Transfer Payments: Economic Impact of Benazir Income Support Programme (BISP) on the Households of Larkana

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Abstract

This research paper purpose is to evaluate the economic benefits of the Benazir Income Support Programme (BISP) for the individuals and households living in the small town of Larkana, Sindh. For this objective, primary research was carried out, involving the distribution of questionnaire among 500 voluntary respondents at Larkana and the nearby villages. In the questionnaire, the recipients were asked about their primary source of income, number of dependent family members and purpose of the BISP membership and the ultimate benefit of the BISP. Majority of respondents are in their 30s, nurturing between 6 to 9 family members, on average. Land tenancy, farming, tea hut remain their primary sources of income. Meeting health expenditure was their main motive before applying for the BISP membership; and the reduced food cost has become the main advantage provided by the BISP. However, they are not equipped to operate ATM. Thereby, they are forced to pay bribe to bank officials. Simultaneously, insufficient ATMs further increase their sufferings as they are required to stay in longer queues before withdrawing their money.

Key words: Transfer payments, BISP,

Transfer Payments

Transfer payment is a form of government grant or economic support to vulnerable and underprivileged individuals (Taylor, 2007, p.377). Taylor (2007) further elucidates that transfer payments can be provided either in the form of cash or in-kind. However, Hall and Lieberman (2008) explain that numerous households also apply for transfer payments, such as welfare payments, unemployment insurance, or social security. While further elaborating the application and distribution of transfer payment, both social insurance transfers and means-tested transfers are two common types currently run by the government of the United States of America (Taylor, 2007, p.377). The former relies on the income and is based on the notion of supporting the poor in which food stamps, family support and Medicaid are provided to the recipients; whereas the latter does not depend on the recipient’s income but is provided in the form of medicare, social security and unemployment compensation (Taylor, 2007, p.382).

Both Federal and State governments are jointly running the transfer payments programmes for their respective citizens (U.S. Bureau of Census, 2006, p. A-54). In this regard, it is also mentioned that the grant is provided by the Federal government and the State and Local governments are required to design welfare programmes and administer them as per the guidelines of the Federation; simultaneously, the states are constitutionally empowered to determine, implement and administer their own welfare programmes (U.S. Bureau of Census, 2006 p.A54). Based on this, it can be deduced that only federal government is not required to run and administer welfare programmes, but state and local governments have to participate and determine their own social welfare incentives and programmes. On the contrary, in Pakistan, only federal government, which currently runs the BISP, allocates and administers the distribution of BISP funds. Currently, local government is almost dysfunctional and the provincial government, even having sufficient funds, has miserably failed to launch any such social welfare programme.
Critical Evaluation

Developing countries prefer providing subsidy to transfer payments (Goode, 1984 p. 48). Goode (1984) argues that it is relatively easier to administer subsidies because it does not require exhaustive and delicate administration similar to one adopted for the transfer payments. This argument looks relevant and practical prior to the year of 2008 when the government of Pakistan had no social welfare programme but only subsidies were given to different segments of the economy, including electricity and petroleum products. However, Goode (1984) asserts that the subsidies do not uniformly benefit to urban and rural areas but in contrast they primarily increase purchasing power of urban residents, which definitely increases regional income and purchasing power disparity at the cost of rural population.

Moreover, corruption and other frauds have become frequent even after the introduction of transfer payments in Pakistan. For example, Abbasi (2012) highlighted the management of BISP was unable to secure the economic assistance from the USAID because the Pakistani government and the programme administration were unable to effectively monitor and evaluate the proper distribution of first grant of $85 million, clearly demonstrating the occurrence of fraud and corruption.

The BISP: Payment Mechanism

The BISP’s official website elaborates the previous and existing payment mechanism. Previously, Pakistan Postal service was used to disburse the transfer payments to the registered members (BISP Payments, 2011). However, due to the increased number of recipients and the delivery slowness caused by Pakistan Postal service, the Government decided to introduce the smart card, which are being issued by the NADRA (National Database and Registration Authority) and the payments are being provided through ATMs. Before receiving the grant, the recipients are required to satisfy the eligibility requirements, including poverty score card. The poverty score card is filled out by the BISP local representative after collecting the relevant data from the potential recipients. If a recipient satisfies all conditions and requirements of poverty score card, the local representative would send the filled form to higher administrative BISP authority for the subsequent process. After that, the administrative approval of the form enables the recipient to apply for the smart card. By using the smart card, the recipients are entitled to withdraw money quarterly from their bank accounts.

