The procedures for obtaining entitlement are notoriously cumbersome and slow.

The survey identified various government schemes and asked if the household had applied for any of them. Just over one in five (21.5%) had applied. Again targeting shortcomings emerged. Although more people who had experienced a financial crisis in the past year had applied than those who had not (23.6% compared to 13.9%), most who had experienced a financial crisis were not applying for any targeted benefits, presumably because they did not think they were entitled to the type of help on offer or did not know whether they qualified or did not know how to apply.

Of those who had applied, nearly a third had not received the benefit, and of those receiving it, nearly a quarter had to wait more than six months before receiving it. Only about a quarter received it within a month. And, of those who had received

anything, 41.3% believed the amount was inadequate. A further failing was revealed when the figures were broken down by caste. Lower-caste people had to wait longer than upper-caste applicants, and were also less likely to have received the grants (Table 1).

Table 1: Time Between Applying for Government Benefit and Receipt, by Caste, Gujarat 2008

Time from Applying to Receipt:	Scheduled Caste	Scheduled Tribe	Other Backward Classes	Upper Caste
Under a month	17.5	16.7	27.5	32.8
One-three months	17.5	0.0	16.7	27.6
Three-six months	10.3	0.0	8.7	1.7
More than six months	10.3	33.3	18.8	12.1
Not received	42.3	50.0	27.5	25.9

Source: Authors' survey.

Moreover, the higher the income of the household, the shorter the period between application and receipt of a state benefit, and the lower the probability that the household did not receive the benefit. While not surprising, this merely highlights the inequity of the design and the implementation of state benefits.

We also asked about receipt of state benefits by those who believed they were entitled to them. About 60% of households believed that someone in the household qualified for a benefit and was not receiving it. Of these, nearly two-thirds had not received the benefit because they did not know how to apply, 21.4% had applied but had been refused, and 15.2% were just too fearful of applying. Internationally, this is a pattern of responses that is quite normal.

An additional point that should be emphasised is that, not surprisingly, the illiterates who thought they qualified were the most likely to have failed in their attempts to obtain benefits. This, of course, is ironic, given that they were almost certainly among the most deprived. A system claiming to be targeting the poor that requires (or rewards) literacy is a contradiction in terms. Of those households believing they had one or more members qualifying for a state benefit, the main reason they gave for non-receipt was that they did not know how to apply. However, compared with about half of those with upper secondary schooling, that figure was 72.4% for illiterates (Table 3). In other words, the very group that was most likely to be impoverished were the most likely not to apply for them because of ignorance about how to do so.

Table 2: Main Reason for Non-receipt of State Benefit, by Caste, Gujarat 2008

Reason	Scheduled Caste	Scheduled Tribe	OBCs	Upper Caste
Do not know how to apply	57.8	61.1	68.9	58.0
Applied but refused	24.7	22.2	18.9	22.1
Fearful of applying	17.5	16.7	12.1	19.8

Source: Authors' survey.

Table 3: Reason for Non-receipt of State Benefit, by Schooling, Gujarat 2008

Reason	Illiterate	Primary 1-5	Middle 2-6	Secondary 9-10	Higher 11-14	Tertiary
Do not know how to apply	72.4	63.9	65.6	53.2	35.1	35.5
Applied but refused	17.3	22.2	20.4	26.6	32.4	29.0
Fearful of applying	10.3	13.9	14.0	20.2	32.4	35.5

Source: Authors' survey.

As for actual possession of ration cards, it was revealing that those households that reported having experienced a financial crisis in the past year were no more likely to have a BPL card than those that had not. Only just over 29% of crisis-hit households held a BPL card, compared with 25% of those not having a crisis.

Now consider the efficiency of the system by reference to some standard measures of social status and "capabilities". Table 4 shows that although casual labourers were the most likely to have a BPL card, piece-rate home-based workers were the least likely of the work-status groups to have them. While substantial numbers of all work-status groups had neither a BPL nor an APL card, the small number of informal, home-based outworkers having them surely points to targeting failure.

Table 4: Possession of Ration Card, by Main Activity Status, Gujarat 2008

	Salaried	Casual Labour	Self-employed	Piece-Rate Home-based	Unpaid Family	Household Work	Total
Possesses BPL card	20.4	37.5	27.8	12.1	21.4	27.9	28.4
Possesses APL card	64.4	51.3	62.3	65.5	64.3	53.5	59.1
No BPL or APL	15.3	11.1	9.9	22.4	14.3	18.6	12.4

Source: Author's survey.

