

Unconditional Pathways For Well-Being – Understanding The Role Of Direct Cash Transfers In Building Up Lives

Dr. Vaishali Joshi

Associate Professor (Dept. Of Sociology)

Head, Research Centre In Women's Studies, St. Mira's College For Girls

Abstract

Development, since its inception in the post-war era as a concept and a practice, has been revolving around the issue of poverty. Persistent poverty in the world draws our attention to the structural and relational nature of poverty. The need to build policy interventions to break structural traps of poverty is ever increasing. In past two decades, policies and programs that address poverty and inequality simultaneously are gaining prominence. With the retreat of welfare state and the neo-liberal push for free market economy, social protection policies and programmes are becoming crucial as mechanisms to enable poor people to participate in a fair way in markets, particularly labour markets. Different forms of cash transfers have evolved in different parts of the world in recent decades. The aim of this paper is to discuss the role of direct cash transfers as a tool of reducing poverty and social inequality. It draws on data of existing cash transfer program of Project Deep (an organization in India implementing unconditional and direct cash transfers for poverty relief), and synthesise evidence on its potential to create empowered communities.

Key concepts – poverty alleviation, social protection, direct cash transfer

Date of Submission: 17-05-2025

Date of Acceptance: 27-05-2025

I. Introduction

The concept of development has transitioned from its early focus on economic growth to encompass broader dimensions, including social equity, environmental sustainability, and human well-being. Traditional development theories, such as modernization and dependency theory, primarily emphasized industrialization, urbanization, and the transfer of capital and technology. However, these approaches often overlooked issues like environmental degradation, social inequalities, and the exploitation of marginalized communities.

In the latter half of the 20th century, alternative paradigms such as sustainable development and human development gained prominence. The Brundtland Commission's report, "Our Common Future" (1987), popularized the idea of sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Similarly, the United Nations Development Programme (UNDP) introduced the Human Development Index (HDI) to measure development through indicators such as education, health, and income, reflecting a shift toward people-centred metrics. Nevertheless, all developmental policies and strategies continue to give first priority to fighting poverty. The Millennium Development Goals (2015) focussed on eradicating abject and dehumanizing conditions of poverty. Goals of sustainability, gender equality and equal access of health opportunities are placed after the first preliminary goal of eradicating extreme poverty and hunger.

A strategy of inclusive growth is expanding today to achieve the goal of poverty reduction. The concept of inclusive growth anchored in the three pillars of productive employment, capability enhancement and social protection aims to disperse the benefits of economic growth (Ali 2007). Inclusive growth encompasses creation of opportunities of full and productive employment, provision of mechanisms of capability enhancement and assurance of minimum well-being through social protection. The concept of inclusive growth is shaped by the capability approach of development. The capability approach was introduced by Amartya Sen in the 1980s as a critique of welfarist and utilitarian traditions in economics. Sen's framework prioritizes the expansion of individuals' freedoms, arguing that development should enhance people's ability to choose and act in ways they find meaningful.

The present paper looks at direct cash transfer initiatives of Project Deep as contributing to the capability discourse of development by providing empirical data on how even poor people can make informed choices if they have a freedom to choose. The project holds that social development is possible only when people have freedom to decide on the use of the means that they have at their disposal in a way that is appropriate for them.

II. Objectives And Methodology

The paper aims –

1. To discuss the potentials of the tool of cash transfers to address extreme poverty.
2. To draw replicable inputs from direct cash transfer program of Project Deep.
3. To put direct cash transfer in the framework of development as freedom and well-being.

As a conceptual discussion, the paper is written with a descriptive framework. It primarily involves literature review to relate human development and capability approach. The paper has synthesised field data of Project Deep to contextualize direct cash transfers within the framework of development as freedom. The paper addresses the dimension of collective empowerment as a necessary complement to the capability approach, which is often predominantly interpreted through the lens of individual freedom and choice.

Human Development and Capability Approach

Traditional metrics of development, such as gross domestic product (GDP) or per capita income, have long dominated policy discourses. However, these indicators often fail to capture the multidimensional nature of human well-being. The Human Development discourse consolidated around 1980's is conceptually underpinned by the capability approach.

The capability approach, pioneered by Amartya Sen (1982, 1999) and expanded by scholars like Martha Nussbaum (1988, 1992), provides a framework for evaluating human well-being and development beyond traditional economic measures such as GDP and GNP. Understanding development as growth and measuring it with variables like GNP fails to capture the complexities of living conditions. Quantifiable variables of growth fail to address the issues of distribution and more importantly, the qualitative aspects of human life. Importance of natural and social environment goes missing in the economic concept of development. The capability approach focuses more on the holistic well-being of individuals, the nature of the life that people succeed in living. As stated by Sen,

“People value their ability to do certain things and to achieve certain types of beings...such as being well nourished, being free from avoidable morbidity, being able to move about as desired and so on. These ‘doings’ and ‘beings’ may be generically called as functionings of the person. The well-being of a person can be seen as an evaluation of the functionings achieved by that person” (Sen 1988, 15)

At its core, the approach emphasizes two central concepts:

1. **Capabilities:** The substantive freedoms or opportunities individuals have to achieve well-being.
2. **Functionings:** The realized achievements or states of being and doing that people value and have reason to value, such as being healthy, educated, or participating in community life.