The BISP: Critical Analysis

The BISP was commenced in October 2008 for reducing poverty and empowering marginalised women in Pakistan (BISP At a Glance, 2011). Initially, no relevant poverty and other data were available for identifying the targeted vulnerable segment of the society. At that time, the government did not employ any practical strategy to collect the required data by conducting a country-wide survey. The then Government decided to use the Parliamentarians to locate and distribute the BISP application forms; each Parliamentarian was given 8000 forms and 1000 forms were provided to the Senate members. Such income support strategy did not work and there was a clear intention of high level of corruption and embezzlement in the programme. Ishaq Dar, who was then Finance Minister, highlighted that Pakistan Peoples Party (PPP), who initiated the BISP, acknowledged that 750000 families out of 3.7 million families were either did not exist or did not qualify for the program; and they had been receiving the grant (Dawn, 2013). Ishaq Dar further argued that the BISP had been unsuccessful due to the rampant corruption and the presence of mismanagement further brought compromises to the success of the programme (Dawn, 2013).
The statistics are taken from the official website of the BISP. The comparative study of all these years clearly demonstrates that the budgeted funds were under-utilised; and the utilisation ratio was 44.66%, 56.54% and 48.33% in 2009, 2010 and 2011 respectively. In the first year, more than 55% funds were not distributed and no clarification or explanation was provided. However, the Government used more funds in the subsequent year but this increase did not move forward and returned the utilisation percentage to 48% in 2011, clearly reflecting the insufficient administrative and political will and capability to attain the objectives of this programme. Unfortunately, there are no statistics pertaining to 2012 and 2013; this also clearly indicates the level of government’s sincere efforts towards accuracy and transparency of the social welfare programme.

Undoubtedly, the absence of relevant statistics also signifies that the BISP programme is failing to meet its stated objectives of poverty elimination and women emancipation. Despite the fact that Pakistan owns ports at Karachi and Gawadar, has found gold and other precious metals’ mines in the province of Baluchistan; blessed with fertile agriculture land in Sindh and Punjab, 40 percent population of Pakistan lives below the poverty line (Mussadaq, 2014). Most importantly, Pakistan is a nuclear state but its political culture and corrupt politicians have robbed the country, putting more people in the vicious circle of poverty.

**Thesis Statement**

Understanding the economic benefits and implications of transfer payments for the Larkanians highlights the effects of persistent inflation and health expenditure and underscores the need for essential measures.

**Research Questions**

- Question no.1: What are the benefits of BISP for households of Larkana?
- Question no.2: What are the major hurdles while receiving the transfer payments?
- Question no.3: How these problems can be addressed?

**Hypothesis**

- H1: The surplus income is used on health expenditure.
- H2: Households’ rely on the BISP for meeting their food cost.

**Mixed Research Methodology**

Mixed research methodology has been used. After collecting the raw data, the researcher compiled them and used the MS Excel to draw graphs and take out the percentage. Moreover, the researcher has employed the close-ended questions, enabling the respondents to choose the most appropriate option from a set of choices. In the close-ended questionnaire, there were 10 questions along with different pre-determined choices.
Data Collection Procedure
Primary research method is used to collect data. The questionnaire was distributed among 500 local residents and nearby village residents of Larkana town. In which, the researcher personally visited and selected a sample to represent the entire population of Larkana and its surroundings. For this purpose, almost 200 questionnaires were distributed within the town and the remaining questionnaires were given to 6 villages near to the town. 457 filled questionnaires were collected from the respondents. This entire data collection period consumed 25 days for selecting a representative sample and distributing and collecting the questionnaires from the population. Initially, the respondents were apprehensive about the questionnaire. However, before handing over the questionnaire, they were briefed about the purpose; subsequently, their free will and voluntary participation was ensured.

Findings and Discussion
Graph 01

This graph depicts the BISP membership since the commencement of the social welfare programme. The graph highlights that the people of Larkana looked unaware about the start of this programme in 2008 and 2009. Although it is a political stronghold of the then ruling PPP government, yet the local masses were not fully informed. However, at the beginning of 2010 and till the end of 2011, the graph signifies that highest number of membership took place during this period. When the BISP membership is compared with the previous years’ membership, more than 100 per cent membership has increased during this period. However, the subsequent percentage reflects that new eligible recipients have registered and applied for the BISP membership.

