India’s Social Policies under the BJP Government
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Executive Summary

In 2014, the BJP won a substantial number of votes among India’s poor and the lower classes, which are the main beneficiaries of the government of India’s social policies. This paper analyses the BJP-led government’s performance in the social sector, with the objective of assessing their electoral impact on the forthcoming general elections in 2019. It focuses on two main areas. First, the government’s performance at implementing policies inherited from the previous administration; second, what kind of new policies has the government introduced and what kind of benefits they brought to India’s poor and lower classes.

The main argument of the paper is that the government’s approach to welfare has been contradictory on the one hand, and more rhetorical than substantial, on the other, despite some achievements. The contradictions are mostly visible in terms of the government’s shifting priorities with respect to existing social policies. The BJP government has first tried to substantially downscale or dismantle existing policies such as the Mahatma Gandhi National Rural Employment Guarantee Act or the National Food Security Act. However, during the course of its term, the government has changed its mind and made an effort to back existing social policies with higher financial allocations and new policy mechanisms with the objective of streamlining implementation. The results have been mixed. Particularly problematic was the attempt to overcome limited implementation capacity with the introduction of sophisticated technological solutions, which caused more harm than good. In particular, the integration of India’s biometric identification system (known as Aadhaar) made it difficult for policy beneficiaries to access their entitlement, particularly in rural and remote areas.

The government has also introduced a number of new policies – mostly repackaging or reforming existing schemes – especially in the areas of financial inclusion, housing, sanitation, rural electrification and health. The paper shows that the government has been able to provide some tangible benefits to India’s poor, even though it is unlikely to meet its targets in most areas. Also, the reliability of implementation data is questionable and conflicts with actual achievements on the ground. This might have unfavourable electoral repercussions for the BJP if poor voters will notice the mismatch between the government’s claims and actual reality. The policies that might prove most beneficial to the government are the housing scheme, through which millions of houses have been built, and the health insurance programme. The latter, however, is backed by extremely limited financial resources to make any meaningful impact, but this will most likely be noticed only after the 2019 general elections.
Introduction

In his last Independence Day speech, before the next general elections, India’s Prime Minister, Narendra Modi, focused on a central theme that is likely to form one of the ruling Bharatiya Janata Party (BJP)’s key electoral planks: social inclusion. From reiterating his promise to double farmers’ income by 2022, to defending his government’s success in spheres such as sanitation, housing, financial inclusion and healthcare, a significant part of Modi’s speech was directed to the weaker sections of India’s society. How well has his government performed in the social sector? How has Modi’s vision translated into actual policy? This essay will answer these questions and argue that the BJP government’s approach to welfare has been contradictory on the one hand, and more rhetorical than substantial, on the other, despite some achievements.

We will look at the government’s approach to the social sectors in two areas. First, the government continued a number of programmes and schemes inherited from the United Progressive Alliance (UPA). In this paper, we will look in particular at the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and the National Food Security Act (NFSA), arguably India’s most important welfare schemes and those with the clearest electoral repercussions. Second, Modi’s government either introduced new schemes or reformed old ones in areas such as financial inclusion, rural electrification, sanitation, housing and health.

Continuation of previous policies

India’s welfare regime architecture inherited from the UPA government remains substantially intact under Modi. Policies such as the MGNREGA – the UPA’s flagship initiative guaranteeing 100 days of employment to all rural households; the Integrated Child Development Services (ICDS) – India’s main policy for ensuring child development and well-being; the Midday Meal Scheme – which provide a hot, cooked meal to all children enrolled in public schools; and the NFSA – which confers the right to purchase highly subsidised food to 67 per cent of the population – remained in place. A significant change was the marked effort to introduce technology-based solutions to streamline implementation of numerous welfare schemes. In particular, the integration of India’s biometric identification system (Aadhaar) with existing welfare programmes has seen a marked acceleration.

