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**CAN CONDITIONAL CASH TRANSFER PROGRAMS BE IMPLEMENTED ON A  
LARGE SCALE IN INDIA?**

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## ABSTRACT

A Conditional Cash Transfer Program (CCT) is a type of social safety net program that originated in Latin America during the early 1990's. These programs are unique in that they target the two major drivers of structural poverty: education and health. CCT schemes utilize an incentive based approach to change the behavior of those households living below the poverty line. CCT programs involve a cash transfer to the beneficiaries only if they send their children to school and routinely visit health clinics. The rationale behind these programs is that investing in human capital will not only relieve the short-term symptoms of poverty, but also stop the cycle of inter-generational poverty. These programs' successes in Latin America can be broken down into a list of criteria. These criteria are necessary for any CCT and anti-poverty program to be successful. The criteria are then applied to the anti-poverty programs in India to see if a large-scale implementation of CCT programs would work in India. The bottom line surrounding the analysis of India's anti-poverty programs using the CCT criteria is that a complicated bureaucracy, corruption, and lack of transparency drives the majority of the inefficiencies seen in India. If corrected for, CCT programs can target the major contributors to poverty in India: poor health, education, and social biases.

**TABLE OF CONTENTS**

Chapter 1 Introduction .....	1
Chapter 2 Poverty In India.....	7
2.1 Education .....	8
2.2 Health .....	9
2.3 Discrimination In Society .....	9
Chapter 3 CCT Programs and Latin America.....	13
3.1 Structure .....	14
3.2 Targetting .....	16
3.3 Implementation .....	17
3.4 Evaluation .....	19
3.5 Supply-Side Services .....	20
Chapter 4 CCT Programs and India.....	22
4.1 Structure .....	23
4.2 Targetting .....	27
4.3 Implementation .....	30
4.4 Evaluation .....	34
4.5 Supply-Side Services .....	36
Chapter 5 Conclusion.....	39
Works Cited .....	41

## Chapter 1

### Introduction

The Conditional Cash Transfer (CCT) program is a relatively new type of social safety net program. This program originated in Latin America as a potential solution to the reduction of poverty in the short- and long-run (Handa & Davis, 2006). CCT programs are very unique in the way they are structured. The program targets families living below the poverty line. These families are then given cash payments that are conditional on two requirements; the families must send their children to school and mothers and children must visit health clinics on a routine basis. A hallmark of these programs is that the cash payments are given directly to each household; specifically to the mothers in the families. This concept follows the notion that mothers have the interests of their children's well being as their top priority. Mothers have been shown to manage money better than their husbands and allocate it efficiently for their households. There have been cases where the father of the household ended up utilizing the money for drinking or drugs (Rawlings & Rubio, 2005).

Another hallmark of CCT programs is the reliance on the theory that people respond to incentives. To reduce the incidence of poverty, social safety net programs must focus on changing the incentive structure of impoverished families. According to Janvry and Sadoulet, these programs are aimed at "incentivizing private behavior to secure positive externalities, such as consumption of merit goods like health and education." (CCT Schemes, 2009) The conditionality aspect of the programs is supposed to increase the link between the poor and social services. The cash is meant to not only increase the affordability of the health and educational services, but also make up for the opportunity costs of the income lost from children who attend school instead of working (de Sae Silva, 2010). Implementation of the conditions can be more

specific than just utilizing education and health services. For instance, some programs can monitor school attendance to make sure that children are attending school for a certain percentage of the year (CCT Schemes, 2009). CCT programs can incorporate different type of incentives depending on the beneficiaries' social and geographical environment.

Another aspect that sets these types of social safety net programs apart from other poverty reduction schemes is the focus on the demand-side of poverty instead of the supply-side. Many social safety net schemes try to alleviate poverty by boosting educational services or improving the quality of health clinics. What these programs do not address, however, is the lack of demand for education and health related facilities. People living below the poverty line often do not have the incentive to send their children to school because children are usually a vital source of income (CCT Schemes, 2009). According to William Easterly (2002), impoverished households lack the incentive to become educated because of what the author refers to as the vicious cycle of poverty. The theory behind these programs is that lack of education and malnutrition are two of the primary factors that keep people in the vicious cycle of poverty. The vicious cycle of poverty includes the lack of quality educational facilities and health clinics, the lack of affordability of these services, the paucity of higher salary jobs, and the focus on the present rather than the future. Because the mindsets of those who are living in poverty are focused on overcoming daily struggles, they tend to not invest in education and health (Easterly, 2002). The CCT programs draw from this vicious cycle theory by targeting the issues that contribute to the basis of poverty; lack of education and malnutrition.

By providing the poor with incentives to invest in health and education, CCT programs are structured to reduce the incidence of poverty not only in the short run, but also in the long run. The cash payments are supposed to relieve the day-to-day struggles impoverished people face in the short run. During economic downturns or exogenous shocks, these cash payments can compensate for the rise in prices or decline in salaries by smoothing consumption. CCT

programs target long-term poverty by making the investments in human capital a condition for receiving the cash (Handa & Davis, 2006). By making the investments in a child's education and health, these children will grow up with more opportunities and thus, be able to take the step out of poverty. The hope is that the children who are being invested in will lead better lives than their parents did and have children who will also have more opportunities than the generations before them; thus reducing the intergenerational transmission of poverty (Rawlings & Rubio, 2005).

CCT's can help correct two types of inefficiencies associated with private investment in human capital. The first main inefficiency is that the private optimal level of investment in human capital may be lower than the socially optimal level of investment. This occurs due to the fact that education and health have externalities. These externalities make investments in human capital to be worth more in the social sense than in the private sense. For instance, an externality of education could be increasing returns to skilled labor in production (Fiszbein et al., 2009). CCT programs can correct for these market failures by directing resources back to poor households. The second inefficiency associated with private investment and human capital is that human capital investment can be too low in the private sector due to the underinvestment in health and education. For instance, parents can under-invest in their children's education because they underestimate the benefits of an education. Similarly, parents may under-invest in their daughter's education because they would have to pay a dowry to give their daughter away to another family in the long run. By correcting these two types of inefficiencies, a CCT program implementation can lead to great efficiency in the long run (Fiszbein et al., 2009).

The topic of this thesis will center on whether a large-scale implementation of CCT programs can be instituted in India. India faces a high incidence of poverty and has reacted to this challenge by implementing many different types of social safety net programs. They have

even started implementing CCT programs but on a very small scale and in only certain regions of the country. By focusing on the determinants of poverty, CCT programs combat some of the major causes of poverty in India: lack of proper health and education. Furthermore, CCT programs can even be manipulated to decrease the intensity of social biases that occur in India. These programs have been shown to be extremely successful in middle-income countries in Latin America, such as Mexico and Brazil. Slowly, the success of these programs is catching on in lower-income countries in Latin America, South Africa, and now India. This paper will show that India can benefit from the institution of CCT programs by reducing the incidence of poverty and reducing the discrimination seen in the social sector. More importantly, this paper will focus on whether India can successfully implement CCT programs on a large scale. There are certain criteria that past literature have focused on that have contributed to the success of CCT programs in Latin America. These criteria will be discussed in detail. The criteria will then be applied to the existing social safety net programs in India to determine how well India fares under the criteria. This will bring to light whether India has the foundation for a successful large-scale implementation of CCT programs. Before discussing the criteria involved, it is important to understand how CCT programs compare to other anti-poverty schemes.