Perhaps even more tellingly, schooling was not a reliable guide to acquisition. A remarkably high percentage of those with secondary schooling had BPL cards, while a high share of the illiterates, about one in every seven, had no card (Table 5). Again, this suggests that some education is an advantage in accessing targeted benefits, perhaps in part because it gives people the confidence and basic capacity to operate within the system. Only a minority of illiterate persons had a BPL card. This finding points to a very high type 1 error. But the fact that a significant proportion of those with secondary or tertiary schooling had a card also points to high type 2 error as well.

Table 5: Possession of Ration Card, by Schooling Status, Gujarat 2008

Reason	Illiterate	Primary 1-5	Middle 2-6	Secondary 9-10	Higher 11-14	Tertiary	Total
Possesses BPL card	34.6	29.5	26.4	24.7	29.6	10.1	28.4
Possesses APL card	50.5	61.0	63.8	63.4	61.7	69.7	59.1
No BPL or APL	14.8	9.4	9.8	11.9	8.6	20.2	12.4

Source: Author's survey.

In the rural areas, those owning some land were actually significantly more likely to have a BPL card (66.6% compared with 48.5% of non-owning households). More of the non-owners had neither a BPL nor an APL card (14.2% compared with 6.8% of landowners).

Finally, perhaps the most severe indictment of the ration card system is that large numbers of the lowest-income households and lowest-earning individuals did not have BPL cards, while substantial numbers of higher-income households and individuals did have one (Table 6). And low-income households that had experienced a financial crisis in the past year were less likely to have a BPL card than those who had not.

Table 6: Possession of Ration Card, by Household Income, Gujarat 2008

	Under 20,000	20,000-40,000	40,000-60,000	60,000-80,000	80,000-1,00,000	Above 1,00,000	Total
Possesses BPL card	35.1	32.2	31.4	28.7	24.8	20.0	28.4
Possesses APL card	51.1	54.3	56.4	61.1	63.3	67.8	59.1
No BPL or APL	13.8	13.5	12.1	10.2	11.9	12.2	12.4

Source: Author's survey.

In sum, ration cards are the basis of a selective, conditional anti-poverty scheme; they are both inefficient and inequitable. The cost is out of proportion to the benefits they provide. The public expenditure cost is the average amount paid in subsidies multiplied by the take-up rate (the percentage of intended recipients who actually receive the benefit), plus the cost of monitoring, plus the cost of dealing with complaints, and such matters as closure of licensed shops distributing the subsidised goods. A cost

should be added for waste, since distributors and consumers of subsidised commodities invariably value them less than fully priced items and thus conserve them less well.

The other side of the arrangement is just as complex, and further erodes the anti-poverty efficiency of the system. For example, a policymaker might announce that “the ration card is worth 20% of the basket of consumer goods of the poor”. Whatever the figure given, it would be misleading. The actual value depends, first, on the probability of being aware of the benefit on offer and, second, on the probability of being able to obtain it. To give some idea of the realities, data from the Gujarat survey suggests that about 84% of respondents were aware of the ration card system. Of those who seem to be eligible, about 82% possessed either an APL or BPL card. Of those, something like half said they received two or more of the subsidised goods.

These figures are approximate, and are illustrative of the point. But one can see that the hypothetical 20% figure would translate into something like 7%, or just over a third of whatever the estimate would be. It is a matter of speculation where all the money poured into the system goes. And that is before one even takes account of what is called vertical efficiency – the type 2 error – a tendency for selective benefits to go to those for whom they are not intended, the non-poor. That merely further undermines the system’s efficiency.⁵

This may arise from the obvious tendency for household income to fluctuate. A large proportion of those earning around the designated poverty line obtain incomes that fluctuate from week to week or season to season. This is well known. If they were surveyed by the authorities working out who is above or below the poverty line when they were having a good week, they would be excluded. Clever bureaucrats in many countries have tried to take this into account by resorting to the proxy means tests described above, i e, devising a list of proxy variables that

collectively identify poverty (Gacitua-Mario and Woden 2001). This is what has been done in India with the 13 socio-economic indicators mentioned earlier. Unfortunately, these rarely explain more than a minority of the variance in money income. And as we see, proxy indicators of poverty are not closely correlated with receipt of ration cards or subsidised benefits in Gujarat.

