Unconditional Cash Transfers for Rice in Karnataka

A Study of Beneficiary Responses and Challenges Under the Anna Bhagya Scheme

Preliminary Findings

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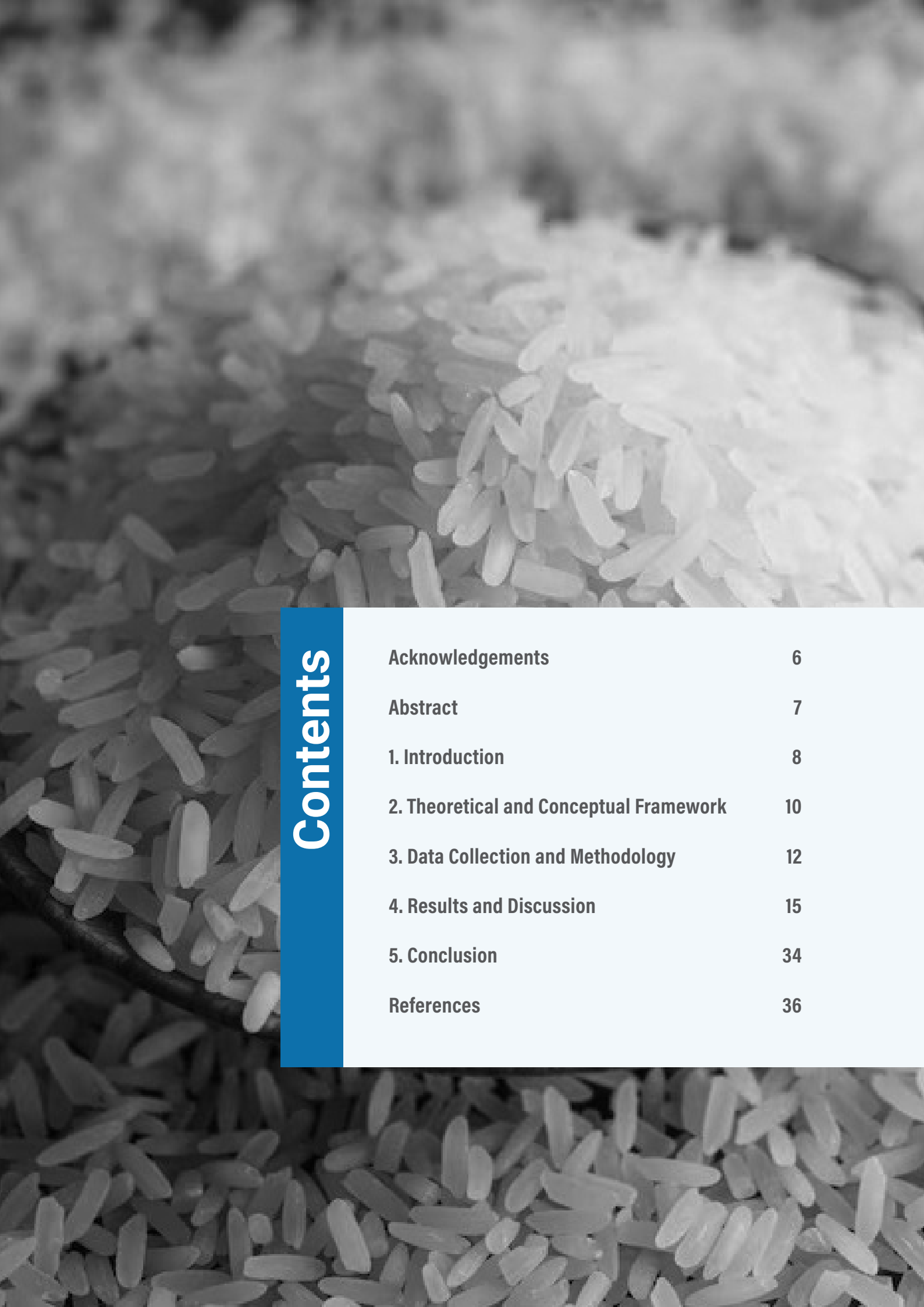

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Abstract

In July 2023, Karnataka pioneered Direct Benefit Transfer for Foodgrains in India by deciding to make an unconditional cash transfer of Rs.34/kg/person/month under its Anna Bhagya Scheme (ABS). As per NSSO (2022-23), an average Indian consumed approximately 9 kg/month of cereals. Indian government under its NFSA program supplied more than half of this i.e., 5kg for free to identified beneficiaries. Karnataka government wanted to support the beneficiaries by making the remainder half free too. Unable to access additional quantity of rice, the state government instead made an unconditional cash transfer under ABS. The current research studies these ABS beneficiary households for their perception, usage and challenges around the DBT transfer. In two rounds, 1585 households of rural and urban areas of 6 districts of Karnataka were surveyed during months of August and September 2023, using a structured questionnaire. Key findings reveal, *inter alia*, that (i) most of the DBT funds were used for buying more and/or better quality grains, (ii) even though the DBT amount only formed about 5 percent of household's average monthly income, the augmented income supported additional expenditures on education, health and repayment of loans; (iii) about 43 percent in rural and 33 percent in urban respondents opened their first bank accounts post-ABS; and (iv) farmers preferred receiving cash, while others, mainly labourers and urban respondents, preferred grains.

Keywords: Unconditional Cash Transfers, Food Security, Expenditure Patter, Saving Behaviour, Financial Inclusion, Multivariate Analysis.

1. Introduction

Cash transfer schemes, crucial in low and middle-income countries, directly assist households, especially the poor or vulnerable ones, enhancing immediate impact on reducing poverty and increasing consumption. Banerjee et al. (2017) found a marked rise in household consumption and financial stability. Cash flexibility empowers recipients to allocate funds for specific needs like food, healthcare, education, or debt repayment, ensuring efficient use of aid (Haushofer and Shapiro, 2016). Importantly, these schemes stimulate local economies by increasing household spending, supporting small businesses and community-level economic growth (De Hoop et al., 2020).

In poverty alleviation, conditional and unconditional cash transfer (UCT) schemes offer distinct approaches with merits and challenges, particularly in developing countries. Conditional Cash Transfer (CCT) programs, like Mexico's Progresa and Brazil's Bolsa Família, link aid to conditions such as education and health commitments, aiming for long-term behavioral changes. Studies show their effectiveness, especially in Latin America (Fiszbein and Schady, 2009). In India, schemes like Indira Gandhi Matritva Sahyog Yojana (IGMSY) and Janani Suraksha Yojana (JSY) use CCTs to incentivize health and education (Kabeer, 2011; Lim et al., 2008). India's PM-KISAN program, provide money directly into the bank accounts of landholders without any conditions on its end use, even though they are expected to use it for purchase of inputs. UCTs, praised for simplicity and poverty reduction, were effective in Kenya (Haushofer and Shapiro, 2016). CCTs excel in achieving specific policy goals, while UCTs offer immediate poverty relief and economic freedom, both contributing to household well-being in developing countries.