CCT programs fare well when compared to other, more traditionally used social safety net programs. Schemes that do not utilize conditions are automatically at a disadvantage when compared to CCT programs because they violate a basic economic principle: people respond to incentives. A major poverty reducing technique that economists have believed in for decades is that of foreign aid. Foreign aid fills in the gap between a country's savings and required investment for growth. The aid money can fill this gap so the country can focus on building dams, roads, and machines to stimulate growth in the economy. The amount of investment within the gross domestic product (GDP) will be proportional to the growth in GDP. This means that an

increase in the size of the investment factor of GDP will spur a growth in the overall GDP. The effectiveness of this approach to growth has been shown to be weak at best (Easterly, 2002).

A major study undertaken by William Easterly looked at 88 countries from 1965 to 1995 (2002). He looked for a positive statistical association between aid and investment. He also checked to see if aid has passed onto investment in at least a one for one ratio. What he found contradicted what economists had believed for years about the investment and growth relationship. Only 17 out of the 88 countries showed a positive statistical correlation between aid and investment. Furthermore, only six of these 17 countries had an investment to aid ratio of one for one. This study essentially dismissed the theory that foreign aid leads to economic growth due to the lack of incentive structure found within foreign-aid programs. The major reason that foreign aid does not create the proper incentives to stimulate economic growth is because poor households use the extra aid money to fund consumption, not investment. Impoverished people are used to living on a day-to-day basis. Their daily struggles can be alleviated with extra cash that can be spent on consumption. When they receive extra cash, they do not have the incentive to invest in their future because they are focusing more on the short run (Easterly, 2002).

CCT programs are sometimes viewed as being less paternalistic than in-kind transfer programs because direct cash transfers give people the freedom to use the cash as they desire. Governments are particularly cautious about handing out cash transfers because of potential misuse of the funds that could occur. At the same time, handing out in-kind transfers, such as food stamps, sends a message that the government does not trust the beneficiaries enough to handle cash. With CCT programs, governments are essentially forming a social contract with the impoverished people. The government trusts the poor to use the money in a certain way, and as a result, appear less paternalistic than they appear behind other programs, such as those involving subsidies and in-kind transfers (Fiszbein et al. 2009).

While conditionally based programs can bring about the appropriate incentive structure to stimulate positive change, they can also be used in conjunction with traditionally used social safety net programs. CCT programs only address a certain segment of the population; families with children. There are many elderly people in India who may live below the poverty line but obviously do not qualify for CCT programs. CCT programs have the capacity to be altered to target these groups of people if need be or combined with programs that already target these groups. Furthermore, CCT programs are a better tool to combat the symptoms of structural poverty rather than transient poverty. Transient poverty can occur due to economic shocks but are generally not a consistent occurrence. Structural poverty, on the other hand, is permanent and does not fluctuate due to economic cycles. CCT programs could be used in conjunction with programs that are better at dealing with transient poverty. This is why CCT programs should be seen as complementary rather than substitutes (Fiszbein et al., 2009).

## Chapter 2

### Poverty In India

While India is surging ahead in economic growth and contains one of the largest economies in the world, India also faces many challenges; particularly poverty. India is a nation that consists of diverse states in terms of traditions, languages, and economy. While a state such as Kerala has demographic features similar to a middle-income country, many north Indian states are in line economically with the world's least developed countries (Murthi, Guio, & Dreze, 1995). The World Bank has calculated the international poverty line to be set at a dollar and twenty-five cents a day. With this line in mind, the World Bank estimated that approximately about 42 percent of India's 1.13 billion people live below the poverty line. This percentage translates into about 455.8 million Indians living under the poverty line (Chen & Ravallion, 2008). It is important to remember that those living slightly above the poverty line may not necessarily leave comfortable lives and may easily fall under the poverty line as a result of economic shocks. The Indian government uses rich household level data from the National Sample Survey to assess poverty estimations in India. This survey uses a head count ratio method, taking into account the prices and the expenditure required to purchase the basket of goods that yields the minimum calories required. The basket includes food, fuel and light, housing, clothing and footwear, and miscellaneous items (Tilak, 2005). As the World Bank recognized, "Poverty is not only a problem of low incomes; rather, it is a multi-dimensional problem that includes low access to opportunities for developing human capital and to education..." (as cited in Tilak 2005). The poverty line allows the government to separate out those who are living poverty from those who are better off. The people living below the poverty line are there for three major reasons: lack of education, improper nutrition, and societal

prejudices.

## **2.1 Education**

A lack of education is a symptom of poverty in India. According to Tilak, “countries that have illiterate and less educated people cannot progress or increase their output substantially, and as a result remain at low standards of living” (2005). Investing in education can lead to human capital formation; thus leading to economic growth. In India, elementary education is associated with high rates of dropout, high pupil-teacher ratio, poor quality of education, and low levels of student achievement. Furthermore, only 35 percent of children ages 14-17 were enrolled in secondary education in 2002-03 (Tilak, 2005). Inequalities in access to higher education by gender, by caste and religion are high. According to the National Family Health surveys, more than one-third of the total Indian population is illiterate; 19 percent were just literate with no (or incomplete) formal primary schooling; and 16.5 percent had completed primary schooling when the survey was administered in 1999. Furthermore, less than nine percent of the population receives schooling above the high school level (Tilak, 2005). There has been an increase in educational subsidies specifically to increase the incentive to obtain higher education. While higher education may benefit the more affluent classes, people of lower classes generally do not even make it to this level of education (Borooah, 2005). A particular focus should be placed on female education. There is a close relationship between an increase in female education and a reduction in fertility. Educated females also have a better sense of authority in overcoming the biases towards them in terms of reproductive behavior (Murthi et al., 1995).

## **2.2 Health**

India's population also faces numerous health problems. Specifically, the state of maternal, newborn, and child health in India is of global importance. Typical health indicators used to assess a country are the child mortality rate, fertility rate, maternal deaths, and life expectancy. More than 78% of the total maternal deaths in the world occurred in India. Similarly, more than 31% of the total amount of neonatal deaths in the world occurred in India. Even though the number of maternal and neonatal deaths has declined gradually in the last fifteen years, the number of deaths is still excessively high (Stephen et al., 2009). Infant mortality rate is extremely high at 64 per thousand infants born and the life expectancy is estimated to be only 64 years (Tilak, 2005). Different health indicators vary greatly in the vast country. For instance, in Uttar Pradesh, the infant mortality rate is six times as high as in Kerala. Furthermore, according to the World Development Indicators in 2007, India has the highest proportion of underweight children in the world. Over half of the children in India are underweight and suffer from anemia (Deaton & Dreze, 2009).

## **2.3 Discrimination in Society**

The caste system plays a large role in the persistent nature of India's poverty. Poverty is particularly concentrated in the scheduled caste and scheduled tribe populations. Scheduled caste populations are mostly concentrated in the rural poor. According to the 2001 Census of India, scheduled castes and tribes make up 16.2 percent and 8.2 percent, respectively, of India's population. These percentages may seem insignificant but 47.3 percent of India's rural poor are concentrated in these groups. Lower caste members have fallen to this impoverished state of living for many reasons (Borooah, 2005).