There are many other reasons why targeting is so inefficient both in the issuing of the cards and in the implementation of the schemes. In villages with highly unequal power relations, it is normal for the better-off to try to monopolise government benefits. Many people complain that they have no knowledge of any survey undertaken to show who is poor or not, as no one has come to see their house or ask them anything. Others claim that enumerators sit in the local panchayat office, or even in the block office, and that who goes on the BPL list is determined by the applicant’s contacts rather than by what they earn or possess.

We could give numerous examples. For instance, during the Gujarat survey, we interviewed a man who operated a small *pan galla* in Kodh village in Surendranagar district. He said,

What can I tell you about BPL cards? The rich and landed of our village have them. Many of them have houses built under Indira Awas Yojana. This is because the sarpanch has BPL cards issued to his family and friends.

We found similar stories in many other villages.

Denial of cards has been pervasive. The situation was complicated in 2002 when the government of India declared, on the basis of the NSS Survey of 1999-2000, that poverty and the number of poor in the country had fallen and so decided that fewer BPL cards should be issued. This resulted in an artificial rationing. For example, in Charodi village, we met a number of obviously impoverished residents who said that earlier they had BPL cards. A few years earlier, officials had apparently come and asked for all their cards. When the new list came out, they found

Economic & Political WEEKLY

INDIGENOUS SYSTEMS OF MEDICINE

April 18, 2009

Medicine, State and Society

–V Sujatha, Leena Abraham

‘Commercialising Traditional Medicine’: Ayurvedic Manufacturing in Kerala

–M S Harilal

Can Maternity Services Open Up to the Indigenous Traditions of Midwifery?

–Mira Sadgopal

Recovering from Psychosocial Traumas: The Place of Dargahs in Maharashtra

–Bhargavi V Davar, Madhura Lohokare

Medicine as Culture: Indigenous Medicine in Cosmopolitan Mumbai

–Leena Abraham

The Patient as a Knower: Principle and Practice in Siddha Medicine

–V Sujatha

For copies write to:
Circulation Manager,

Economic and Political Weekly,

320-321, A to Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013.

email: circulation@epw.in

that they had all become APL card holders, not BPL. But they were adamant that their income and status had not improved in that time; they were all still landless and poor.

Apart from the reality of who has the cards, there is the issue of what happens to the benefits. It is no secret that across the whole of India, there are huge and notorious leakages that take place at various points between the allocation of funds for selective and targeted schemes and the actual expenditure on the benefits. Virmani (2007: 6) politely described the connection between allocation and expenditure as “very obscure”. And this has been going on essentially unchecked for many decades.

This is particularly true of the PDS system, where it is well known that much of the subsidised grain is siphoned off at various levels and sold in the open market. Again, the Gujarat survey showed this up. For example, in the village of Kamalpur, people told us that although they did have BPL cards, they could not obtain any benefits with them. This was because the ration shop owner had taken all their BPL cards and refused to give them back. His practice was to collect their rations and sell them to the card holders or to others at market rates.

In Ajitgarh village, there were BPL card holders who said that for the past few years, they had received only kerosene on their cards, and had not received any grain or sugar. In Mayapur village, there is no ration shop so that card holders had to go to Ajitgarh village for their rations, but there even Antyodaya card holders confirmed that they only received kerosene on their card. We met an agricultural labourer with a BPL card who said that often he had to go to the shop two or three times to buy the kerosene, since sometimes the shop would be closed and at other times the shop owner would tell him that the stock was exhausted or that it had not come. So he not only lost a day's labour, due to his trips there, but also had to pay for the travel fare for going to the shop.

What these and other examples show are just some of the many ways by which the targeting and subsidy system fails to function efficiently or equitably. The examples would almost certainly not surprise any knowledgeable policymaker or commentator. But if the pipes are clogged, there is little point in pouring more money and false hopes into them.

Towards Universalism

The simple appeal of targeting and the provision of selective subsidies in channelling limited funds to those most in need should be set against three types of criticism. One, that they do not do what they purport to do, that they have unintended effects that are detrimental to society and to disadvantaged groups in society, and that they do not provide wider benefits that alternative policies would provide. To put it bluntly, the reality of targeting is a licence to defraud. It is opaque to the point of making petty abuse almost a guaranteed outcome that thousands of intermediaries can practise with impunity.

In India, the situation is largely an outcome of the bureaucratic raj, which has created a vast system of clogged pipes. The role of the bureaucratic raj in stifling private enterprise and economic growth has been recognised for some time, and successive governments have dismantled state controls and interventions for

the private sector. However, delivery of services, especially to the poor, is still firmly controlled by the same bureaucratic system, with its attendant problems.

