

COMMENT

A case for cash transfers

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The revival of the NYAY scheme in Congress's Kerala manifesto is a welcome step



The **Nyuntam Aay Yojana (NYAY)** has become more relevant since it was first proposed two years back. By resurrecting it in its Kerala manifesto, the Congress has an opportunity to make the idea even more robust.

Even the best policy proposals find it hard to survive an unsuccessful election campaign. So, it was unexpected to see a version of NYAY, the Congress's flagship 2019 scheme that proposed a monthly transfer of ₹6,000 to households living below the poverty line, resurface prominently in the **Congress-led United Democratic Front's manifesto** for the **Kerala Assembly election**.

Kerala Assembly Elections | [Rahul seeks to woo voters with NYAY, promises ₹6,000 every month to the poor](#)

Unconditional cash transfers to the poor is a resoundingly good idea. Of course, cash transfers lead to important short-term effects: better nutrition, less food insecurity, higher consumption, and so on. But their benefits extend beyond this. Research shows that by freeing people from being held hostage to hunger and insecurity and anxiety about basic needs, even a modest cash transfer can radically transform people's futures, unlocking stymied entrepreneurship, investment, and eventually a sustainable exit from poverty. It is hard to dream and plan on an empty stomach, and cash transfers help ease that problem. They are, thus, a powerful instrument for sustainable poverty reduction.

Behavioural tools

NYAY was already a good idea in 2019. But the COVID-19 pandemic and the hardships endured by rural-urban migrants during the countrywide lockdown, followed by the crippling economic slowdown, have only made the case for it stronger. Had a NYAY-like scheme been in place, migrant workers who found themselves thrown out of work by the lockdown might have had the wherewithal to remain where they were, rather than being forced to make perilous journeys home. Businesses that faced labour shortages might have found it easier to restart activity once restrictions eased, and cash in the hands of potential consumers could have helped in recovering from the dramatic economic slump that the pandemic set off.

This is not mere speculation. A non-profit behavioural science research and design firm, ideas42, has been testing several 'nudges' to help people make the most of their government cash benefits, in partnership with the World Bank and governments in Africa. Much of this work predated the pandemic, and it was being seen that the behavioural methods that were designed, consisting of a simple tool to help people articulate long-term goals and figure out how much money to set aside to achieve these goals (often things like purchasing livestock or inputs for a small business), helped people save more, make some productive investments, and pay off high-interest debt.

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After the pandemic hit, ideas42 was able to interview beneficiaries of cash transfer schemes in Kenya's rural areas – both those who had received only cash and those who had also received the behavioural 'planning tools'. Several months into the pandemic, everyone reported a loss of income and said the cash they had received helped them cope. However, those who received the "nudge" tools fared better because they had saved more, were more likely to have made productive investments,

and were more optimistic about their future. Even during a pandemic, cash transfers helped people feel in control, and adding behavioural tools increased the cash's impact on people's well-being.

A state-level implementation of a programme like NYAY facilitates the necessary tinkering and ironing out of logistical challenges. It also allows for strategically incorporating 'nudges' and other proven interventions that can help magnify the impact of cash transfers. Such interventions can help ensure that people receiving cash are not only able to meet their immediate needs, but are also able to set some money aside for contingencies, such as a pandemic or natural disasters. Whether or not NYAY sees the light of day in Kerala depends on the outcome of the election. But the Congress is right to stick with a concept that has become more significant now.

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