Lower caste members, in general, receive less education and lower quality of schooling than non-scheduled caste members. The poverty incidence gap between scheduled tribe and non-scheduled households is about 21.7 percent. Differences in educational attainments explain about 16% of the poverty incidence gap for scheduled tribe versus non-scheduled households. This gap could be decreased by devoting more resources to primary education (Borooah, 2005). While India has been devoting more funding to secondary education, as mentioned before, the emphasis on higher education has not translated into better schooling for the lower caste members. Lower caste members also have a different occupational structure than higher caste members. They usually face many obstacles in pursuing diverse jobs when they work in similar labor markets as non-scheduled households. Sometimes, however, lower caste members will operate in different geographical areas than higher caste members. These areas tend to be less endowed in terms of agricultural potential and access to technology (Borooah, 2005).

Besides caste discrimination, there is a significant amount of gender bias in India. The male to female ratio in India is becoming more skewed towards boys. In 2001, for every 1000 boys aged 0-6, there were 927 girls. There are many reasons for this bias that are rooted in the Indian culture. Women are seen as more of a liability because of the deep-rooted rituals that favor men in the patriarchal society (Sekher & Hatti, 2010). For instance, women are usually given away to the groom's family after marriage so their families never really benefit from any investments made in their upbringing. Also with marriage comes a dowry, which is still a customary practice in rural India. In contrast, investing in sons will bring their families numerous benefits in the long run. This is why sons are greeted with celebrations while the birth of a girl is greeted with exasperation and lament (Sekher & Hatti, 2010). Because girls are viewed as such a liability in India, the incidence of female infanticide is increasing. The term female infanticide refers to the growing discrepancy in the number of male births versus female births. Due to the

advancement and increase in availability of ultrasounds, the gender of the baby can be predetermined early in the pregnancy. Because of this, there is a high incidence of female infanticide (Jha et al. 2006). Just in the district of Madurai, about 450 out of 600 female abortions take place every year (George et al., 1992). The National Family Health Survey indicated that there are more than 100,000 female-selective abortions every year in India (Sekher & Hatti, 2010). The Indian government has enacted laws, such as the Pre-conception and Prenatal Diagnostic Techniques (Prohibition of Sex-selection) Act, but they are usually not enforced well and subsequently ignored. An alarming trend is being observed among educated mothers. While fertility rates decrease as the education level of the parents increase, the rate of male births compared to female births increases. This is creating an increasingly masculine society (Sekher & Hatti, 2010).

Women are frequently not invested in education because they are valued only for their ability to produce children. Especially in the northern states in India, a woman's reproductive decisions are handed off to her husband and his family. If a woman does not produce a son, her husband and his family can force her to produce more children until the desired son is born. Educated women, on the other hand, tend to reduce the number of children they bear by having a higher decision making power in the number of planned pregnancies they want (Murthi et al., 1995). They also tend to have higher aspirations for their children, thus reducing the chances of sending their children into the work force instead of to school. Mothers who are more knowledgeable about nutrition and health will be able to raise healthier children. For instance, in Uttar Pradesh, a state with a high incidence of uneducated women, cooked food is often left out to spoil, umbilical cords are cut with unsterilized sickles, children do not receive vaccinations, and treatments are not administered to children with diarrhea and tetanus. Bias against females is not restricted to education. Boys are generally given a preference at health care facilities and are more likely to be less malnourished compared to girls. Improved access to health care facilities

would benefit a boy more than a girl because boys are given a priority in the use of limited resources (Murthi et al., 1995). As one can see, discrimination among castes and gender are major symptoms of poverty that can be alleviated by CCT programs.

India could greatly benefit from a large-scale implementation of CCT programs. CCT programs target exactly the major symptoms of poverty displayed in India- lack of education and health. Furthermore, India faces some severe societal problems that are rooted in poverty- discrimination of females and lower caste members. CCT programs can be manipulated to correct some of those societal problems. For instance, programs can provide greater incentives for sending the female child to school and health clinics. The Dhanalakshmi program, or Conditional Cash Transfer Scheme for Girl Child, is an example of a CCT program that was enacted in 2008 as a pilot study. In this program, the family of the girl child are given cash transfers if they register the birth of their daughter, show progress of immunization, enrollment and retention in school (CCT Schemes, 2009). Those who are left with limited opportunities due to their place in the caste system could have the opportunity to lift out of the trans-generational cycle of poverty through investments in their children's health and education. Therefore, India would greatly benefit from a large-scale implementation of CCT programs because of the deeply rooted structural poverty.

### Chapter 3

## CCT Programs and Latin America

Conditional Cash Transfers have only been around for a relatively short period of time. They were started in middle-income Latin American countries during the macroeconomic crisis of the 1990's. The initiation of CCT programs propelled Latin America in a new direction of combating poverty. Latin America had been experiencing a decline in the demand for educational and health services by the public as a result of the macroeconomic crisis. The governments addressed this problem by shifting the focus from the supply side delivery of basic services to the demand-side. Instead of focusing on subsidy programs that targeted only the supply-side of services, the Latin American governments decided to incentivize services to increase the demand for them, thereby protecting the consumption of merit goods (CCT Scheme, 2009).

The earliest CCT program came about in 1997 in Mexico. This program, entitled Progresa, was one of the first social safety net programs to take into account health, education, and nutrition as a basis for improving human poverty. It was later renamed to Oportunidades in 2001 (Bassett, 2008). Brazil initiated its CCT program called Bolsa Escola along with a cluster of smaller CCT programs around the same time Progresa was created. In 2004, Brazil combined its smaller CCT programs into a single program called Bolsa Familia. Chile, Colombia, Ecuador, and Jamaica, Honduras and Panama soon followed Mexico and Brazil's trend of focusing on the demand-side of services (CCT Scheme, 2009). The CCT programs in Mexico and Brazil quickly became successful. By 2007, Oportunidades covered about 5 million Mexicans, or about 25% of the population. Similarly, Bolsa Familia reached over 46 million people, or about 25% of the population again (Bassett, 2008). Nicaragua has the smallest program and reaches only about

105,000 people. Both *Oportunidades* and *Bolsa Escola* were financially self-sufficient when they first started but soon gained the overwhelming support of the Inter-American Development Bank (IDB) and the World Bank to finance their activities. These two banks helped finance activities such as the human-capital investment loans (Handa & Davis, 2006). The IDB accounted for 4.5 billion dollars during the period 2000-2005 when the largest number of CCT programs was being created in Latin America (Lomeli, 2008). The IDB actually lent the largest amount in its own history to *Oportunidades* so it could expand to urban areas. In contrast, Honduras, Nicaragua, and Jamaica grew into legitimate CCT programs only through external funding (Handa & Davis, 2006).

There are many types of CCT programs but the programs in Latin America focus more on alleviating poverty by focusing on health and education in the rural and urban sectors of the population. Their success in administering CCT programs and, as a result, starting the trend in CCT programs all over the world, can be attributed to a set of criteria. Given the experience and success of the programs in Latin America, we will evaluate their program structures, targeting techniques, implementation techniques, evaluation methods, and supply-side services. Limiting the geographic area of CCT programs also helps keep the analysis more concise. Most Latin American programs were shown to be very efficient and effective using these five criteria.

### **3.1 Structure**

The basic structure of the programs in Latin America contributed to their initial success because they were so well defined and evoked the economic principle that people respond to incentives. As mentioned previously, the transfers made to the families were given in cash. This is a key aspect of the program because a cash payment allows the families to make their own

decisions concerning the allocation of the funds. By allowing families to have their own discretion, CCT programs avoid the patronizing effects associated with other social safety net programs. For instance, providing in-kind transfers to the poor can affect their psyche because they view themselves as being dependent on the government for basic needs. Cash transfers, on the other hand, provide relief to the poor while giving them the independence they desire. The structures of the Latin American CCT programs are very dependent on an efficient and supportive government. The governments administering the programs are highly integrated. They also are transparent and accountable in the transfer of funds to beneficiaries. In Latin America, the CCT programs have actually strengthened the relationship between the people and the government by enacting an accountability relationship between the providers and households (CCT Schemes, 2009).