It is in this area that the government’s approach has been the most contradictory. Shortly after coming to power, the government started preparing plans to downscale the MGNREGA, but these were eventually abandoned.\(^\text{1}\) In 2015, the Prime Minister called the programme “a living monument” of the Congress party’s failure. One year later, however, 

Modi celebrated the scheme as a “cause of national pride and celebration”.\(^2\) Financial allocations, accordingly, stagnated during the first years of the government’s tenure and then went up significantly (Figure 1), even though, in real terms, allocations have been declining or stagnating for most of the period.

**Figure 1: Government of India allocations for MGNREGA 2013-2018**

![Graph showing allocation for MGNREGA](source)

Figure 1: Government of India allocations for MGNREGA 2013-2018


On the implementation front, two key indicators show the mixed record of the government at implementing the scheme. The first is the average number of days that households worked under the scheme. Here, the Modi government’s record is only slightly worse than the UPA’s: average person-days per household remained more or less stable during the last five years (46 days per household per year).\(^3\) Second, delayed payments continue to be a major problem. According to government data, 92 per cent of the wages are paid within the prescribed 15 days, but this figure does not record when the money actually reaches the beneficiary. A study by Rajendran, Dhorajiwala and Golani estimated that only 21 per cent of the wages were paid on time in 2016/17, whereas the corresponding official figure was 43 per cent then.\(^4\) It seems plausible that some improvement has in fact taken place, even though evidence suggests that delays continue to affect the programme, in particular due to

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\(^3\) Data taken from the official MGNREGA website, nrega.nic.in.

disruptions caused by the requirement of having an *Aadhaar*-linked bank account as a precondition to access the programme.\(^5\)

Overall, democratic pressures have kept the MGNREGA alive. On the one hand, plans to downscale the programme or limiting its implementation were resisted by the BJP’s own MPs and chief ministers.\(^6\) In fact, after the apathy (if not outright opposition) to the MGNREGA shown during the first year in power, the central government issued a directive to all states asking to ‘streamline’ implementation.\(^7\) On the other hand, given the difficult economic situation in India’s rural areas made worst by unfavourable climatic conditions in the first two years of Modi’s government, it would have been politically suicidal for Modi not to invest at least minimal resources in the scheme.

The government’s approach to the other flagship initiative of the UPA, the NFSA, has been equally contradictory. Soon after the 2014 elections, a government-appointed committee proposed dismantling the Public Distribution System (PDS) (through which food is procured and distributed to NFSA beneficiaries) because it was deemed irremediably faulty and ‘leaky’\(^8\) and called for the introduction of a cash transfer programme instead. Additionally, the implementation of the NFSA was rather slow\(^9\) and some key provisions of the Act, like the maternity benefits that every pregnant and lactating mother is entitled to, are yet to be implemented in most Indian states.

However, things did gradually improve. According to government data, 99 per cent of the intended beneficiaries are currently covered under the Act.\(^10\) Furthermore, digitisation of ration cards and computerisation of supply chains have been completed in most states, significantly improving implementation. Finally, continuing a trend that started during the UP government, leakages and corruption have come down quite significantly.\(^11\) The main problem currently affecting the PDS seems to be the integration with *Aadhaar*. There have been numerous cases of ration cards – essential to purchase subsidised food through the PDS – being cancelled because of *Aadhaar*-related problems. Numerous *Aadhaar* card-holders, moreover, have been unable to access the programme because of technical

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\(^10\) Ministry of Consumer Affairs, Food and Public Distribution, *Annual Report 2017-18*. New Delhi (2018). [http://dfpd.nic.in/LwB3AHIAaQBOAGUAcgBIAGEAZABkAGEAdABhAC8AUABvAHIIAdABhAGwALwBNAGEAZwBH AHoAaQBuAGUALwBEAG8AYwB1AG0AZQ8uAHQALwA=1_141_1_annualreportenglish.pdf](http://dfpd.nic.in/LwB3AHIAaQBOAGUAcgBIAGEAZABkAGEAdABhAC8AUABvAHIIAdABhAGwALwBNAGEAZwBH AHoAaQBuAGUALwBEAG8AYwB1AG0AZQ8uAHQALwA=1_141_1_annualreportenglish.pdf) Accessed 5 November 2018.

failures. Reetika Khera and Siraj Dutta analysed newspaper reports on starvation deaths occurred since 2015 and found that in 25 out of 41 recorded cases, the deceased person had had her ration card cancelled because of various Aadhaar-caused problems.