Graph 02

Majority of the recipient belong to the ages between 30 and 40. The recipients between the age 40 to 50, 50 to 60 and 20 to 30, are 31%, 15% and 22% respectively. This represents that the considerable number of the recipients are in their middle age. In other words, it is highly likely that they nurture family and bear the burden of family expenditure.
Larkana is a small rural town surrounded by a few villages. Due to its rural nature, industrial activity remains very limited and people mainly rely on the self-employment and agriculture-based employment. Within the agriculture sector, people either own their fertile land or work on landlord’s agriculture land (tenant is a person who does not possess his own land but work on landlord’s agriculture land). The graph points out that the major occupation (source of income) is agricultural employment equivalent to 31%. Farming, tea making, shop-keeping and others contribute 16%, 22%, 15% and 16% employment to the local masses.

Tenants find it difficult to minimise gap between haves and have-nots. For example, a tenant is required to look after crop throughout season and has to maintain a proper balance between water and urea. During the crop season, it is hard for the tenant to work other than farming because he knows that if the crop output is below the expected level, then he will suffer more than the landlord; in case of less than expected crop, the tenant would receive a decreased share; he would face the subsequent consequences.

This graph demonstrates number of family members relying on the BISP recipient. 32% of respondents mentioned that more than six family members rely on the income of the BISP recipient. Considering the level of income, growing rate of inflation and other food and health costs, so much reliance on the BISP member looks very harsh; sometimes it may be impossible for the BISP member to appropriately satisfy the basic physical needs of the family members. Also, Larkana represents a joint family culture where people prefer to remain attached and inclined to live with their family members. Due to strong social and cultural bond, family dependence on the head of family remains substantially higher.

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This graph shows timely deposit of money into the recipient’s bank account. Majority of the respondents look satisfied with the procedure and on time deposit of transfer payments into their accounts. However, it is important to highlight that 27% of the respondents have shown their dissatisfaction. Keeping in view the size and nature of Larkana, this level of dissatisfaction looks considerable. In other words, ever after waiting for three months, 27% of respondents do not timely receive money or face other problems while withdrawing their money. Furthermore, 11 per cent of the respondents either did not understand the question or remained disinterested to fill out the form appropriately.

**Graph 06**

<table>
<thead>
<tr>
<th>Sufficient ATMs at Larkana city</th>
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<tr>
<td>Yes</td>
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<td>No</td>
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<td>Don’t know</td>
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Absence of sufficient ATMs brings numerous problems for the recipients. 52% of the participants have registered their major problem which they encounter during the withdrawal process. Firstly, they need to wait longer; sometimes they have to stand in a queue for hours before withdrawing money. For some, a higher transport cost, from their place to ATM, is paid and they have to bear other costs, such as lunch and water. Secondly, for withdrawing their money, they leave their home; consequently, the opportunity cost of leaving other necessary work further adds fuel to the fire of their miseries.

**Graph 07**

<table>
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<th>Withdrawal Capability</th>
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<tr>
<td>Yes</td>
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<td>No</td>
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<td>Don’t know</td>
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Insufficient money withdrawal capability increases the intensity of many problems. For example, if a person is unable to withdraw money from an ATM, it would increase withdrawal duration which ultimately rises time duration for those waiting in queue for their turn. This situation gets worse when there are limited ATMs at Larkana. In other words, the quality of education is not sufficient enough to enable people to withdraw money. This is another feature of developing country where ordinary masses lack the basic knowledge and methods to perform their routine works in a required manner.
Bribe reduces the disposable amount to the recipient. Some 48% of the total respondents have mentioned that they are forced to pay bribe to bank officials for withdrawing money from ATM. The highest percentage is a clear sign that the recipients are not able to use ATM. Thereby, they are required to pay bribe. On the other hand, 27 per cent of the respondents provided that they are not required to pay any bribe to bank staff officials. Within this context, it is significant to reveal that a recipient is entitled to receive 1200 rupees per month. However, the deduction of bank charges reduces their amount to 1000 rupees, which is hardly $100, and even for this amount, the recipients are forced to pay bribe. In that case, the remaining net amount becomes so small that it hardly satisfies food requirements of the recipients’ family members, keeping in view that the majority of the recipients have more than 6 dependent family members.