Another key aspect of the structure of CCT programs developed by Latin American countries is the incentive structure associated with the programs. The objective of the programs is to induce households to change their behavior rather than force the desired behavior. The incentive structure causes the households to increase their demand for health and educational services. The transfer of cash to the woman of the family is vital to the success of CCT programs. As mentioned previously, this is significant because women have been shown to be more likely to utilize the money for the well being of their children rather than waste it on consumption goods.

An important aspect of the structure of the CCT programs is related to the amount of the cash transfer. The specific amount of money set by the governments has vast implications. Not only does the cash amount have to cover the opportunity cost of the lost income of child laborers but also has to be set low enough to counter the negative effects of cash transfers. Bolsa Familia sets its cash transfers at half the minimum wage per person as the amount necessary to purchase adequate nutrition. Mexico and Colombia's cash transfer is calculated by assessing the

cost of a typical basket of basic-needs foods. Cash transfers also take into account the age and sex of the children in the beneficiary households. For example, Mexico and Colombia double the amount of cash distributed when a child graduates from primary school to junior secondary school. This increase is conducted to avoid the dropouts that are most typical during that transition due to the increasing opportunity cost of attending school rather than participating in the labor force. Brazil also provides a larger subsidy to girls than boys to avoid the higher dropout rates among girls (Handa & Davis, 2006). The amount of cash transferred must be regulated to avoid perverse effects. For instance, a higher amount of cash transferred to families could attract richer households to the CCT schemes thereby causing leakages. This very problem occurred to Honduras's PRAF II. The benefits level had to be lowered to avoid adverse selection. This reduction in the cash transfer increased the amount of beneficiaries identified as living in extreme poverty to a high 71% (CCT Schemes, 2009).

### **3.2 Targeting**

Targeting technique is another important criterion that contributes to the success of CCT programs in Latin America. Targeting could be argued as the single most important factor in CCT programs. This is because effective targeting techniques can preserve the integrity of CCT programs by targeting those who are in most need of the help CCT programs provide. Inefficient targeting could result in including beneficiaries who should not qualify for CCT programs because they are too well off. This type of error is known as an inclusion error. On the other hand, inefficient targeting could result in skipping over marginalized regions of the country thereby excluding impoverished households. This is referred to as an exclusion error. Generally, inclusion errors tend to be somewhat high in Latin America because the focus is set more on minimizing exclusion errors (CCT Schemes, 2009).

Before targeting, the CCT program administrators must agree on a set base poverty line and then focus on targeting those households that fall under that line. For instance, Honduras uses the Height Census of First Grade School Children to obtain the data on which municipalities would benefit from the CCT program. Mexico uses census data and a marginality index to select marginalized regions of the country (Rawlings & Rubio, 2005). The two most common methods of targeting used in Latin America are geographic targeting and household targeting. Geographic targeting involves distinguishing between different municipalities to find specific regions that should be included in the CCT program. For instance, Mexico uses geographic targeting to find rural communities with 50 to 2500 inhabitants who are in close proximity to health and education facilities. Household targeting, on the other hand, is more specific than geographical targeting because it examines the poverty level of those households within the geographically targeted regions. Those households that fall under a predetermined household income are then recruited into the CCT scheme. A proxy tests is a common type of household targeting method. Proxy tests involve examining the households in a specific region and comparing each household to each other to form the lower limits of the poverty line (Rawlings & Rubio, 2005).

Some countries, such as Colombia, use a national indicator instead to compare households to one another. The System for Selecting Social Program Beneficiaries (SISBEN) was specifically created to classify households according to their unmet basic needs (Rawlings & Rubio, 2005). An example of an unmet basic need indicator is average household schooling. These indicators are used to approximate the income of each household. Targeting errors are reduced through public oversight networks and social audits.

### **3.3 Implementation**

Proper implementation methods are the next important aspect of a successful CCT program. Before a CCT program can be properly implemented, it must garner the political

support of the government. Political changes, such as a change in leadership, could affect the way the program is implemented. For instance, the distribution system could be delayed or the sources of funding could be cut off (Rawlings & Rubio, 2005). Implementing a CCT program also requires a solid and efficient use of technology. Technology impacts the various aspects of delivery of the cash benefits. Mexico's Progresa utilizes a management information system to make sure the correct amount of cash payments are delivered to each municipality on time (Rawlings & Rubio, 2005). Accurate delivery of cash benefits has important implications to the impact evaluations. Delays in the delivery or errors in the amount delivered could result in a negative evaluation of the CCT program even though the program could have produced positive results if the delivery process was accurate. Technology also plays a role in how the cash is delivered to the municipalities. Brazil, Mexico, and Argentina use an electronic system, similar to debit cards, to transfer the cash to the poor. The cash transfer information is then recorded on a website so that the public as well as the government can keep track of all the transfers made (CCT Schemes, 2009). This simple yet effective method of delivering and recording the cash transfers promotes efficiency and transparency in incurring public expenditures.

There are a few types of costs associated with implementing CCT programs. In general, initial costs, which account for less than one percent of Gross Domestic Product, tend to be high but are reduced over time. The main types of costs are targeting costs, benefit costs, and monitoring costs (Lomeli, 2008). However, expenses can be lowered through efficient transfer processes that relate back to the use of technology. For instance, Brazil uses electronic transfer for payments. Furthermore, community involvement in identifying households that can be included into the programs is another commonly used way to keep administrative costs low (CCT Schemes, 2009).

### 3.4 Evaluation

Evaluation is a major component of successful CCT programs. Evaluating CCT programs is important because it provides data about how effective the programs are at alleviating poverty to the government and major sources of funding. This information is critical since CCT's compete with social safety net programs for funding. It is extremely important to garner the political support for a CCT, especially during the evaluation time (Rawlings & Rubio, 2005). Nicaragua is an example of a country whose CCT program, Red de Proteccion Social (RPS), could not be extended for a third year because of the lack of political support. Proper evaluation methods bring to light certain problems or errors so they can be corrected for the future. The program administrators also carefully monitor the beneficiaries to make sure they are following the conditions. For instance, Bolsa Familia's Ministry of Education has the power to suspend or cancel benefits in the cases of non-compliance with program requirements (de Sae Silva, 2010). Efficient evaluation methods provide information on how well the CCT programs reach impoverished households, the presences and size of expected impacts, any unanticipated effects, stakeholders' perceptions about the program, and the cost-effectiveness of delivery mechanisms (Rawlings & Rubio, 2005). The indicators used to assess how the children have been impacted through education are changes in school enrollment, attendance rates, changes in promotion and repetition rates, and average test scores. The indicators used to understand the changes in the health are vaccination coverage, infant mortality, child growth rates, usage and satisfaction with pre-and postnatal care, and diarrhea incidence.

The most common type of evaluation method is the quasi-experimental method. Quasi-experimental methods are appropriate for assessing CCT programs because randomization of participants into a control and experimental group is usually not viable. For instance, evaluations of Progresa involve randomly assigning regions to treatment but not specific households (Lomeli, 2008). The main reason for randomly assigning regions rather than specific households is

because of the immoral or unethical implications of providing assistance to one household in a region and not another. Colombia also used quasi-experimental methods by comparing regions selected for the CCT programs with regions of similar socioeconomic levels that were not selected because of a lack of a bank (Rawlings & Rubio, 2005).