It is worth mentioning briefly a third major policy initiative of the UPA government that continues to be implemented, the ICDS - India’s main policy to ensure child well-being. Here again the government’s approach has been contradictory. On the one hand, the Economic Survey 2015/16 dedicated an entire chapter to malnutrition and its impact on economic growth. According to the National Family Health Survey-4, as many as 38 per cent of the country’s children are stunted, which has immense and permanent repercussions on their ability to become healthy and productive adults. The Economic Survey advocated strengthening nutrition programmes, but in the same year the government halved the budget for the ICDS. While the cuts were partially reversed later on, it remains that budgetary allocation for the ICDS stagnated between 2014/15 and 2018/19, which correspond to a significant decline in real terms.

Overall, the Modi government has a mixed record of implementation of social policies that it inherited from the previous regime, reflecting its contradictory approach. On the one hand, it seems that it only reluctantly agreed to continue previous policies associated with the UPA. On the other, implementation, following previous trends and due largely to state governments’ efforts, improved with the exception of the MGNREGA whose record is more mixed.

The government’s contradictory approach caused disruption in implementation, as priority and budgetary allocations shifted without a clear vision being laid out. On top of this, the attempt to overcome limited state capacity through the introduction of technology-based solutions has caused more harm than good.

**New Policies**

Modi’s government has introduced or reformed a number of schemes during its tenure, covering five main areas: housing, sanitation, electrification, health and financial inclusion. Let’s begin with financial inclusion, the subject of Modi’s very first Independence Day speech on 15 August 2014, when the Prime Minister launched the Pradhan Mantri Jan Dhan

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Yojana (PMJDY). The scheme – a reformed version of the previous government’s financial inclusion programme – has two objectives: on the one hand, it aims at achieving universal financial inclusion by providing access to basic financial services to the weaker sections of the population; on the other, the programme is part of the government’s drive to provide social assistance – pensions, cash transfers, MGNREGA wages etc. – through bank transfers. The scheme made it to the Guinness World record for the highest number of bank accounts opened in one week in August 2015 and contributed to make India the country with the highest number of bank accounts among the G20 countries.\textsuperscript{18} According to the latest available data, 330 million accounts have been opened so far.\textsuperscript{19}

It is unclear to what extent the PMJDY has achieved financial inclusion though. First, about one-third of the accounts were opened by people who already had one, according to a survey conducted by Microsave.\textsuperscript{20} About 17 per cent of the accounts have zero balance as of February 2018\textsuperscript{21} – despite anecdotal evidence that banks deposited tiny amounts (less than 10 rupees) to unutilised accounts to bring down the figures\textsuperscript{22} - and about 20 per cent of the accounts have not been used in the last two years. The average balance is also quite low ₹2,600 (about S$50), according to official data. Finally, only 1 per cent of the beneficiaries have used the ₹5,000 (about S$96) overdraft facility and as little as 4,500 claims have been settled under the accident insurance provided together with the bank accounts.\textsuperscript{23} There are also no signs that PMJDY account holders have benefited in terms of increased access to formal sources of credit. In short, the PMJDY’s most tangible benefit has been the opening of a bank account, which might signal the first step towards financial inclusion. There are also some indication that the PMJDY accounts might be prone to frauds though. Not only there have been reports of accounts being opened without the knowledge of the beneficiary – sometimes resulting in their pension or MGNREGA wage being credited to accounts they do not know anything about\textsuperscript{24} – but there was a steep increase in deposit soon after demonetisation\textsuperscript{25} (Figure 2), suggesting that some of these accounts might have been used to re-introduce ‘black money’ into the formal banking system.