A choice between CCTs and UCTs, *inter alia,* depends on program objectives and the socio-economic conditions of the target population. UCTs stand out for their ease of implementation, flexibility of use and direct impact on beneficiary household. The autonomy in using the received funds is crucial in India's diverse socio-economic landscape, where needs of household vary widely. Evaluating UCTs is vital to understanding their impact on household welfare, including consumption, savings, and financial stability. Rigorous evaluation informs policymakers about the effectiveness

of UCTs in alleviating poverty and contributing to economic development, guiding program optimization to meet objectives and address the needs of vulnerable populations.

This paper examines the Anna Bhagya scheme, launched in July 2023 by the Karnataka Government, to support all priority households. With a focus on the 1.29 crore BPL ration card-holding families, the scheme employs Direct Benefit Transfer (DBT), ensuring timely funds within 15 days. Beneficiaries receive Rs 34 per kg[1] for 5 kg of rice monthly. As of July 2023, about 99,05,482 individuals received Rs 162.93 crore under this scheme. The state government allocates Rs 170 per person monthly, totalling Rs 841 crore per month and Rs 10,097 crore annually[2]. We conduct a comprehensive assessment of the Anna Bhagya Scheme's impact on household consumption, savings, economic behaviours, and broader implications such as financial inclusion, beneficiary perceptions, and implementation challenges in Karnataka, India.

1 https://www.newindianexpress.com/states/karnataka/2023/jul/08/direct-benefit-transfer-dbt-for-anna-bhagya-scheme-to-start-from-monday-karnataka-minister-2592749.html

2 https://www.newindianexpress.com/states/karnataka/2023/jul/16/interview-anna-bhagya-impact-will-be-known-in-a-year-karnatakaminister-kh-muniyappa-2595291.html#:~:text=As percent20of percent20July percent2013 percent2C percent20about,The percent20process percent20is percent20on

2. Theoretical and Conceptual Framework

The theoretical framework for assessing Karnataka's Anna Bhagya Scheme 2023 on household consumption and savings incorporates welfare economics, the permanent income hypothesis, and the basic needs theory. Welfare economics, central to this analysis, suggests that subsidies enhance low-income households' welfare by increasing essential goods and services consumption, as Sen (1985) highlighted in his capabilities approach. The permanent income hypothesis by Friedman (1957) adds that consumption choices are based on current and expected incomes; hence, schemes like Anna Bhagya influence consumption stability, a point Deaton (1992) emphasized in consumer behavior studies. Furthermore, the basic needs theory, as discussed by Streeten et al. (1981), stresses access to essentials like food, which Anna Bhagya addresses by providing food subsidies. This framework (Figure 1) offers a holistic view of the scheme's impact, combining immediate welfare benefits, consumption behavior changes due to income expectations, and the fulfillment of basic needs.

Figure1: Conceptual Framework – Impact of Unconditional Cash Transfers on Household Economic Behavior

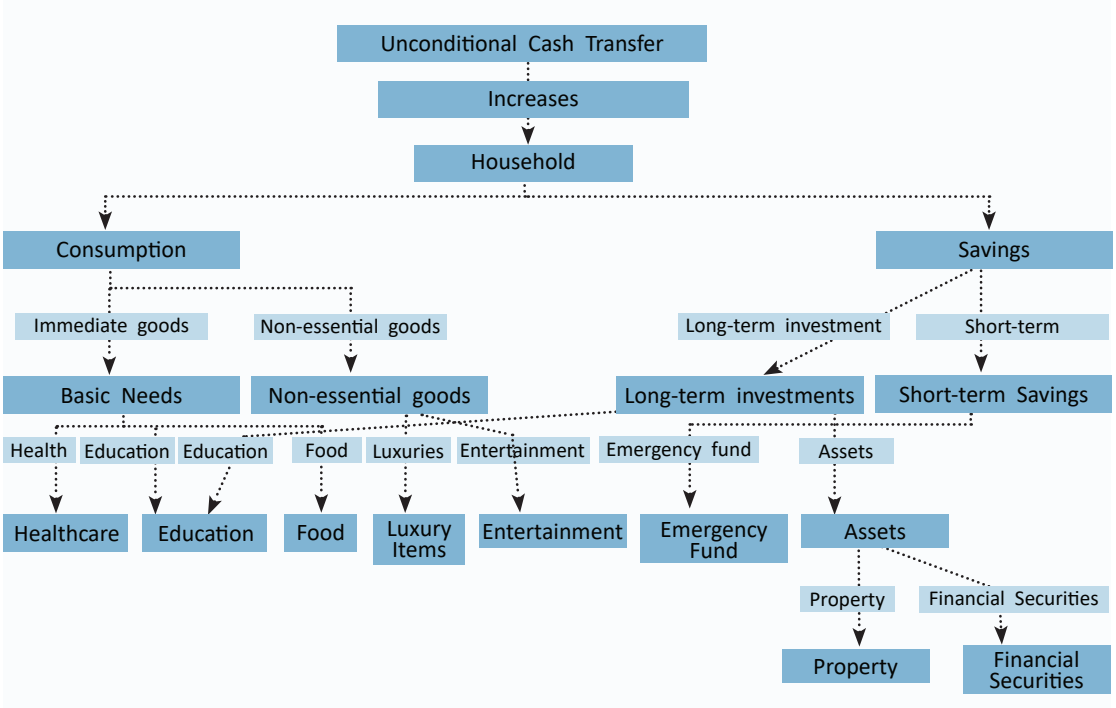

Figure 1 depicts the dual impact of unconditional cash transfers (UCTs) on household economics, highlighting the effects on consumption and savings. UCTs increase household income, leading to higher levels of both consumption and savings. The breakdown of consumption includes essentials like healthcare and education, as well as non-essentials like luxuries, aligning with Maslow's hierarchy. This consumption pattern reflects the utility maximization principle from consumer choice theory, where satisfaction guides income allocation (Samuelson, 1948). Savings are categorized into short-term (emergency funds) and long-term (assets, property, financial securities), aligning with the life-cycle hypothesis (Modigliani & Brumberg, 1954) suggesting planning over a lifetime. The figure encapsulates Keynesian demand stimulation through consumption and the classical approach of economic growth via saving and investment. It also echoes the permanent income hypothesis (Friedman, 1957), where long-term income expectations influence consumption.