Graph 09

It looks that the people of Larkana are struggling to meet their health and food expenditure. The highest percentage depicts that their main problem was not education fees or food expenses but health expenses. This reason can also be validated by the fact that the health budget of Sindh government remains less than 2.75 per cent of the total budget in 2013-2014 (The Daily Mail, 2013). The earmarked health budget clearly signifies that the existing Sindh government is not providing required health expenditure and the people are, on their own, to bear the burden of health cost. Moreover, the second highest percentage reflects that recipients are not having sufficient access to their basic needs, such as food. Some 31 per cent of the respondents have provided that they do not have enough purchasing power to meet their food cost. Based on these results, it can be deduced that education is not their priority but health and food.

This graph also validates the hypothesis that the surplus income is used to satisfy the health cost. Majority of respondents expend more money for maintaining health than on any other basic needs. Although food expenses exert pressure on the recipients’ disposable income, yet health expenditure utilises more chunk of income than any other basic need.
Decreased food expenses remain the most important contribution provided by the BISP. Up to 38% of the respondents have agreed that the BISP membership has enabled them to experience the food cost reduction over this period. Similarly, 29%, 11%, 6%, and 16% have also observed health, education, travel and loan reduction respectively. It looks interesting that before the BISP membership, the majority of respondents (as reflected by the graph 09) pointed out that their primary motive was to reduce their health cost. However, the graph 10 depicts that the ordinary Larkanaians are mainly worried about their food cost, which is reflected by the decreased food expenses. Additionally, this graph also highlights that both health and food costs remain their primary concern and they struggle to consume enough food in order to remain active and perform their routine works. Also, the people living below the poverty line are mainly affected by the impacts of growing inflation. Instead of focusing on their health requirements, the Larkanaians are compelled to meet the rising cost of food items.

Moreover, getting education is not their primary objective but tertiary one. Only 11% signified that they have been able to reduce education cost whereas 16% respondents have mentioned that their loan, which remains a very small amount keeping in view the local dynamics, repayment have also diminished over these years.

This graph also proves the second hypothesis. Cost of living in the under-developed town, such as Larkana, has been surging over the past few years. Although Larkana represents a rural economy with insufficient industrial infrastructure, yet the ordinary masses face the immense effects of inflation. Poor regulation and insufficient price control, particularly on food items, are the main reasons pushing the average prices to outnumber the disposable income of the Larkana and nearby village residents.

Conclusion

Transfer payments are given in a variety of forms, including unemployment allowance, social security and medical allowance and so on. They are provided by government to its individuals and households who are unable to meet their cost of living. Fundamentally, federal, provincial and local governments are required to initiate and administer such social welfare programmes. However, in Pakistan, the BISP is primary initiated and still run by the federal government. Under the BISP, eligibility of recipients is evaluated by using poverty score card. After the commencement of this programme in 2008, the then government was unable to ensure transparency in the payment mechanism. Thereby, the USAID stopped funding this social welfare programme.

This is the worst exploitation and mistreatment of people of Pakistan; the amount of foreign aid has been used for the social welfare programmes despite the fact that Pakistan owns nuclear power, maintains ports at Karachi and Gwadar in Baluchistan, provides domestic natural gas to the consumers, has found precious mines of gold and other metals in Baluchistan. Most importantly, it has one of the state of the art irrigation systems in the world besides having fertile and agriculture land in Sindh and Punjab.

A number of economic benefits are being availed by the BISP members. Majority of the members are in their 30s and they support 6 to 9 family members averagely. The burden of satisfying the have and have-nots has become more severe when tenancy and self-employment are the main sources of
income. However, 62 per cent of the total respondents have agreed that they receive money on time in their accounts.

Recommendations
The federal government should take necessary steps to increase the number ATMs. Unfortunately, the private and public banks have not increased the number of ATMs despite availing a substantial rise in their deposits. Since the financial institutions are regulated by the State Bank of Pakistan, the federal government is legally equipped to compel the respective banks.

The federal government should held seminars or workshops for building withdrawal capacity of the BISP members. In such programmes, the BISP members should be given information about how to withdraw money from ATM. This will diminish time cost per withdrawal and queues will be decreased.

Withdrawal bribe should not be tolerated. Stern action should be taken against the corrupt officials. Close-circuit cameras should be installed for monitoring the activity of the officials.

Inflation should be controlled. This can be done by minimising the gap between demand and supply of the food and other grocery items. Although Larkana is surrounded by villages and there should not be food items scarcity, yet the food inflation is persisting.

References