There are different types of methods Latin American countries use to obtain the data needed for evaluation. Most countries start by obtaining a baseline rate of poverty indicators by collecting data from the control and treatment groups. The data is usually collected through surveys and questionnaires and qualitative studies are also conducted. Some poverty indicators include composition of the household, household expenditures, remittances, socioeconomic status, education, health, migration, labor market participation of household members, anthropometrics, fertility, participation in other programs, and time allocation (Rawlings & Rubio, 2005). For example, Nicaragua collects data through case studies of households included in the CCT programs. Similarly, Mexico uses semi-structured interviews with schools and health clinics and group discussions with beneficiaries. As in the targeting criterion, the use of technology makes evaluating CCT schemes a bit simpler. Progresa and Bolsa Familia use electronic registers to keep track of beneficiaries over time and across programs. The tracking is accomplished by administering a unique identification number to each beneficiary (CCT Schemes, 2009).

### **3.5 Supply-Side Services**

For a CCT program to work, the supply-side services have to be in proper working order. Children can be incentivized to attend classes but they will not benefit from this change in lifestyle if the school is of low quality. For instance, if a child attends school but the teacher does not or an unqualified teacher does, the child will not gain from the CCT program. The whole

point of CCT's are investing in human capital so the supply-side services must do their part in the whole scheme of the CCT's. Governments in Latin American countries recognize this and have created their own incentives for the supply-side services, including health clinics, schools, roads, and markets. For instance, teachers in Nicaragua receive a bonus for every child participating in the program. The Mexican government actually sets aside funding for equipment, medicines, and other health related materials to match the increase in health services demand arising from the program. Honduras evaluates the quality of education by measuring the percentage of teachers trained and schools with basic teaching materials. Because Honduras faces such a major shortage in supply-side services, it has to provide further funding directly to schools and health centers (Rawlings & Rubio, 2005). El Salvador has taken the biggest step of all Latin American countries in bolstering its supply-side sector. Its Red Solidaria program is divided into three sections: the CCT section, an infrastructures development sector, and supply-side service income generator section (Bassett, 2008). By focusing on improving the demand for services while improving the quality of the supply-side services, El Salvador is ensuring their CCT program runs seamlessly.

## Chapter 4

### CCT Programs and India

India has been experiencing leaps and bounds in terms of economic growth. However, poverty is still a chronic national issue. In 2007-2008, there were about 70 million households that lived below the poverty line. The poverty headcount ratio was 26.1 percent and the poverty gap ratio was 5.2 percent in 2000 (Timini, 2010). As discussed in chapter three, India does not fare well in the education and health sectors as well. Recently, a range of social assistance programs have been initiated by both the central and state governments in an attempt to fulfill some of the commitments made under the Directive Principles of State Policy, the Fundamental Rights guaranteed under the Constitution of India and the commitments made to the international community on the Millennium Development Goals.

The Millennium Development Goals were initiated by the United Nations as a way to bring all of the member countries on the same page concerning poverty. They came up with eight goals for all 193-member countries to accomplish by 2015. In India the goals are clear cut and ambitious. The first goal is to eradicate extreme poverty and hunger. India should reduce the proportion of people living below the poverty line to 18 percent. The second goal is to achieve universal primary education. India's challenge is to reduce dropout rates from 34.89 percent in 2002 to zero percent and increase the primary school enrollment rate to 100 percent. India will have to focus on promoting female participation to achieve this lofty goal. The fourth and fifth goals are to reduce child and maternal mortality. India will have to reduce its rates to a ratio of at most 42 infant deaths per thousand live births and 109 maternal deaths per 100,000 live births. The sixth goal is concerned with lowering the incidence of HIV. The seventh and eighth goals

are aimed at ensuring a sustainable environment and developing a global partnership for development (Timini, 2010).

India has created many social safety net programs to achieve the goals outlined above. A few of the major social programs will be described and then assessed using the criteria taken from the Latin American CCT programs. Despite the differences between India and Latin America, the criteria established previously are universal in that they are necessary for an anti-poverty program to run smoothly in any country. By utilizing the criteria mentioned earlier, India can be assessed to determine whether it is ready for a large-scale implementation of conditional cash transfer programs. The analysis will show that the main problems associated with each criterion are rooted in corruption, inefficiency in the bureaucracy, and lack of transparency.

#### **4.1 Structure**

The first criterion for a successful program was shown to be an efficient structure delineating the intricacies of the program. Vinod Vyasulu of the Center for Budget and Policy Studies in Bengaluru, India claimed that there is a major contextual difference between Latin American countries and India that will affect the institution of CCT programs (as cited in Down To Earth). He claimed that, unlike Brazil, India has already greatly invested in expensive social programs. Starting from scratch, like Brazil did, may lessen the complexity and cost of administrating a CCT program because more resources can then be devoted to the success of the CCT initiative (Sharma, 2009). Nevertheless, the programs that India has already invested in have numerous structurally related problems. The problems stem from the lack of coordination between the levels of government departments, an underinvestment in resources, the lack of accountability between the government and the beneficiaries, and the large sizes of the cash transfers.

A lack of coordination is a major contributor to structural deficiencies. The 73<sup>rd</sup> Amendment outlines the responsibilities the local government has over rural development. The local government has a difficult time fulfilling these responsibilities because of their lack of communication with the development administration at the district level (Nayak, Saxena & Farrington, 2002). For instance, with the National Old Age Pension Scheme, there are too many players involved with an unclear demarcation of job responsibilities. The National Old Age Pension Scheme is a centrally sponsored scheme that was created in 1995. The program provides pensions to impoverished people over the age of 65 who are unemployed. The pension amounts usually are around the one dollar and fifty cents to four-dollar mark (Evaluation Report, 2009). The District of Rural Development Agencies as well as the state level departments (labor, medical and social welfare department) are responsible for the program's funding. However, these two levels of government do not communicate on a consistent basis. As a result, the money for the program is released directly to the District of Rural Development Agencies in such a way that the state departments do not ever have access to the funds. This results in the state level departments having very limited decision-making power (Nayak et al., 2002). Also, the National Old Age Pension Scheme's guidelines do not delineate the rate at which the payments should be delivered to the beneficiaries. Therefore, there is much confusion as to whether the transfers should be distributed on a monthly, quarterly, or biannually basis (Evaluation Report, 2009).

There are similar problems with the Rural Employment Program. This program was created in 2001 as a way to provide employment to the rural poor. With this program, there are too many ministries involved- Ministry of Food, Agriculture, and Rural Development. These ministries do not coordinate well and, as a result, there are no specific sets of responsibilities for each ministry. For instance, there is confusion over whether the Food Corporation of India should release the food grains before or after the Ministry of Rural development releases funds. Instead of clarifying this confusion, each ministry interprets the confusion to its own advantage,

which results in delays in delivering the food grains (Sampoorna Gramin, 2012). Besides the lack of coordination between the ministries responsible for poverty programs, India faces other structural challenges.

The National Rural Employment Guarantee Act has encountered many structurally related obstacles due to an underinvestment in resources dedicated to the program. As mentioned before, India had its resources and time invested in so many programs that the government could not put in the resources required for the successful implementation of the National Rural Employment Guarantee Act. The goal of this program was to provide a legal guarantee of 100 days of employment to all the rural sectors in India. This program was structured specifically to avoid the traps of corruption. For instance, because contractors have been shown to take advantage of their position of authority in other social programs by exploiting the poor, this program avoided the use of contractors (Ambasta, Shankar, & Shah, 2008). However, the National Rural Employment Program encountered problems in the structure due to the underinvestment in the resources required for the program.