3. Data Collection and Methodology

3.1 Survey Design

This study employs a comprehensive and multidimensional methodological approach, combining both quantitative and qualitative research instruments. It assesses the impact of Karnataka's Anna Bhagya Scheme (ABS) on household consumption expenditure and savings. The focus is exclusively on ABS within the population of Public Distribution System (PDS) beneficiaries. The survey includes only those PDS beneficiaries who received ABS. Which implies that the PDS beneficiaries (including AAY) who were bereft of the ABS benefits were not studied under the current research. Caution is advised in generalizing the findings beyond this specific group.

A structured questionnaire covering demographics, banking accessibility, cash transfer patterns, impact on consumption and savings, and beneficiary feedback was used. The responses were collected in two rounds.

Round 1: Conducted in August 2023, a month after the cash transfer, and it identified immediate challenges and consumption pattern shifts. The data was collected for 1620 households via a physical survey; and

Round 2: A follow-up telephonic survey of the same households from Round 1 was conducted in September 2023. The aim was to assess the endurance of these effects. The second round collected responses from 1585 of the 1620 households studied in the first round. Most analysis presented in the report is for the common 1585 households which reported under both rounds.

The data in both rounds was collected for the previous month. For example, in its August survey, the data was collected for the month of July and similarly in September, the responses were collected for August. In order to inform the changes attributable to the DBT, responses in round 1 also entailed collecting responses on the household's 'usual' behavior and patterns. These responses were controlled, to the extent possible, for, *inter alia*, seasonality.

The survey design and methodology align with established economic research approaches, ensuring a robust analysis of the scheme's impact, similar to studies on Mexican cash transfers (Attanasio et al., 2011) and Sub-Saharan Africa (Aker et al., 2016). For the first round, the respondents were identified based on stratified simple random technique.

3.2 Empirical Strategy:

The equations presented are the econometric models specifying the relationship between various independent variables and two different dependent variables: household consumption (Y) in the first equation, and household savings (S_i) in the second equation.

The first equation is given as:

$$C_i = \beta_0 + \beta_1 \text{DBT} + \beta_2 \text{Location} + \sum_{j=3}^{6} \beta_j \text{Edu}_j + \beta_7 \text{Age} + \sum_{k=8}^{10} \beta_k \text{Occ}_k + \beta_{11} \text{Aug} + \epsilon_i$$

This model suggests that household consumption (C_i) is a function of a base amount (*intercept*(β_0)), the amount of Direct Benefit Transfer received ($(\beta_1 \text{DBT})$), whether the household is in an urban or rural area ($(\beta 2\text{Location})$), various levels of education $\left((\sum_{j=3}^{6} \beta_j \text{Edu}_j)\right)$, the age of the respondent ($(\beta 7\text{Age})$), the primary occupation of the household $\left((\sum_{k=8}^{10} \beta_k \text{Occ}_k)\right)$, and a dummy variable for month ($(\beta_{11}\text{Aug})$). The term (ϵ_i) represents the error term, accounting for unobserved variability in household consumption.

The second equation is structured to explain household savings (S_i) and is as follows:

$$S_i = \beta_0 + \beta_1 \text{DBT}_i + \beta_2 \text{Location}_i + \sum_{j=3}^{6} \beta_j \text{Edu}_{ij} + \beta_7 \text{Aug}_i + \beta_8 \text{FinInc}_i + \beta_9 \text{Dist}_i + \epsilon_i$$

Here, household usual savings (S_i) are modeled as being influenced by the intercept ((β_0)), Direct Benefit Transfer amount ($(\beta_1 \text{DBT}_i)$), urban or rural residence ($(\beta 2 Location_i)$), education levels $\left((\sum_{j=3}^{6} \beta_j \text{Edu}_j)\right)$, and the timing of the survey ($(\beta_7 \text{Aug}_i)$). Additionally, this model includes factors for financial inclusion ($(\beta_8 \text{FinInc}_i)$) and the distance from banking points ($(\beta_9 \text{Dist}_i)$), with (ϵ_i) again representing the error term for savings.

These models operationalize key concepts from the economic literature on the effects of cash transfers on household behavior. The inclusion of demographic variables like education and age reflects the Becker Household Production Theory, which posits that household decisions on consumption and savings are influenced by the characteristics of the household members (Becker, 1965). The inclusion of DBT is informed by the theory of liquidity constraints and the hypothesis that cash transfers relax these constraints, affecting household expenditure and savings patterns (Zeldes, 1989). In both equations, the (β) coefficients represent the marginal effects of the respective variables on household consumption or savings, indicating the expected change in the dependent variable for a one-unit change in the independent variable, holding all other factors constant.

4. Results and Discussion

4.1 Macro Insights: Demographic Insights, Banking Accessibility, and Financial Inclusion

Table 1 gives the demographic and socio-economic profile of 1585 surveyed households from both rural and urban areas. Close to 49 percent respondents (782 surveyed households) lived in urban areas and the remaining 803 surveyed households (about 51 percent) lived in rural areas. The average age of respondents in both areas was around 44 years. The average household size in both areas averaged about 3.57 (as per Census 2011, it is 4.6 for Karnataka).

Table 1: Profiling Progress – A Demographic Snapshot of DBT Scheme Beneficiaries

	Rural (N = 803)	Urban (N = 782)	Total (N = 1585)
Average Respondent Age (in years)	44.36	44.31	44.34
Average Household Size (in numbers)	3.58	3.55	3.57
District (percent)			
Bengaluru	0.12	39.26	19.43
Bengaluru Rural	6.72	0.00	3.41
Chikballapur	19.30	7.67	13.56
Kolar	18.18	6.78	12.56
Mysuru	21.79	29.54	25.62
Ramnagara	16.63	8.38	12.56
Tumkur	17.25	8.38	12.87
Educational Attainment (percent)			
Illiterate	52.18	52.05	52.11
Primary (up to 8th class)	32.25	23.15	27.76
Secondary (up to 10th class)	11.08	15.47	13.25
Senior secondary (up to 12th class)	2.74	8.18	5.43
Graduation and above	1.74	1.15	1.45

Source: Authors' calculations, using survey data

Six districts of Karnataka were studied, with a significant urban population in districts like Bengaluru (39.26 percent) and a stronger rural presence in places like Chikballapur, Kolar, and Tumkur. Educational attainment is similar in rural and urban areas, with over half of respondents in both lacking literacy skills (52.18 percent rural, 52.05 percent urban). Rural areas have a higher rate of primary education (32.25 percent) compared to urban (23.15 percent), while secondary education is more prevalent in urban areas (15.47 percent vs. 11.08 percent in rural areas).