Across the whole country, a substantial amount of public money is spent on a complex array of state benefits. But they do not contribute much to people's social income or alleviate the extent of income poverty because much of what is allocated simply does not reach those in need. At present, among the worst features of state benefits are that they are paternalistic and are worth considerably less to those “targeted” than the monetary cost of the expenditure.

Ironically, given the emphasis on targeting and selectivity, state benefits do not appear to be well-targeted or anything approaching universal, while people themselves generally feel that government efforts to deal with poverty are unsuccessful and ill-directed. For instance, in Gujarat, one indicator of the failure is that of all those who had experienced a financial crisis in the past year and who received some financial support from somewhere, only 0.6% had received any government assistance.

The value of state benefits is low because they are complicated and far from transparent. It is made even lower because it comes in forms that require a lot of effort and uncertainty in trying to obtain. The net value is further reduced because the costs of obtaining access to the mechanisms of state benefits are high. And it is reduced because most of the benefit comes in very paternalistic forms. The benefit system gives the impression that it was designed by people who did not trust ordinary people to be able to make judgments themselves in their own interest. Because a person is poor does not mean that he or she would not act rationally if allowed to be able to decide for himself or herself.

Finally, the value is reduced because the subsidies that make up a large part of the total package available encourage inefficiency and lack of respect by the distributors and by consumers of the goods that are subsidised. Generally speaking, a person who pays less than the cost of producing a good or service will tend to treat it less carefully than if he or she has to pay a proper price. It would be better to provide low-income groups with income rather than subsidise selected goods for targeted groups who may or may not want or appreciate those particular goods.

Perversely, targeting offends all five ethical principles of social policy (Standing 2009). It tends not to reach the most insecure groups in society; it inhibits rather than enhances the freedom of the intended beneficiaries; it gives discretionary power to policymakers and intermediaries; it does not provide rights, and it does not facilitate or encourage dignifying forms of work. It also fails what might be called social policy stress tests, in that it does not have the instrumental advantage of promoting economic growth, productivity or social harmony.

The general issue of targeting has considerable topical interest in the context of two debates that are currently taking place in Indian policymaking circles. First, there is the National Food Security Act promised by the United Progressive Alliance (UPA) government and announced by the President in June 2009. The bill, as drafted, would target subsidised food to Antyodaya and BPL card holders (and to a limited extent, APL card holders as well). In response, the Right to Food campaign has demanded

universal provision of subsidised foodgrains, and this has been supported by some prominent economists.

While there are basic economic objections to any subsidy scheme, it is hard to justify reliance on targeting in light of the evidence that it does not work. In this regard, it should be recalled that the PDS was originally envisaged as a universal scheme for food distribution, with ration cards entitling all citizens to a modest amount of foodgrains at below-market rates. In the 1980s, the PDS was converted into a targeted programme, and over the years the Planning Commission and state governments have devised ever more sophisticated methods for BPL identification. For reasons we have discussed, this has proved a fruitless exercise.

Stubbornly, policymakers have persisted. In 2009, the government of India once again tried to refine and add indicators for targeting, this time through an Expert Committee set up by the Ministry of Rural Development. The Committee's report severely criticised earlier BPL exercises, and strongly concluded (2009: 20):

What has been the track record so far of the three BPL surveys (1992, 1997 and 2002) conducted? Though the number of proxies has gone from one in the 1992 survey to 13 in 2002, the errors of exclusion and inclusion remain above acceptable limits.

Logic is then left aside. Having pointed to the repeated failure of targeting, the report then recommends even more targeting, via a remarkably complex method of scoring to identify potential beneficiaries. It defies credibility to think that a more complicated method would succeed where a simple method results in a systematic failure of people in need obtaining support. Complexity would merely compound the failings, and make the process excessively time-consuming and administratively expensive.

There is a second major debate taking place around cash transfers. We cannot deal with that here. However, once again, policymakers and some economists are being drawn to trying to make them selective and targeted, as well as conditional. We believe the use of conditionality will merely compound the failings from targeting practices.

In sum, targeting is inefficient and inequitable. It results in some stigma, and high type 1 and type 2 errors, due in part to the variability in income, high administrative costs, high transaction costs for the potential recipients of assistance, widespread scope for arbitrary and discretionary pity in allocating benefits and the equally widespread scope for bureaucratic corruption and waste down those administrative pipes.