More than the means it is the freedom to use those means is what brings real development. The capability approach thus shifts the focus from resources and outcomes to the real freedoms individuals have to lead lives that they value.

However, scholars like Osmani (2016) have expressed a fear about the neo-liberal agenda contaminating ‘freedom and choice’ by too much of individualistic orientation. It is precisely this dimension of capability approach that the Project Deep model expands by putting focus on building collective capabilities while addressing individual poverty. The model of unconditional cash transfers is undertaken to strengthen social protection.

Before discussing Project Deep in detail, it is important to review efforts of poverty eradication in India and understand the role of cash transfers in addressing poverty.

Planning for the poor in India

Poverty reduction has been central to India's development agenda since independence. India has adopted diverse measures for poverty alleviation. Growth-inducing measures, direct poverty alleviation programmes and indirect subsidization have been adopted from time to time to address this issue. Planned interventions such as provision of land and water, distribution of income-generating assets, access to credit, securing minimum wages and employment, introduction of public distribution system, public health facilities are some of the measures adopted to eradicate poverty. Review of major poverty alleviation schemes in India such as MGNAREGA, National Food Security Act, and Pradhan Mantri Awas Yojana points out to lack of durable assets creation, delayed and inefficient implementation, leakages and corruption as most striking limitations of the government schemes. Though the percentage of people living in extreme poverty is steadily declining¹, poverty perpetuates

¹ The figures vary because of variation in statistical tools used. As per the Multidimensional Poverty Index of 2023, 16.4 percent of the population in India (230,739 thousand people in 2021) is multidimensionally poor while an additional 18.7 percent is classified as vulnerable to multidimensional poverty (263,030 thousand people in 2021).

and continues to hinder well-being of millions of people in India. Despite significant economic growth, poverty remains a persistent challenge, with millions still deprived of basic necessities. The basic shortcoming of poverty alleviation initiatives is the failure to involve the people (Bhat 2008). Mobilization of the poor in order to enable them to participate directly and effectively in the decisions that affect their lives and prospects is very crucial.

Experts agree on social security or social protection as another significant way to reduce poverty (Bhat 2008, Rao 1995, Dantawala 1996). As stated by Jean Drez and Amartya Sen (1989), structural reforms have cut down the already insufficient government involvement in sectors including education, health care, land reforms and social security, areas which are vital concern of the poor. As the post 1990's development strategies stress more outward-directed development and encourage unregulated markets, the threat of marginalization of the already vulnerable has increased. As stated by Preston (1996), the post-1980's push towards neo-liberal, market-oriented economy also witnessed in development theory a propagation of active role of public sphere or civil society in community development. Mushrooming of NGOs in India in post-1990s period is directly related to this broader shift in development discourse. The role of non-profit organizations in development is hailed due to their micro, grassroot-reach, community involvement, transparency and possibility of trying innovative initiatives at smaller level. NGO sector in India has created and implemented many successful models of reaching local communities and vulnerable sections with empowering interventions.

The idea of cash transfers as a tool

The paper has discussed Project Deep's direct cash transfer program as a unique initiative by a non-profit organization. As a non-profit organization, Project Deep could experiment with this idea which is going successful in many other parts of the world. Project Deep's pathbreaking experience with the program is promising for social and economic policy.

In today's context of economies being more and more governed by volatile markets, increased climate-related risks and geo-political turbulences, addressing the welfare of the vulnerable and the needy is a big challenge for the governments. Cash transfers form an important and growing part of social protection programming in many developing countries. Cash transfers have been used successfully by many countries like Mexico, Brazil, Nicaragua, Chile, Jamaica and Bangladesh as a safety net strategy to address extreme poverty and low human capital. In 2007, the Philippines piloted a Conditional Cash Transfer program in four provinces and since January 2008, has started to implement this program nationwide (Son 2008, 1).

Cash transfers, both conditional and unconditional are increasingly perceived as an effective tool for poverty alleviation. Cash transfer programs have the ability to enhance both the income of the poor in short run and their human capabilities in the long run. Since past two decades, direct cash transfer interventions are increasingly used as a social protection tool in many developing countries, particularly, in the Sub-Saharan Africa. As a cushion against risks and shocks, the cash transfer programs have enhanced the household and community level resilience or the ability to remain at a certain minimum level of income or well-being (Wouterse 2018). By comparing the universal vs targeted and unconditional vs conditional cash transfer programs, and experiences of Latin America and Africa, Slater (2011) argues that more than short term safety/relief nets, cash transfers would work more effectively as long-term predictable social protection programmes.

In India, cash transfers are suggested by many as a silver bullet to address challenges of poverty. The recent government movement towards cash transfer programs in India are suggestive of inclusion of cash transfer in the social and economic policy to fight poverty. But direct cash transfer schemes have come under scrutiny in past years with a charge that in some States it was used for immediate political gains. Many scholars are demanding evidence-based policy giving priority to empirical data. More inputs on the context of political economy and actual implementation and impact are essential.