Banerjee and Duflo (2007) and Haushofer and Shapiro (2016) found that education impacts cash transfer utilization and household welfare. The similarity in age and minor differences in household size and education in this sample provide insights into varying responses to cash transfers in terms of consumption and savings behaviors.

Table 2 examines the accessibility of financial infrastructure in the context of the Anna Bhagya Scheme. Rural areas had an average bank distance of 1.52 kilometers (standard deviation 1.40), indicating moderate variability. ATMs were slightly closer at 1.14 kilometers but with more variation (standard deviation 1.62). Urban areas showed closer proximity to banks (1.24 kilometers) and ATMs (1.05 kilometers) with less variability (standard deviations 0.69 and 1.40, respectively).

Table 2: The Banking Bridge – Evaluating Accessibility to Financial Infrastructure

	Rural (N = 803)	Urban (N = 782)	Total (N = 1585)	
Variable	**Mean**	**Mean**	**Mean**	**Std. Dev.**
distance to visit bank (in Kms)	1.52	1.24	1.38	1.12
distance to visit atm (in Kms)	1.14	1.05	1.09	1.51
cost to visit bank (in INR)	21.77	25.64	23.68	22.63
cost to visit atm (in INR)	21.21	27.00	23.81	21.79
time to visit bank (in Minutes)	46.2	48	47.4	42

Source: Authors' calculations, using survey data

Urban respondents face higher banking costs (average INR 25.64) compared to rural (average INR 21.77), with a similar pattern in ATM costs (urban average INR 27.00, rural average INR 21.21). Despite the close mean values, there's notable within-group variability. Time taken for banking is almost the same in both rural and urban settings, averaging 46.2 and 48 minutes, respectively, with an overall average of 47.4 minutes.

These findings align with existing literature on financial inclusion, like Burgess and Pande (2005), which underscores the importance of bank proximity in savings and investment behaviors, and Collins et al. (2009), which highlights how service access costs can affect cash transfer benefits. Thus, the distance, cost, and time to access banks and ATMs are crucial in determining the impact of cash transfers on consumption and savings.

Following the announcement of the Anna Bhagya Scheme, several households opened bank accounts for the first time. We captured that change in our survey (Table 3).

Our survey reveals that about 43.06 percent respondents in rural areas opened bank accounts for the first time following the announcement of the ABS. The rate was 33.03 percent in urban areas. Such an increase in the rate of financial inclusion aligns with research findings where government interventions, such as cash transfer schemes, are associated with a significant boost in financial inclusion, particularly among vulnerable populations (Demirguc-Kunt et al., 2018). The increase in new bank account openings post-announcement aligns with research suggesting that government interventions, such as cash transfer schemes, can significantly boost financial inclusion, particularly among vulnerable populations (Demirguc-Kunt et al., 2018).

Table 3: Gateway to Growth – Unpacking the Dynamics of Financial Inclusion under DBT Scheme

	Rural (N = 792)	Urban (N = 772)	Total (N = 1564)
Bank account opened – Before Announcement (%)	56.94	66.97	61.89
Bank account opened – After Announcement (%)	43.06	33.03	38.11

Source: Authors' calculations, using survey data

4.2 Understanding DBT Financial Flows: Receipt, Retention, and Utilization

Table 4 reveals household responses to Direct Benefit Transfer (DBT) amounts received in July and August 2023 in Karnataka, examining withdrawal behaviors, fund retention, and DBT's share in total income.

Both months saw consistent DBT receipts, with rural households getting INR 576 and urban ones INR 583 on average every month. DBT constituted a modest 5.1 percent

of rural and 4.9 percent of urban household income in July 2023, slightly dropping in August 2023 to 4.9 percent and 4.8 percent, respectively.

Table 4: Unfolding Financial Patterns – DBT Receipts, Withdraw, and Retentions

INR/month	July 2023	August 2023
DBT Amount received (Rs./month/HH)		
Rural	576	576
Urban	583	583
Proportion of households who withdrew the entire DBT amount (percent)		
Rural	59.1	69.4
Urban	61.1	70.6
Proportion of households who retained some DBT Amount in Bank (percent)		
Rural	40.9	30.6
Urban	38.9	29.4
DBT Amount retained[3] in bank at time of survey (Rs./month/HH) (percent)		
Rural	350 (61 percent)	546 (95 percent)
Urban	319 (55 percent)	566 (97 percent)
Share of DBT amount in surveyed HHs' Income (percent)		
Rural	5.1	4.9
Urban	4.9	4.8

Source: Authors' calculations, using survey data

A near-10 percent rise was observed in households withdrawing the entire DBT amount, increasing from 59.1 percent to 69.4 percent in rural areas, and from 61.1 percent to 70.6 percent in urban areas between July and August.

The proportion of households retaining some DBT in banks, therefore, decreased: rural households went from 40.9 percent to 30.6 percent, and urban from 38.9 percent to 29.4 percent. But those who saved, were studied to have saved more between the two months: rural households saved INR 350 (61 percent of DBT) in July and INR 546 (95 percent) in August, while urban ones saved INR 319 (55 percent) and INR 566 (97 percent) respectively.

3 The figures presented here represent the average amount retained in the bank accounts by the remaining 30 to 40 percent of households who do save a portion of their DBT funds.

These insights into households' financial behavior regarding DBT, its role in their economic situation, and the potential need for additional support or income opportunities align with Haushofer and Shapiro's (2016) findings on cash transfer utilization. Rural and urban differences in withdrawal and retention may reflect varying access to financial services, immediate cash needs, or saving strategies, as suggested by Jack and Suri (2014) in their study on cash transfer recipient decisions.

Table 5 sheds light on the usage of Direct Benefit Transfer (DBT) funds, highlighting spending patterns and potential misuse. The primary use of DBT funds in both rural (77.46 percent) and urban (82.16 percent) areas is grain purchases, affirming the scheme's goal of enhancing food security, with 79.77 percent of the total sample using funds for this purpose. However, a considerable portion of the funds (22.54 percent in rural, 17.84 percent in urban) is allocated for other needs, reflecting the flexibility of unconditional cash transfers in meeting diverse necessities, as discussed by Haushofer and Shapiro (2016).