\textsuperscript{19} Data available at: \url{https://www.pmjdy.gov.in/scheme}
\textsuperscript{22} \url{https://indianexpress.com/article/business/banking-and-finance/1-rupee-jaan-dhan-trick-some-banks-admit-others-vow-tight-er-vigil-zero-ban-alnce-modi-4468763/}
\textsuperscript{24} R. Khera, “Impact of Aadhaar on Welfare Programmes”, \textit{Economic and Political Weekly}, Vol. 52, No. 50, (December 2017).
\textsuperscript{25} This refers to the decision by the Indian government to demonetize 86% of the country currency on 8 November 2016.
Other schemes introduced by the Modi government provided more tangible benefits to India’s poor, particularly in rural areas. The Pradhan Mantri Awaas Yojana – Gramin (PMAY-G), a reformed and expanded version of the previous government’s Indira Awaas Yojana (IAY), aims at building a ‘pucca’ (bricks and cement) house for 10 million rural residents. Between 2014/15 and 2017/18, 5.2 million houses have been completed and 3.7 million are currently under construction. While the number of completed houses is well below the target – the government will need to complete an additional 6.8 million houses by 2019 to meet it – it remains that a significant number of households benefited from the programme. It is also clear from both expenditure trends and house completion rates that, compared with the IAY, the PMAY-G has clearly been a priority of the government (Figure 3).

26 The target refer to the PMAY-G programme, which was launched in November 2016. The combined target of the IAY and the PMAY-G is 12 million houses.
27 Data taken from the PMAY-G website as on 1 November 2018. https://rhreporting.nic.in/netiay/newreport.aspx
Another high-priority area has been sanitation. The government launched the Swachh Bharat mission on 2 October 2014 and one of its objectives has been to make India open-defecation free within five years. Lack of sanitation has a huge economic and social cost in India. According to the Indian census (2011), 53 per cent of Indian households defecate in the open. No country in the world has a higher rate of open defecation than Bihar, while Uttar Pradesh alone accounts for 12 per cent of all people worldwide that practice open defecation. According to a World Bank study poor sanitation causes economic losses equivalent to 6.4 per cent of the country’s GDP.

Official data show that the government made a significant effort to increase toilet construction and, to date, 87 million household toilets have been built under the mission. The government has also declared as many as 25 states to be open defecation free. However, the latter claim is highly questionable. A Comptroller and Auditor General Report, for instance, showed that 29 per cent of the households in a selected district in Gujarat

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(declared open defecation free in October 2017) do not have access to a toilet.\textsuperscript{31} Similarly, a study by Accountability Initiative shows that 18 per cent of households in officially open defecation free villages do not have access to toilets and that 38 per cent of toilet owners declared that they defecated in the open on the day of the survey.\textsuperscript{32} A report by the Naandi Foundation, based on a survey conducted among 74,000 adolescent girls across all states of India, showed that 40 per cent of the respondents have to defecate in the open.\textsuperscript{33} Newspaper reports also confirm that the reliability of government data is questionable at best and that state officials, under pressure to meet government targets, regularly fudge the data.\textsuperscript{34}

It is unclear what the political benefit will be for the Modi government. On the one hand, toilets are an important asset, especially for women, whose safety is at risk when they venture (often before dawn or after sunset) into the fields to defecate. Toilet construction could therefore represent a political benefit for the government. On the other hand, however, the construction of poorly-built and even more poorly maintained toilets could actually backfire in terms of how people will judge the government’s effort. Certainly, the government is ‘on track’ to declare India to be entirely open defecation free before the deadline, which will have a significant impact on the government’s image, especially among those who live in areas where open defecations is not an issue.