The Controller and Auditor General did a thorough investigation of the program and found numerous inadequacies relating to the structure of the program. Understaffing was a major problem noted in the investigation. For example, in a block of 140 villages, the administrative responsibilities were divided up among five men who also had important engineering responsibilities (Ambasta et al., 2008). Other structural deficiencies found in the audit pointed to the failure to follow the program's policies. For instance, every state was supposed to implement an officer who was in charge of facilitating the program. However, the Controller and Auditor General reported that 19 states had not appointed any officer in 70 percent of the blocks surveyed. Similarly, each gram panchayat was supposed to have a delegated employment guarantee assistant. The Controller and Auditor General reported that 52 percent of the 513 panchayats did

not have appointed employment guarantee assistants. The auditors summarized their report by claiming there was a “lack of adequate administrative and technical manpower at the block and gram panchayat levels” (Ambasta et al., 2008). Besides inadequacies in the structure of the program, India faces problems with the transparency of its programs.

While Latin American CCT programs connected the government with the people in a way that promoted transparency and mutual respect, India’s programs usually do not enhance such relationships. In the National Rural Employment Guarantee Act, for example, the understaffing of the administration usually results in a lack of commitment to the beneficiaries’ needs. Instead of localizing the work plans to the district that the work is to take place in, the plans are created at the top most level of the National Rural Employment Guarantee Act administration. Unfortunately, the top most level of the National Rural Employment Guarantee Act administration does not take into account the specific needs of the locale it is planning for. This lack of insight causes programs to not target the specific needs of the people. For instance, in Chattisgarh, 75 percent of the funds have been spent on building roads when they should have been invested in drought proofing because the region has had a rough history of dealing with perpetual droughts (Ambasta et al., 2008).

The final major structural problem observed in Indian programs is the size of the cash transfers that are delivered to the beneficiaries. A cash transfer that is too large can have targeting and/or even implementation problems. The Integrated Rural Development Program accomplishes its goal of promoting self-employment through a mixture of subsidies and bank loans. The subsidy was between 80 dollars and 120 dollars and attracted the interests of politicians who diverted the subsidies to their supporters (Nayak et al., 2002). This meant that a high proportion of beneficiaries were not below the poverty line. The Rural Housing Scheme

also delivers a very high cash transfer that has created implementation problems that will be discussed under the implementation section (Nayak et al., 2002).

These structural issues can be corrected by increasing the coordination between the levels in the structure of the program. Brazil's Bolsa Familia is similar to India in that they have a very decentralized system with many structural levels to the program. They combat inefficiency and lack of coordination by Ministry of Social Development. In Brazil, the around 5,564 municipalities are autonomous of each other and tend to have their own sets of rules and regulations to follow (Lindert, Linder, Hobbs & de la Briere, 2007). To combat efficiency and the lack of coordination that could result from such decentralization, the central government enacted the Termos de Adesao. This was a formal contract with every municipality to follow a standard template for the Bolsa Familia program. Every municipality was required, by this contract, to follow a specific set of regulations (Lindert et al., 2007). Brazil was able to counteract their lack of coordination between municipalities by emphasizing the importance of standardization and congruency. India would greatly benefit by following in Brazil's footsteps by also enacting a similar joint management agreement between the different levels of the bureaucracy to ensure everyone is acting according to a set standard.

India should counteract also prioritize their resources so that every program is fully financed and supported with enough staff members. Indian programs should not attract higher classes or political interests with the cash transfers. India should make sure that the cash transfers they provide are not high, but at a level below the minimum wage, similar to Mexico's Progresa.

## **4.2 Targeting**

Targeting was the second criterion for a successful CCT program. Programs must correctly target their specified households to avoid any inclusion and exclusion errors. Incorrect

targeting practices could ruin the entire integrity of the program by excluding those who were essentially the driver behind the creation of the program in the first place. While Latin America targets a relatively small portion of its population, the percent of the population living below the poverty line in India is much larger (Down To Earth). By 2007, Oportunidades covered about 5 million Mexicans, or about 25 percent of the population. Similarly, Bolsa Familia reached over 46 million people, or about 25 percent of the population again (Bassett, 2008). According to the World Bank estimates in 2010, 42 percent of the Indian population lives below the Indian poverty line, which translates to around 455 million people (Chen & Ravallion, 2008). Therefore, India has a much greater challenge in targeting their population because of the sheer size of the population living below the poverty line.

Targeting issues in India also arise for different reasons. Evidence from case studies of different social programs in India points to corruption in the selection process of the beneficiaries as the major reason for the targeting errors. The 61<sup>st</sup> round of the National Sample Survey showed that the Public Distribution System, which is gradually being phased out of India, includes only 39 percent of households living below the poverty line and 17 percent of middle-class families in its rationing of food grains (Down To Earth). As mentioned previously, the Integrated Rural Development Program had high incidences of exclusion and inclusion errors because of the size of the subsidy. The subsidy was between 80 dollars and 120 dollars and attracted the interests of politicians who diverted the subsidies to their supporters. This meant that a high proportion of beneficiaries were not below the poverty line. For instance, a study by the World Bank found that almost no IRDP beneficiary in the sample surveyed satisfied the eligibility criteria. Furthermore, a study done in Tamil Nadu showed that the most common problem cited by beneficiaries were bribe demands. Beneficiaries should be brought into the program if they meet the requirements (Nayak et al., 2002). By requiring a bribe to be considered

for the programs, program officials are just recruiting beneficiaries who are not truly deserving of the program benefits.

The Rural Housing Scheme has no official method for targeting beneficiaries. Instead, many middlemen accommodate new beneficiary cases without assessing the beneficiaries to make sure they qualify. For instance, a study in Orissa, an eastern state in India, showed that original lists of beneficiaries were “modified again and again to accommodate cases.” Furthermore, local leaders and middlemen made “recommendations” in the selection of beneficiaries (Nayak et al., 2002). Targeting the urban poor in India has become even more difficult in recent years because of the dismantling of the Public Delivery Service. Despite the corruption involved in targeting practices, India has seen recent advances in the management information technology sector.

Mihir Shah, of the Planning Commission of the Public Distribution System cited a basic lack of proper identification tools for the exclusion errors occurring in India (Down To Earth). Madhya Pradesh is one example of the many states in India that are trying to overcome this deficiency and create basic identification tools. Madhya Pradesh replaced their public distribution system with a biometric-based card system. This system utilizes information technology by assigning biometric cards to each individual who qualifies for a food grain transfer. By using the biometric cards, India is bypassing the potential for fake identities of those who may try to collect food grains but who do not normally qualify to do so. For instance, after introducing this biometric system in Andhra Pradesh, 12% of the beneficiaries were shown to be non-existent. It is important to note that this statistic described one of India’s best run state programs, so the statistic could only be worse in other lesser quality programs (Kapur, 2011). Though this system may seem flawless according to government authorities, village officials are still concerned about the targeting practices used to identify the biometric card receivers.

However, this biometric card system is a step on the path to a more successful CCT implementation.

### **4.3 Implementation**

The third criterion associated with a CCT program is proper implementation technique. The inefficiencies associated with the implementation techniques can be categorized into five main issues; problems in the administration process, corruption, redirection of the program transfers, political influences, and lack of accessible banks.