There are concerns regarding fund misuse. A small percentage of respondents indicated that funds were used without the household head's knowledge by male members (4.23 percent rural, 5.37 percent urban), highlighting intra-household control issues over financial resources, a topic explored by Hidrobo et al. (2016). Additionally, a small portion of the funds was reported to have been spent on smoking, drinking, or gambling (18.93 percent rural, 14.45 percent urban), raising concerns about diversion to non-productive uses, as debated in studies like Evans and Popova (2017).

Despite these challenges, a majority of respondents (76.84 percent rural, 80.18 percent urban) reported no misuse of DBT funds, indicating that the funds were largely used as intended, either for grain purchases or other constructive purposes considered more important by the family. This demonstrates the scheme's effectiveness in fulfilling its objectives while also pointing to areas of potential improvement.

Table 5: The Cascade of Cash: Analyzing DBT Disbursements and Utilization (in percent)

	Rural (N = 803)	Urban (N = 782)	Total (N = 1585)
Utilization of fund received under DBT			
Purposes other than buying grains	22.54	17.84	20.23
To buy grains	77.46	82.16	79.77
Has the money been used for any undesirable purpose?			
Male members use it without knowledge	4.23	5.37	4.79
Smoking/drinking/gambling	18.93	14.45	16.72
it hasn't	76.84	80.18	78.49

Source: Authors' calculations, using survey data

4.3 Exploring deeper into Income and Consumption Patterns: A Rural-Urban Comparative Analysis

Table 6 analyzes the impact of Direct Benefit Transfers (DBT) on income and expenditure. To draw insights, we assess data two-fold: (i) we compare responses for months of July and August (when DBT was received) with those of June when DBT was not received; and (ii) base patterns, without DBT, were also studied for the months of July and August when actually DBT was received.

Urban incomes and expenditures (both household and per capita) were higher at any point in time than their rural counterparts. Incomes, even without DBT, were reported on average to have increased between June/July and August month.

Rural incomes increased from INR 11768 to INR 12609, and urban incomes from INR 12993 to INR 13843. High standard deviation values indicate income variability across households. Per capita income also grew, more so in urban areas, suggesting genuine individual income growth, in line with Friedman's Permanent Income Hypothesis (1957). Excluding DBT, income growth moderates, underscoring DBT's role in enhancing household income, a point echoed in Keynes's economic theories (1936). The DBT-income ratio remained modest and stable.

Table 6: Analyzing the Distributional Dynamics of Income and Expenditure

	Rural (N = 803)	Urban (N = 782)	Total (N = 1585)	
Variable	**Mean**	**Mean**	**Mean**	**Std. Dev.**
Household Income Including Cash Transfers (in INR)				
June	11768.1	12993.2	12372.5	5064.2
July	12343.7	13576.1	12951.7	5117.2
August	12609.0	13842.7	13217.7	5136.0
Percapita Income (in INR)				
June	3790.8	4195.3	3990.4	2560.9
July	3971.1	4379.9	4172.8	2630.3
August	4064.3	4465.0	4262.0	2684.6
Household Income without DBT (in INR)				
July	11768.1	12993.2	12372.5	5064.2
August	12033.1	13259.7	12638.3	5081.8
Household Consumption Expenditure (in INR)				
June	11675.3	12666.2	12164.2	4750.3
July	12004.2	13015.5	12503.1	4849.5
August	11140.7	11737.5	11435.1	3963.8
Percapita Consumption Expenditure (in INR)				
June	3766.4	4089.6	3925.9	2487.1
July	3873.1	4198.8	4033.8	2546.0
August	3570.3	3780.5	3674.0	2174.3
Marginal Propensity to Consume (in percent)				
June	0.998	0.987	0.993	0.172
July	0.976	0.965	0.970	0.142
August	0.900	0.882	0.891	0.150
Marginal Propensity to Save (in percent)				
June	0.002	0.013	0.007	0.172
July	0.024	0.035	0.030	0.142
August	0.100	0.118	0.109	0.150

Source: Authors' calculations, using survey data

For the three months, while 93 percent incomes were spent in urban areas, the ratio was higher at 95 percent in rural areas. Interestingly, this ratio fell as we moved from June (97 percent/99 percent) to August (85 percent/88 percent) in both urban and rural areas respectively. This reflects in the Marginal Propensity to Consume (MPC) which was initially high but decreased by August. This implied that the Marginal Propensity to Save (MPS) increased, showing a growing inclination towards saving.

We study the decomposition of household expenditure in Table 7. About a quarter of household expenditures on average every month are spent on food, share in urban areas is marginally higher. The proportion of incomes spent on education is similar too in both areas. Between June and August, the average spent on food (as percent of total) increased.

Table 7: The Rural-Urban Consumption Spectrum – An In-depth Statistical Breakdown

	Rural			Urban			Total		
	(N = 803)			(N = 782)			(N = 1585)		
	June	July	August	June	July	August	June	July	August
food	24%	23%	24%	24%	24%	26%	24%	23%	25%
rent/house repair	18%	19%	17%	18%	18%	17%	18%	18%	17%
medicine/ doctor	10%	9%	10%	9%	9%	9%	9%	9%	9%
education	17%	18%	17%	17%	17%	16%	17%	18%	17%
loan re-payment	17%	17%	19%	18%	18%	18%	18%	17%	18%
other expenses*	14%	14%	13%	14%	15%	14%	14%	14%	14%
HH Consumption Expenditure (Avg INR/ month)	11675	12004	11141	12666	13016	11738	12164	12503	11435

*Source: Authors' calculations, using survey data | * other expenses include spent on utilities like power, clothes etc.*

4.4 Decoding Savings Decisions: Motivations and Influences in Rural and Urban Settings

Table 8 analyzes savings motivations in rural and urban communities. Notably, a high proportion of rural (55.17 percent) and urban (65.47 percent) respondents don't save, averaging 60.25 percent overall. This substantial non-saving rate likely reflects low incomes or immediate financial burdens, aligning with Collins *et al.*'s (2009) findings that immediate consumption needs often outweigh saving benefits in low-income groups.