Another area where the government has invested significant resources is rural electrification. This is also an area where the government’s claims seems to be highly questionable though. On 28 April 2018, Modi declared that all villages in India now have access to electricity. However, the government defines a village as ‘electrified’ if at least 10 per cent of the households have power connections and if electricity is provided in public places. This means that a village where 90 per cent of the households do not have access to electricity would still be considered as ‘electrified’. In fact, according to government data, there are about 30 million households that still lack access to electricity – and many more have only intermittent access.\textsuperscript{35} While this comes far short than Modi’s promise to provide 24 hours electricity to all households in the country, the fact that the government can claim to have electrified the whole country can contribute to boost Modi’s image as the ‘development man’ that Indian voters elected in 2014. It remains to be seen how rural voters who still do not have access to power will react to claims that the entire country has been electrified.


\textsuperscript{34} Huffington Post (2 October 2018). \url{https://www.huffingtonpost.in/2018/10/02/swachh-bharat-abhiyan-four-years-on-ground-visits-show-many-targets-were-met-through-coercion-and-exclusion_a_23548044/} Accessed 5 November 2018.

\textsuperscript{35} Data taken from \url{http://saubhagya.gov.in/dashboard}
Finally, Modi has invested significant energy – but not resources – to fulfil another of his campaign promises, namely to guarantee universal health coverage. In its last full Budget, the government launched the Pradhan Mantri Jan Arogya Yojana (PMJAY), or ‘Modicare’ as the Finance Minister called it. The programme was ambitiously described as the world’s largest health programme.

Indian citizens spend a very high amount of their own resources for their health. According to the latest available World Development Indicators, only 12 countries (out of 187 for which data are available) have a higher out-of-pocket health expenditure. In 2011, the World Bank estimated that 51 million people were pushed below the extreme poverty line at US$1.90/day (S$2.60/day) (in Purchasing Power Parity) because of health expenditure. The launch of the PMJAY thus could have been an extremely important step towards ensuring livelihood security to a very large segment of the population.

However, two major problems make the scheme a little more than electoral propaganda. First, previous experience with insurance programmes show that India does not have the administrative capacity to regulate and monitor an enormously complex sector, affected by major information asymmetries between beneficiaries (patients) and profit-oriented private hospitals.

Second, and crucially, the government has not allocated enough resources to ensure any meaningful impact. The budget for the Financial year 2018/19 is just ₹2,000 crores (about S$384 million) (up from ₹1,000 crores of the previous government health insurance scheme, the Rashtriya Swasthya Bima Yojana). Since the target is to provide insurance to 100 million families – or about 500 million people – the total annual average coverage per person is just ₹40 (S$ 0.77). While, according to government agencies, the budget for the PMJAY is expected to rise to ₹10,000 crores (about S$1.9 billion) in the next few years, this would still amount to ₹200 rupees (S$3.84) per person per year. With that amount, one can eat a thali twice at the Andhra Bhavan’s canteen in New Delhi; it is difficult to see how one can care for one’s own health for an entire year.

**Conclusion**

The performance of the Modi government in the welfare sector has been mixed. On the one hand, the government has had a contradictory approach to existing social policies inherited from the previous government. It has also caused significant disruption with its attempt to

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36 As a percentage of total health expenditure. Data taken from the World Databank at: databank.worldbank.org/
37 Data taken from the World Databank at: databank.worldbank.org/
streamline implementation with the use of technology, which, especially in rural and remote areas, has caused significant hardship to programmes’ beneficiaries. On the other hand, the government has launched or reformed a number of programmes that aimed at providing benefits to the weaker sections of the population. Despite some achievement, the government’s effort has been more rhetorical than substantial. The impact on the elections is therefore not clear at this stage.

In 2014, 24 per cent of the poor and 31 per cent of the lower classes voted for the BJP – a proportion which is substantially higher than for the Congress, which traditionally had its support base among the poor. This means that the mixed performance of the BJP-led government on welfare schemes – and the gap between bold claims and actual achievements – could have a substantial impact on the party’s prospects among poor voters.

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