The inefficient administration processes of the social programs cause implementation problems. For the National Old Age Pension Scheme, funds are routed through the District Collectorates, but the sub-collectors and sub-division officers conduct the day-to-day processes associated with implementation. The involvement of those different levels of government results in delays in the distribution of cash payments. In some states, payments are released once in two months and in other states, there is no fixed frequency for distribution (Evaluation Report, 2009). Furthermore, beneficiaries are supposed to submit application forms to be considered for the program. Because there is no clear-cut time line the administration follows for submitting and sanctioning potential beneficiaries, delays in the final selection of beneficiaries occur. For example, about 11% of the beneficiaries claimed that their cases were not approved until at least a year after they applied for financial assistance (Evaluation Report, 2009). For subsidized food distribution programs, the acquisition and distribution fees end up being more than double the value of the food eventually delivered to the intended recipient.

Another deficiency in the administration of the NREG described in the structure section was the short staff. This shortage has caused delays in the implementation of the projects and delivery of wages. Due to the dearth of engineers in Madhya Pradesh, there are long breaks

between the execution of a plan and the evaluation of it. These long gaps cause delays in the distribution of wages of up to two to three months. Similarly, in Chattisgarh, the shortage of technical workers causes up to three months of delays in wage payment (Ambasta et al., 2008).

Besides administration issues, implementation procedures are negatively impacted by corruption. The National Rural Employment Guarantee Act has encountered a great deal of sabotage. The general consensus among gram panchayats is that the National Rural Employment Guarantee Act is a dangerous program that will leave the administration's pockets devoid of cash. To reinforce their position, the gram panchayats try to avoid implementing the National Rural Employment Guarantee Act programs in their districts. A common practice in districts in Orissa is to actually lie about ever receiving a demand-for-work form after receiving one from a potential beneficiary of the program. The corrupt officials also try to quash the demand for work by dissuading program officials to process beneficiaries' paperwork to take part in the program. For instance, in Orissa, program officials are threatened with a reduction in their wages if they pay unemployment allowances to beneficiaries (Ambasta et al., 2008).

The Integrated Rural Development Program is one of India's largest and most experienced programs that target the poor by guiding them to self-employment. This program has seen a great deal of corruption among the lower-level officials. Surveys were conducted all over India have pointed to similar occurrences. Bank officials were said to be charging informal fees for the delivery of the program assets to the beneficiaries. For instance, 10-20% of the subsidy, depending on the area in India surveyed, was deducted from the total subsidy amount as an illicit charge." These illicit charges only benefit the bank officials at the cost of the impoverished households (Nayak et al., 2002).

Another major issue with the implementation process in India is the diversion of funds away from the beneficiary. Often, the cash is redirected away from the beneficiaries or filtered before it ever reaches the impoverished households. As mentioned before, the Rural Housing Scheme has been associated with a great deal of corruption because of the large amounts of cash transferred to the beneficiaries- 400 dollars. On average, about 120 dollars of every 400 dollars distributed is actually lost through illicit “charges” by the local level government and the creation of fake invoices by contractors (Nayak et al., 2002). In the audit review of the Rural Water Supply Programs, public funds are supposed to be directed to costs associated with distributing clean water to all of the beneficiaries. Instead, 16.35 million dollars was rerouted to activities that had no relation to the water supply program and 29.9 million dollars were kept in person or in revenue accounts (Nayak et al., 2002).

Similar incidents occur in the Rural Employment Program. The program utilizes private contractors to store, transport, and distribute the food grains to the beneficiaries. However, if there is a difference between the market prices of the food grains and the Food Corporation of India price, the private contractors try to benefit from this difference by selling the grains at the higher price. Therefore, a large portion of the food grains is lost on their way to the households (Evaluation Report, 2009). In the Employment Assurance Scheme, the Controller and Auditor General found that the funds meant for the program were diverted to personal accounts. Specifically, for every two dollars allocated to the program, one dollar and twenty cents were supposed to reach the beneficiaries. Instead, only thirty cents reached the beneficiaries and the rest were diverted to personal accounts. The Employment Assurance Scheme authorities also diverted funds to other projects that were sponsored by the state. For instance, 2.2 million dollars was taken from the program and used to sponsor the state scheme Janmabhoomi and other unrelated activities. This diversion of funds ultimately cost 1.9 million man-days of employment

that could have been generated through the Employment Assurance program from 1994-1999 (Nayak et al., 2002).

Diversions of funds are common in Indian social safety net programs. Often, the reasons for these diversions are politically based. For the Rural Employment Program, funds were never released in a timely manner unless the food crises were deemed to be politically threatening. As described above, Employment Assurance Scheme has diverted funds that should have been preserved for the beneficiaries. The District Collectors in this program are supposed to obtain money for beneficiaries once the beneficiaries have registered themselves and signed up for a project. However, what actually occurs is that the District Collectors receive the funds and distribute them first to the departments that garner the most political support. By favoring certain regions over others, the Employment Assurance Scheme ends up unevenly distributing funds. Only 25% of the wage funds actually end up in the targeted areas while the rest of the 75% is diverted because of political pressure. Political pressure also impacts the distribution of payments (Nayak et al., 2002). For the National Old Age Pension Scheme, because the beneficiaries do not exert enough political support, this results in irregular payments. In some states, payments are released once in two months while in other states, there is no fixed frequency for distribution (Evaluation Report, 2009). Even programs that involve in-kind transfers encounter politically based obstructions. A major issue with the Rural Water Supply Programs program involved the siting of water pumps. Pumps tended to be located near village elites with political power instead of those people who actually needed it. This lowered the accessibility of water pumps to the impoverished.

Furthermore, Latin America uses technology to deliver payments via banks. India currently is deficient in this aspect. Of 600,000 villages, only 30,000 have bank access (Down To Earth). India is moving forward in the usage of technology in terms of biometric cards, but

should also focus on increasing the accessibility of banks to those regions that will be receiving cash transfers.

A solution to the lack of accessible banks could be to follow the lead of Africa. Africa has taken a different approach to banking. Instead of making banks more accessible to the poor, Africa has essentially “leapfrogged” over traditional banks and instituted mobile banking. This technique not only decreases the costs associated with transferring money, but also allows every person living below the poverty line to have easy access to banking. If India could institute a system of mobile banking, then transferring cash to each household would be a much simpler process (Porteous 9).

The corruption in the administration process can be solved in a similar way to the method Latin America used. As mentioned in the Latin America section, the use of technology has really helped combat some of the corruption commonly seen in those countries. By keeping an online account of every transfer made, Latin American countries are not only able to keep track of the delivery of payments, but also able to make sure none of the funds are diverted. Brazil is similar to India in the amount of deep-rooted corruption found in the government. However, the key to diminishing the amount of corruption is to create more transparency in the government’s actions. Transparency is the key to having proper evaluations, which will be discussed next.

#### **4.4 Evaluation**

Proper evaluation techniques were shown in Latin America to be vital to the perpetuity of any program, not only CCT programs. By evaluating a program, India will not only be able to judge whether continuing the program is a viable option, but also be to determine the errors and inefficiencies involved. One of the criteria most lacking in Indian anti-poverty programs is the evaluation method. There is not much evidence of improved monitoring and evaluation systems being in place for the new generation of CCT-like schemes in India. Some of the biggest

programs that utilize a large amount of funds do not have proper evaluation methods to make sure that the funds are being put to efficient use.