Table 8: To Save or Not to Save (Usual Savings (Other than DBT amount)) – Unpacking the Reasons Behind Rural and Urban Savings Choices (in percent)

	Rural (N = 803)	Urban (N = 782)	Total (N = 1585)
Do not Save	55.17	65.47	60.25
House repair/Construction	1.99	1.41	1.70
Kids' education	6.85	11.25	9.02
Medical emergencies	34.12	19.57	26.94
Weddings	1.87	2.30	2.08

Source: Authors' calculations, using survey data

Savers' motivations vary by setting. In rural areas, 34.12 percent allocate funds for medical emergencies, likely due to limited healthcare access observed in similar low-income contexts (Banerjee and Duflo, 2007). Urban savers prioritize children's education savings (11.25 percent) more than their rural counterparts (6.85 percent), suggesting greater educational emphasis and access in urban areas. Both rural and urban respondents save modestly for house repairs or construction (1.99 percent rural, 1.41 percent urban) and weddings (1.87 percent rural, 2.30 percent urban), indicating savings focus on significant life events or emergencies.

Table 9 delves into savings patterns, examining savings amounts by reason and the influence of debt status. Rural households save an average of INR 1832.50 (standard deviation 1248.48), while urban households save slightly more at INR 1898.88 (standard deviation 1280.61).

Table 9: Financial Foresight: Analyzing Savings by Motive and Debt

Status (in INR)

	Rural (N = 360)	Urban (N = 268)	Total (N = 628)	
Variable	**Mean**	**Mean**	**Mean**	**Std. Dev.**
Amount of savings (other than DBT)	1832.50	1898.88	1860.83	1261.70
Amount of savings by reasons				
House repair/Construction	2312.50	2272.73	2296.30	1388.55
Kids' education	2060.00	1863.64	1939.16	1172.34
Medical emergencies	1749.64	1856.95	1787.77	1275.86
Weddings	2000.00	2194.44	2106.06	1279.39
Indebt household				
No	1672.13	1858.54	1747.06	1187.37
Yes	1865.22	1906.17	1882.89	1275.52

Source: Authors' calculations, using survey data

House repair and construction command the highest average savings, with rural households saving INR 2313 and urban INR 2273 (in August month). Wedding savings are also substantial, with rural households saving INR 2000 and urban INR 2194. Comparatively, savings for children's education and medical emergencies are lower, with rural households saving INR 2060 and INR 1750, and urban households INR 1864 and INR 1857, respectively. These figures reflect diverse financial priorities across different settings.

Interestingly, indebted households on an average save more than those without debt: indebted rural households save INR 1865 and urban households INR 1906, compared to non-indebted rural households' INR 1672 and urban INR 1859. This trend might suggest that indebted households are more savings-conscious, potentially to manage debt obligations. These findings align with Collins et al. (2009), who note that savings decisions are often goal-oriented, like for healthcare or education, mirroring the varied savings motives seen here.

4.5 Evaluating DBT Preferences and Expectations: Cash or

Ration in Urban and Rural Perspectives

Table 10 compares rural and urban preferences for receiving cash versus food grains in welfare schemes. Among the sample, 618 respondents (about 40 percent) favored receiving cash. Among these, 55 percent were from rural areas and remaining about 45 percent were from urban areas. Of the remaining 932 respondents who responded with a preference of grain over cash, the urban-rural spilt was 50 percent.

Within the urban and rural areas, however, the preference is clearer. About 42 percent in rural areas and 37 percent in urban areas preferred to be given cash. Cash is preferred for its flexibility and autonomy in expenditure decisions, aligning with Baird, McIntosh, & Ozler (2011), who highlight cash transfers' benefits in meeting specific needs.

Table 10: Cash Versus Ration – A Comparative Study of Rural and Urban Preferences

	Rural	Urban	Total
Give cash only instead of ration	338	280	618
	54.69	45.31	100
	42.25	37.33	39.87
Give ration instead of cash	462	470	932
	49.57	50.43	100
	57.75	62.67	60.13
Total	800	750	1550
	51.61	48.39	100
	100	100	100

Source: Authors' calculations, using survey data
Note: First row has frequencies; second row has row percentages and third row has column percentages

The choice between cash and food grains represents a key debate in welfare economics, encapsulating the balance between beneficiary autonomy and direct provision of essentials (Banerjee et al., 2017).

Table 11 explores how proximity to banks and ATMs affects preferences for cash versus ration assistance in the Direct Benefit Transfer (DBT) scheme. Among the 618 respondents preferring cash, the average bank distance is 1.584 km (standard deviation 1.347 km), indicating moderate variability. ATM accessibility is more varied, with an

average distance of 1.106 km (standard deviation 1.947 km). Visiting a bank, costs these respondents an average of INR 13.681 (with a wide cost range, as indicated by a standard deviation of 18.543), while visiting an ATM has an average cost of INR 11.914.

Table 11: Analyzing How Proximity to Banks Affects Preferences for Direct Cash versus Ration Assistance

	N	Mean	Min	Max
Give Cash only instead of Ration				
distance bank (in kms)	618	1.584	1	8
distance atm (in kms)	618	1.106	0	8
cost visit bank (in INR)	618	13.681	0	80
cost visit atm (in INR)	549	11.914	0	80
time visit bank (in minutes)	618	44.82	0	180
Give Ration instead of Cash				
distance bank (in kms)	932	1.237	1	8
distance atm (in kms)	932	1.081	0	8
cost visit bank (in INR)	932	30.033	0	99
cost visit atm (in INR)	724	32.623	0	80
time visit bank (in minutes)	932	48.42	0	180

Source: Authors' calculations, using survey data

Conversely, the 932 respondents preferring food grains have a slightly closer average bank distance of 1.237 km (standard deviation 0.881 km), suggesting less variability and generally closer access. The ATM distance is nearly the same as the cash group, averaging 1.081 km. However, this group incurs higher banking costs, averaging INR 30.033 for banks and INR 32.623 for ATMs, with larger standard deviations indicating a wider cost range. The time taken to visit a bank is marginally higher at 48.42 minutes.

These results indicate that beneficiaries preferring cash have slightly longer (average) distances to banking facilities but lower access costs. Those preferring foodgrains are closer to banks but face higher costs. This suggests that the convenience and cost of accessing banking services significantly influence preferences of beneficiaries between cash and food grains. This finding aligns with Demirguc-Kunt et al. (2018), who emphasize the impact of financial infrastructure accessibility on cash transfer program

effectiveness. Proximity to banks and ATMs, along with associated costs, can affect the practicality and appeal of direct cash transfers versus in-kind assistance like food grains.