Project Deep – Community Empowerment through Direct Cash Transfer initiatives

Project Deep is an NGO working to strengthen social and economic prosperity through effective use of the tool of direct cash transfers. Incorporated in 2023, it is the only organization in India implementing unconditional and direct cash transfers for poverty relief. Learning from the compelling global evidence of successful implementation of cash transfer as safety net tool, the organization aims to build a centre of excellence to spur innovation and build a strong narrative in the space of cash transfers. Through program interventions in 5 communities, Project Deep is building local evidence of community resilience, of experimentation on new ideas with peers, and engaging with policy influencers to further strengthen welfare systems.

The organization gives direct and unconditional cash amount of Rs. 65,000/- to all families in a selected community to fulfil their aspirations. Project Deep has distributed direct cash to 543 households in 5 communities in rural and tribal Maharashtra and Rajasthan².

² Data on Project Deep's community programs is taken from the organization's annual reports.

The focus on transferring money directly to people comes from the organization's conviction that people can carve their own path towards prosperity.

Project Deep presents the implementation and impact of the Program as follows -

'This transfer provides people with choice and a dignified chance to correct the perpetuating cycle of inequality and poverty. It works as seed capital which unlocks their latent potential and aspirations. It enables asset creation that will benefit multiple generations and provides the opportunity to relieve acute stressors. This accelerates a family's journey towards a better life. This infusion creates liquidity in cash-starved local economies. This increases communities' ability to access relevant opportunities, and improve livelihood returns resulting in the sustenance and growth of capital'.

Breaking the common-sense prejudices that if direct cash is given to poor people, they will either spend it on bad habits like alcohol or waste it due to lack of proper financial knowledge, the Annual Reports of Project Deep's disbursement show a very wise and productive use of the money. In the Krishnapur community, families gave priority to spending on improving health and housing conditions, investing in long-term assets, and livelihood avenues such as agriculture, livestock and enterprise.

The cash transfer resulted in 47 additional acres of land being tilled, a 50% increase from the previous year. Eight landless farmers were able to take land on rent, and four farmers were able to expand the land under harvest, demonstrating not only an increase in aspirations, but also in risk-taking capacity. This rise, along with the improved quality of crop due to timely processes, resulted in a boost in income from agriculture. This also enabled multiple crop cycles for those who had irrigated land.

As stated in the Annual Assessment Report 2024,

'During the baseline 41 out of 50 families had some form of debt. Nine families have been able to repay all their debt, whereas for four families the outstanding amount has been reduced to less than 50%. A notable amount of agriculture loans were repaid, and no new ones were taken, which is a significant change from last year when 29% of the total debt was for agriculture'.

This shows that availability of a lumpsum money without any hidden or direct interest can help poor families break the chain of a debt trap.

Project Deep's Program and the capability approach

1. The approach of unconditional cash transfer gives choice and freedom in true sense. This approach promotes agency, the motivation and readiness of families to take their own decisions. The diverse choices of families to use the same amount received as support indicates independent understanding of what good life means. Not attaching conditions to the usage allows individuals to make their subjective choices, show aspirations and understanding of challenges.
2. Giving universal support rather than targeting created a collective solidarity. In a poor community, targeting may create gaps between vulnerable and more vulnerable. Giving support to all families ensured participation of all creating more willingness to support one another. There was increased circulation of capital and also employment generation. As the report states, 'The collective relief resulted in more camaraderie'.
3. One time support did not just serve the purpose of relief but created possibilities of investments in livelihood. Timely support created a room to break out of their conditions and think and spend on their well-beings.
4. The diversity of usage signifies that people have varied ways of defining and pursuing development. It is therefore crucial to build the element of choice into any poverty alleviation program.

More than means, the focus in capability approach on freedom to use those means is reiterated in Project Deep's model of direct cash transfers. This model also deals with the risk of individualistic choice driven by self-interest. By its universal approach, the model strengthens community support and resilience. It demonstrates that this is an effective and scalable model of development.

The paper has discussed the conceptual aspect of Project Deep and more detail examination of the design, implementation parameters and impact is certainly needed. While it is too early to guarantee that success of one project can be replicated in other contexts, it provides an important example that can yield an array of good practices.

III. Conclusion

Critics feared that the Human Development discourse underpinned by capability approach may be contaminated by the neo-liberal agenda. As clarified by Sen and Nussbaum, individual freedom and choice could be exercised only with the collective reason to value. The direct cash transfer interventions of Project Deep offer a model of collective capability, an urge for collective well-being. The capability approach is interpreted as offering an 'individualistic' framework of freedom and choice. But the model evolved by Project Deep is directed towards strengthening community resilience. Unconditional direct cash inflow has enhanced the capability of the

community to create entitlements and a collective space to materialize freedom, freedom of being and doing. By focusing on building a collective ethical check, the model has great potential to address the risk of choices driven by short term self-interests. It builds a model of community empowerment. Direct and unconditional transfers can become the dominant way of giving in the social and public sector. It is the future direction of development as well-being.

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