The NREG had the goal of making a radical change in the incidence of poverty but has not proven its value due to a lack of proper evaluation techniques. A report by the Control and Audit General assessed that, “Maintenance of records at the block and gram panchayat levels was extremely poor, and the status of monitoring, evaluation and social audit was also not up to the mark” (Ambasta et al., 2008). Districts in Gujarat, Chhattisgarh, and Madhya Pradesh do not have any evidence of audits. Their audit committees are either inactive or withheld from the public eye. The number of audits that occur in other states are usually minimal and of not high quality. This is due to the usage of a “tender” system. The district officials actually invite tenders to conduct social audits. For instance, in Shivpuri, a city in Madhya Pradesh, the people who offer the lowest tender are awarded with the job of auditing the National Rural Employment Guarantee program there. The lowest bid was actually two dollars (Ambasta et al., 2008). By investing in evaluation systems through the tender process, the National Rural Employment Guarantee Act administrators are not emphasizing the important of a high quality audit. The qualitative data obtained from a social audit should be valuable in determining errors and impact evaluations. So far, the National Rural Employment Guarantee Act has not been able to provide either with the lack of proper monitoring and evaluating techniques.

Similar problems have occurred in other social programs. For instance, the Employment Assurance Scheme field staffs are pressured to report results that are ideal, even if not realistic. Also within this program, there is a lack of monitoring so no one is checking to make sure that the specified ratio for wages and material components is being followed. For instance, money is considered to have been spent once it is allotted to Panchayats from Districts, even when no physical expenditure has taken place. Impact evaluations cannot be done if the cash is not even being transferred in the first place (Nayak et al., 2002).

The main reasons behind the lack of monitoring done on anti-poverty programs have to do with the transparency allowed in the Indian government. Allocation in centrally sponsored schemes can only be tracked up to the district level. This is why middlemen involved after the district levels tend to start using corrupt practices as noted above. After the district level, there is a major lack of auditing practices to understand the direction and capacity in which the funds are delivered to the beneficiaries. Evaluations that have been conducted on higher levels of the government have resulted in policy changes, however. Many times, though, the policy changes have only been accepted when they did not disturb political interests (Nayak et al., 2002). To improve the monitoring system in India, the lower levels of administration must be carefully tracked to ensure compliance with the program regulations.

#### **4.5 Supply-Side Services**

Supply-side services must be in proper working order for a large-scale implementation of CCT programs to succeed. CCT programs in Latin America succeeded because of the relatively good quality of public health and education services. Incentivizing such services worked well because they were not only of good quality but also very accessible, even to the rural sections of the countries. India, on the other hand, does not have a highly accessible health or education system. A study done by the Abdur Latif Jameel Poverty Action Lab observed the public health care facilities in Udhaipur, India (Banerjee, Deaton, & Duflo, 2003). After about 49 observations per facility, the researchers found that around 46 percent of the medical staff were absent in the Primary Health Centers and Community Health Centers. They also found that, because of the high absenteeism, the centers were closed 56 percent of the time during regular opening hours. The observations made by the researchers match the statistic of 43 percent absenteeism in the

nationally representative surveys. Private health care facilities are a major source of health care in India. The researchers also observed private facilities and found that 41 percent of the doctors actually did not have a medical college degree, 18 percent did not have any medical training, and 17 percent did not even graduate from high school (Banerjee et al., 2003). Furthermore, the quality of schools and health centers in India need to be improved. In a study done in 2003 by Muralidharan, 3,000 government-run schools and 1,500 primary health centers in India were studied (2003). On a typical day, 25 percent of teachers and 40 percent of the medical workers were absent (Chaudhury, Hammer, Kremer, Muralidharan, & Halsey, 2006). Those who were not absent from the health clinics and schools still were not always performing their job. For example, the researchers found that, on average, even though 25 percent of the teachers were absent from the schools, 25-30 percent of the teachers who actually came to school did not teach (Chaudhury et al., 2006). Unfortunately, in poorer states, the statistic was found to be even worse. In Bihar and Jharkhand, more than 70 percent of doctors and teachers, each, were found to be absent and not engaging in teaching activity, respectively (Muralidharan, 2003). States like Bihar and Jharkhand contain the most poverty and could greatly benefit from CCT programs if they had better supply-side services. If CCT programs are to succeed in India, the government should invest in increasing the quality and accessibility of India's supply-side services.

The bleak state of health and education facilities in rural areas of India need to be corrected for CCT programs to work. Many Latin American countries have a supply-side segment to their CCT program. This segment is focused on improving the quality of the supply-side services through funding, providing bonuses to health care and educational facilities as an incentive to take in more patients or students, and creating incentives to lower the rate of absenteeism. If CCT programs are to succeed in India, India should follow Latin America's lead by also investing in their supply-side services not only to make them more accessible to the rural poor, but also to improve their quality.

The analysis above shows that India faces many problems relating to the structure of their social safety net programs, targeting methods, implementation techniques, evaluation strategies, and supply-side services. Many of the issues are embedded in a complicated bureaucracy and corruption due to political interests and lack of proper auditing system. India has the ability to overcome many of these obstacles by following the lead of Latin America. Through the use of technology, a more transparent administration, and a larger investment in resources devoted to the program and to supply-side services, India will hold a better foundation for a large scale-implementation of CCT programs.

## Chapter 5

### Conclusion

The analysis above has shown that India is not yet ready for a large-scale implementation of CCT programs. There are yet so many deficiencies in the structure, targeting practices, implementation techniques, and lack of evaluation strategies in many of India's most invested programs. Before India can move onto a large-scale implementation of CCT programs, India needs to work on improving the efficiency in the government, decreasing the amount of corruption, utilizing technology to aid in targeting and implementation, and increasing the transparency of the administration through better evaluation methods.

Further studies could delve into how the structure of the government and corruption are linked. Specifically, does the complicated bureaucracy promote corruption in the government or does the corruption inherent in society lead to the inefficiencies found in the government. Further studies could also focus on implementing and evaluating CCT programs in one village a time. By starting small and gradually increasing the scope of CCT program implementation, India can learn from and corrects its mistakes to make each program better than the last.

India has invested a great amount of resources in alleviating poverty and in reaching the Millenium Development Goals. While India has seen a great reduction in poverty over the last 15 years, they are reaching a position in which more needs to be done to see dramatic results as the population grows. The programs evaluated above are some of India's most highly invested programs that have been thoroughly studied over the years. They have been created to alleviate poverty but have run into numerous obstacles that have lessened their intensity of impact. The five criteria need to be met in a more rigorous way, especially more than Latin American ever had to. India faces a different contextual situation than Latin America- India has a greater population,

more people living below the poverty line, and a larger country with a more decentralized bureaucracy. India must focus on improving the structure of its programs through better government accountability and a cleaner and more efficient structure. It needs to improve its targeting procedures by improving the information technology infrastructure and reducing political influences in targeting. Implementation procedures need to become more efficient by decreasing the amount of funds that are diverted and separating political influences from the needs of the impoverished. Evaluation methods should be more meticulous and professionally done.

Latin American countries had a high level of corruption but were able to effectively minimize it by improving their auditing process and standardizing and enforcing their program regulations. African countries were able to “leapfrog” to mobile banking to improve the poor’s accessibility to banking. Advances in North India have already been made through the use of biometric cards. India can find the proper solutions to their current problems by following such leads. If India can focus on correcting the five criteria mentioned here, it will be well on its way to not only correcting the programs already instated, but also implementing more CCT programs.

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