Table 12 presents data on the preferences of rural and urban households for receiving cash instead of food grains or ration instead of cash, broken down by household occupation. In rural areas, the majority of respondents engaged in agricultural or casual labor (687 out of 800) prefer food grains over cash, with 65.1 percent opting for food grains. This group constitutes a significant 85.9 percent of the total rural sample. Conversely, among farmers (104 respondents), a vast majority (88.5 percent) prefer cash. However, farmers represent a smaller fraction (13.0 percent) of the rural sample. In urban areas, the pattern is somewhat different. Among those in agricultural or casual labor (351 respondents), the preference for food grains (59.5 percent) is less pronounced than in rural areas. Urban self-employed individuals (304 respondents) show a substantial preference for food grains (64.1 percent), and they make up 40.5 percent of the urban sample.

Table 12: Preferences for Cash versus Food grains among Rural and Urban Households by Occupation

Household Occupation	Rural			Urban		
	Give cash only instead of ration	Give ration instead of cash	Total	Give cash only instead of ration	Give ration instead of cash	Total
Agriculture labour/ Casual Labour	240	447	687	142	209	351
	34.9	65.1	100	40.5	59.5	100
	71.0	96.8	85.9	50.7	44.5	46.8
Farmer	92	12	104	-	-	-
	88.5	11.5	100			
	27.2	2.6	13.0			
Permanent Job	1	3	4	29	66	95
	25	75	100	30.5	69.5	100
	0.3	0.7	0.5	10.4	14.0	12.7

Household Occupation	Rural			Urban		
	Give cash only instead of ration	Give ration instead of cash	Total	Give cash only instead of ration	Give ration instead of cash	Total
Self-employed	5	0	5	109	195	304
	100	0	100	35.9	64.1	100
	1.5	0	0.6	38.9	41.5	40.5
Total	338	462	800	280	470	750
	42.3	57.8	100	37.3	62.7	100
	100	100	100	100	100	100

Source: Authors' calculations, using survey data
Note: First row has frequencies; second row has row percentages and third row has column percentages

The results show that preference for cash or food grains is also influenced by occupation, with significant variations between rural and urban areas. In rural areas, laborers tend to prefer food gains, possibly due to food security concerns, as suggested by studies on food access and occupation (Smith & Subandoro, 2007). Conversely, farmers, who may have more direct access to foodgrains, show a stronger preference for cash. Urban laborers and self-employed individuals also lean towards food grains, which could be due to reliable PDS and urban food market dynamics (Barrett, 2002).

Table 13 provides insights into the expectations and perceptions of rural and urban beneficiaries regarding the Anna Bhagya DBT scheme. A total of 367 respondents, comprising 56.4 percent from rural areas and 43.6 percent from urban areas, feel that the amount provided through the DBT scheme should be more. This represents 25.78 percent of the rural and 20.46 percent of the urban respondents, accounting for 23.15 percent of the total sample. This expectation could stem from the belief that the current transfer amounts are insufficient to meet their needs, which is in line with research suggesting that the adequacy of transfer amounts is crucial for the effectiveness of such schemes (Banerjee et al., 2015). A smaller proportion, 56 respondents (3.53 percent of the total sample), hope the scheme will help in meeting other needs beyond the primary purpose of the transfer. This reflects a broader expectation that cash transfers should address multiple aspects of household welfare, supporting literature that emphasizes the multifaceted impact of cash transfers on household well-being (Haushofer & Shapiro, 2016).

Table 13: Dissecting Beneficiary Expectations from the DBT Scheme

	Rural	Urban	Total
Amount should be more	207	160	367
	56.4	43.6	100
	25.78	20.46	23.15
Will help meeting other needs	26	30	56
	46.43	53.57	100
	3.24	3.84	3.53
It will improve our food quality	555	569	1,124
	49.38	50.62	100
	69.12	72.76	70.91
Scheme will shut soon	15	23	38
	39.47	60.53	100
	1.87	2.94	2.4
Total	803	782	1,585
	50.66	49.34	100
	100	100	100

Source: Authors' calculations, using survey data
Note: First row has frequencies; second row has row percentages and third row has column percentages

A significant majority, 1,124 respondents (70.91 percent of the total sample), believe that the DBT scheme will improve the quality of food consumed by their households. This perception is almost equally distributed between rural and urban areas (49.38 percent and 50.62 percent, respectively) and underscores the primary expectation from the scheme – enhancing food security and quality. This aligns with studies highlighting the importance of cash transfers in improving dietary diversity and food security (Hoddinott et al., 2018). A very small segment, 38 respondents (2.4 percent of the total sample), fear that the scheme will shut soon, with a higher proportion of this concern in urban areas (60.53 percent). This apprehension might reflect underlying uncertainties about the sustainability and continuity of welfare programs.

4.6 Impact Assessment of DBT on Household Economics: Consumption and Savings Dynamics

Table 14 presents an econometric analysis of the factors influencing household consumption, focusing on the impact of Direct Benefit Transfers (DBT) and various

socio-economic variables. The table reveals that the amount received from DBT has a significant positive impact on household consumption. The coefficients 1.382 and 1.719, both statistically significant at the 0.001 level, indicate that an increase in the DBT amount leads to a substantial increase in household consumption. This aligns with the economic theory that direct cash transfers enhance the purchasing power of households, leading to increased consumption, as suggested by research on the efficacy of cash transfer programs (Banerjee et al., 2015).

Table 14: Econometric Analysis of Household Consumption Responses to Direct Benefit Transfers and Socio-Economic Factors

	Household Consumption	Household Consumption
DBT amount received	1.382***	1.719***
	(-3.48)	(-4.42)
Region (Base Category: Rural)		
Urban		484.7*
		(-2.48)
Education Attainment (Base Category: Illiterate)		
Primary (up to 8th class)		108.4
		(-0.59)
Secondary (up to 10th class)		459.1
		(-1.9)
Senior secondary (up to 12th class)		2145.1***
		(-6.01)
Graduation and above		768.7
		(-1.16)
Age		-38.97***
		(-6.14)
Primary Occupation (Base Category: Agricultural/Casual Labor)		
Farmers		-937.7**
		(-2.90)
Permanent Job		291.6
		(-0.85)
Self Employed		121.9
		(-0.52)

	Household Consumption	Household Consumption
Month (Base Category: June)		
August		-1068.0***
		(-6.93)
_cons	11131.5***	12266.3***
	-43.9	(-25.96)
N	3170	3170
t statistics in parentheses		
="* p<0.05	** p<0.01	*** p<0.001"

Source: Authors' calculations, using survey data
*Note: Significance level of the difference: * p<0.05, ** p<0.01, *** p<0.001*
Robust standard errors clustered at the district-level in parentheses.