One of the wider social results of targeting that is too rarely taken into account in assessments is that it creates divisions that do not strengthen any communal sense of social solidarity and reciprocity, or a general feeling that preserving the integrity and decency of the system is a matter of social pride. Furthermore, targets inevitably suffer from being increasingly complex and subject to abuse. Perhaps above all, in the language of modern social science, targeting and conditional benefits have no agency effects, because they act to erode a sense of common lot and common interest, dividing the poor from the non-poor. This is an artificial and corrosive way to go.

What is the alternative to targeting? The base of the answer is universalism. Critics immediately react by dismissing the idea as too expensive, and usually add that this would create dependency and slow growth. We cannot extend this article by going into all the reasons for favouring a more universalistic approach. However, we merely note that the Indian state is spending a lot on schemes that do not reach the poor. Much of what is being spent is economically indefensible, whereas many socially defective subsidies could be redirected to simple and effective universal schemes. There has been a reluctance to accept the principle of universalism. However, one way by which it could be advanced is by thinking of it as *ex post* targeting, rather than the *ex ante* targeting that the clogged pipes system of today represents. It is time to transform social policy, to make it more in tune with the economic dynamism that is evident in 21st century India.

NOTES

- 1 Actually, there is *behavioural conditionality*, for which recipients must do various acts in order to obtain or retain eligibility, and *expenditure conditionality*, whereby recipients are obliged to spend the transfer or their own money on certain goods and services in order to retain the benefit. A companion paper addresses the notion of conditionality in general. See also Standing (2007).
- 2 We know of no evidence that this policy has affected fertility or abortion practices. However, given the nature of the incentives set up by the policy, and the obvious intention of the policy to affect fertility, there should be serious evaluations of the actual effects as a matter of urgency. If it is not intended to affect fertility, then why discriminate against third children in the distribution of benefits?
- 3 For a systemic criticism of the PDS, see Planning Commission (2007).
- 4 Group discussions and case studies also revealed a pattern of confusion about the complexity of schemes and procedures. Policymakers would probably be unsurprised by that. However, targeting policies rely on people being sufficiently well-informed and confident to be able to try to obtain the benefits supposedly on offer.
- 5 Atkinson (1995) differentiated between vertical and horizontal poverty reduction efficiency, the former measuring the extent to which there is

leakage of money intended for the poor going to the non-poor, the latter measuring the extent to which the poor are actually helped.

REFERENCES

- Atkinson, A B (1995): "On Targeting and Family Benefits" in A B Atkinson (ed.), *Income and the Welfare State: Essays on Britain and Europe* (Cambridge: Cambridge University Press).
- Besley, T and R Kanbur (1990): "The Principles of Targeting", Research and External Affairs Working Paper 385 (Washington DC: World Bank).
- Farrington, J, P Deshinkar, C Johnson and D Start, ed. (2006): *Rural Livelihood Futures: Concepts and Evidence from India* (Delhi and Oxford: Oxford University Press).
- Gacitua-Mario, E and Q Woden (2001): *Measurement and Meaning: Combining Quantitative and Qualitative Methods for the Analysis of Poverty and Social Exclusion in Latin America* (Washington DC: World Bank).
- Hirway, I (2003): "Identification of BPL Households for Poverty Alleviation Households", *Economic & Political Weekly*, 38(45): 4803-08.
- Kapur, D, P Mukhopadhyay and A Subramaniam (2008): "The Case for Direct Cash Transfers to the Poor", *Economic & Political Weekly*, 43(47): 85-87.
- Mehrotra, S and H Mander (2009): "How to Identify the Poor? A Proposal", *Economic & Political Weekly*, 44 (19): 37-44.
- Ministry of Rural Development (2009): "Report of the Expert Group to Advise the Ministry of Rural Development on the Methodology for Conducting the Below Poverty Line Census for the Eleventh Plan", Government of India, New Delhi.
- Planning Commission (2005): "Performance Evaluation of Targeted Public Distribution System", Programme Evaluation Organisation, Planning Commission, New Delhi.
- (2007): *Eleventh Five-Year Plan*, Volume 2 (New Delhi: Government of India).
- Rothstein, B (2001): "The Universal Welfare State as a Social Dilemma", *Rationality and Society*, 13(2): 213-33.
- Standing, G (2007): "How Cash Transfers Boost Work and Economic Security", United Nations Department of Social and Economic Affairs Working Paper 58, New York.
- (2009): "Reviving Egalitarianism in the Global Transformation: Building Occupational Citizenship", *Indian Journal of Human Development*, 2 (1): 39-62.
- Standing, G, J Unni, R Jhabvala and U Rani (2010): *Social Income and Economic Insecurity: A Study in Gujarat* (New Delhi: Routledge).
- Virman, A (2007): "Planning for Results", Planning Commission Working Paper 1/2007-PC, New Delhi.