The variable 'Region' shows that being in an urban area (compared to a rural base category) positively influences consumption, with a coefficient of 484.7, significant at the 0.05 level. This suggests that urban households tend to have higher consumption levels than rural ones, possibly due to higher costs of living or greater access to goods and services in urban areas (Deaton and Dreze, 2002).

Education attainment also plays a role in consumption patterns. The coefficient for senior secondary education is notably high (2145.1) and highly significant, indicating that households with higher educational attainment tend to have higher consumption levels. This may reflect the correlation between education and income levels, which translates into higher consumption capacity (Becker, 1964).

Age has a negative impact on household consumption, as indicated by the coefficient of -38.97, significant at the 0.001 level. This could suggest that older households might have lower consumption needs or are more inclined towards saving.

Notably, farmers have a significant negative coefficient (-937.7), indicating lower consumption levels compared to the base category of agricultural/casual labor. This might reflect the variable income nature of farming compared to more stable income sources.

Table 15: The Role of Direct Benefit Transfers and Socio-Economic Factors in Shaping Household Savings Behaviour

	Household Savings	Household Savings
DBT amount received	0.870***	0.826***
	(3.64)	(3.63)
Region (Base Category: Rural)		
Urban		396.0***
		(4.62)
Education Attainment (Base Category: Illiterate)		
Primary (upto 8th class)		310.0**
		(3.04)
Secondary (upto 10th class)		328.4*
		(2.50)
Senior secondary (upto 12th class)		1232.1***
		(6.41)
Graduation and above		247.8
		(0.69)
Month (Base Category: July)		
August		1525.0***
		(15.69)
Financial Inclusion		504.4***
		(3.95)
Distance from Banking Point (in Kms)		-7.766
		(-0.27)
_cons	611.7***	-1003.9***
	(4.21)	(-4.83)
N	3170	3170
t statistics in parentheses		
="* p<0.05	** p<0.01	*** p<0.001"

Source: Authors' calculations, using survey data
*Note: Significance level of the difference: * p<0.05, ** p<0.01, *** p<0.001*
Robust standard errors clustered at the district-level in parentheses.

Table 15 provides an in-depth analysis of the role of Direct Benefit Transfers (DBT) and various socio-economic factors in shaping household savings behavior. The analysis reveals that the amount received from DBT has a significant positive effect on household savings, with coefficients of 0.870 and 0.826, both statistically significant at the 0.001 level. This implies that an increase in DBT leads to an increase in household savings, indicating the effectiveness of DBT in enhancing the financial capacity of households to save. This finding is consistent with the theory that cash transfers provide financial security, thereby encouraging savings behavior (Banerjee et al., 2015).

Residential region also plays a significant role, with urban households (compared to the rural base category) showing a higher propensity to save, as indicated by the coefficient of 396.0, significant at the 0.001 level. This could be due to differences in income levels, or access to financial services between urban and rural areas (Deaton & Dreze, 2002). Education attainment influences savings, with higher education levels associated with increased savings. Notably, households with senior secondary education have a significant positive coefficient (1232.1), indicating a strong relationship between education and the ability to save. This supports the notion that education can lead to better financial decisions and increased savings (Becker, 1964). The month of August 2023 shows a significant positive impact on savings compared to June, which could be attributed to seasonal variations in income or expenditure or more saving tendency due to expected DBT amount. Financial inclusion, indicated by a positive coefficient (504.4), highlights the importance of access to financial services in facilitating savings. This aligns with literature suggesting that financial inclusion is crucial for effective savings and financial planning (Demirguc-Kunt et al., 2018). Interestingly, the distance from banking points shows a negative but statistically insignificant coefficient, indicating that proximity to banking services may not be a strong determinant of savings behavior.

Overall, Table 15 underscores the multifaceted nature of household savings behavior, influenced by direct cash transfers, urbanization, education, time of the year, and financial inclusion. These insights are crucial for policymakers aiming to enhance household savings and financial stability through targeted interventions and financial policies.

5. Conclusion

In conclusion, the study of the Anna Bhagya Scheme (ABS), a pivotal unconditional cash transfer program in Karnataka, India, offers crucial insights into the dynamics of household welfare and financial behavior. This research has comprehensively examined the impact of ABS on various dimensions of household economics, including consumption patterns, savings behavior, financial inclusion, and preferences for cash versus ration.

Firstly, the socio-economic and demographic profiling of the beneficiaries highlights a balanced representation of rural and urban households with significant geographical diversity. The high illiteracy rate and modest household sizes underline the scheme's focus on relatively vulnerable sections of society. The accessibility to banking infrastructure, a critical factor in the effectiveness of Direct Benefit Transfers (DBT), was found to be reasonably good, although with some geographic variations.

In terms of DBT utilization, households received an average of ₹576-₹583 per month, forming a small yet significant portion of their income. The study found a substantial monthly withdrawal by beneficiaries, of DBT funds from the bank accounts, indicating immediate consumption or financial needs. However, a noteworthy portion of households retained part of the DBT amount in banks, suggesting a nuanced approach to financial management among the beneficiaries.

The ABS significantly enhanced financial inclusion, with a notable increase in first-time bank account openings, especially in rural areas. This finding underscores the scheme's role in integrating marginalized communities into the formal banking system, a vital step towards broader financial empowerment.

Regarding expenditure patterns, a majority of the funds received through DBT were used to purchase grains, aligning with the scheme's primary aim of enhancing food security. However, a portion of the funds was also allocated for other essential and discretionary spending, highlighting the flexibility and autonomy provided by unconditional cash transfers. Only a small percentage of funds were reportedly diverted to non-productive uses, indicating the need for continuous monitoring and beneficiary education.

The preference for cash versus food grains was mixed, with a slightly higher inclination towards receiving food grains, particularly in urban areas. This preference distribution could be influenced by factors like the perceived reliability of in-kind support, household income levels, and specific household needs.

Furthermore, the ABS had a positive impact on educational expenditures, especially among households with illiterate and primary-educated heads, suggesting the scheme's role in enabling higher allocation towards education. This finding is particularly significant as it points to the potential of unconditional cash transfers in supporting education among lower education groups.

In summary, the Anna Bhagya Scheme has demonstrated considerable success in impacting household welfare, financial inclusion, and consumption patterns. However, the disparities in utilization and preferences based on education and geography highlight the need for more tailored policy approaches. This research offers valuable insights into the dynamics of unconditional cash transfers, providing a crucial basis for policy refinement aimed at effective poverty alleviation and social welfare enhancement. The findings underscore the importance of designing cash transfer programs that are sensitive to local contexts and beneficiary profiles, ensuring that these initiatives effectively address the diverse needs of the target populations.

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