Economic & Political WEEKLY

SPECIAL ISSUE

NATIONAL ELECTION STUDY 2009

September 26, 2009

THEMES

Between *Fortuna and Virtu*: Explaining the Congress' Ambiguous Victory in 2009
Patterns of Political Participation: Trends and Perspective
Alliances and Lessons of Election 2009
Are National Elections Any More Than Aggregations of State-Level Verdicts?
The Economy and Voting in the 15th Lok Sabha Elections
Political Communalisation of Religions and the Crisis of Secularism
Issues in General Election 2009

–Yogendra Yadav, Suhas Palshikar
–Sanjay Kumar
–K K Kailash
–Pradeep Chhibber
–K C Suri
–D L Sheth
–Praveen Rai

SECTORS

How Did Women Vote in Lok Sabha Elections 2009?
Leadership at the State Level Mattered
Whither Muslim Politics?
Dalit Voting Patterns
Urban Patterns of Voting and Party Choices
Electoral Participation among the Adivasi Community
On the Electoral Process

–Rajeshwari Deshpande
–Sandeep Shastri
–Mohd Sanjeer Alam
–Rahul Verma
–Vanita Leah Falcao
–Divya Vaid
–Banasmita Bora

STATES

Andhra Pradesh: A Vote for Status Quo?
Karnataka: A Default Win for the BJP
Kerala: A Negative Verdict on LDF Government
Tamil Nadu: Against Expectations
Chhattisgarh: An Emphatic Win for the BJP
Madhya Pradesh: Congress Makes Unexpected Gains
Goa: Return of the North-South Divide
Gujarat: BJP Scrapes Through
Maharashtra: Congress-NCP Manages Victory
Bihar: Development Matters
Jharkhand: Politics of Performance
Naveen Patnaik Authors a New Chapter for Orissa
Sikkim: Politics of Inclusiveness and One-Party Dominance
West Bengal: Mandate for Change
Arunachal: Emergence of Issue-Based Politics?
Assam: A Fractured Verdict
Manipur: Congress Triumphant
Meghalaya: Verdict on Expected Lines
Mizoram: The Congress Holds Its Ground
Nagaland: Behind the Curtain
Fifth Victory in a Row for CPI(M) in Tripura
Delhi Elections – The 'Local' Matters
Haryana: Congress Retains Its Electoral Supremacy
Himachal Pradesh: Pro-Incumbency Helps the BJP
Punjab: Resurgence of the Congress
Rajasthan: Performance and Campaigning Pay Dividends
Uttar Pradesh: Signs of a Congress Revival?
Uttarakhand: Congress Outperforms Its Opponents

–K C Suri, P Narasimha Rao, V Anji Reddy
–Sandeep Shastri, Veena Devi, B S Padmavathi
–K M Sajad Ibrahim
–G Koteswara Prasad
–Anupama Saxena, Praveen Rai
–Yatindra Singh Sisodia, Ram Shankar
–Maria do Ceu Rodrigues
–Mahashweta Jani
–Rajeshwari Deshpande, Nitin Birmal
–Sanjay Kumar, Rakesh Ranjan
–B K Sinha, Harishwar Dayal
–Surya Narayan Misra
–Mukund Giri
–Jyotiprasad Chatterjee, Suprio Basu
–Nani Bath
–Sandhya Goswami
–S Mangi Singh
–R K Satpathy
–Lallian Chhunga
–Amongla N Jamir
–Sukhendu Debbarma, Mousami Debbarma
–Biswajit Mohanty
–Kushal Pal, Praveen Rai
–Ramesh K Chauhan, S N Ghosh
–Ashutosh Kumar, Jagroop Singh Sekhon
–Sanjay Lodha
–Mirza Asmer Beg, Suhir Kumar
–Annpurna Nautiyal

Methodology

National Election Study 2009: A Methodological Note

–Lokniti Team

For copies write to:
Circulation Manager,

Economic and Political Weekly,
320-321, A to Z Industrial Estate, Ganpatrao Kadam Marg,
Lower Parel, Mumbai 400 013.
email: circulation@epw.in