



# Cash Transfers: Safety Net or Welfare Trap?

*Fizza Behzad*



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# **Cash Transfers:** Safety Net or Welfare Trap?

Policy Research Institute of Market Economy (PRIME)

Islamabad Pakistan

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PRIME is an economic policy think tank working for an open, free and prosperous Pakistan by creating and expanding a constituency for protective function of the state and freedom of the market.

The study titled “Cash Transfers: Safety Net or Welfare Trap?” by Fizza Behzad, is based on a survey of 1000 BISP beneficiaries. The study reviews the de-sign of BISP, its effect on the private charity, attitudes of programme beneficiaries, focusing on collecting information regarding disbursements, procedural problems, and needs fulfilment and it examined the impact on the household standard of living. The study provided recommendations to achieve long-term and permanent solutions for poverty alleviation.

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## Executive Summary

This report provides an analysis and evaluation of Benazir Income Support Programme (BISP), a major social safety net programme initiated in 2008 in Pakistan. The worldwide public opinion has assumed that such programmes are successful at reducing inequality and poverty.

However, the effects of social safety nets tend to differ across country to country and region to region therefore a detailed study is in order to discern the success of the programme.

Safety net interventions in Pakistan have suffered from a conspicuous lack of evidence based policymaking. Numerous evaluations of the targeting process of programmes have identified design and implementation weaknesses. According to World Development Indicators (WDI) 2013, 60 per cent of the population in Pakistan lives below poverty line corresponding to \$2 or PRs. 210/-<sup>1</sup> per day so social protection as an area of government intervention has achieved enhanced budgetary priority in Pakistan recently with the advent of programme like BISP.

The aim of this report was to review the design of BISP, its effect on the private charity, attitudes of programme beneficiaries, focusing on collecting information regarding disbursements, procedural problems, and needs fulfilment and it examined the impact on the household standard of living.

A survey was conducted among 1,000 beneficiaries of BISP from Malakand and Azad Jammu & Kashmir.

The results indicate that there are inefficiencies and irregularities in disbursement procedures. The amount of cash grant is insufficient to fulfil expenditure needs of the beneficiary families at large and has no impact on their living standards rather it has created a very high dependency of the beneficiary families on the cash grants. People do not conceive cash grants as their right instead they regard it as a help from government. Even if they consider it as a help it is a discouraging fact that the cash grant are unable to motivate people for work. While private charity continued to prevail along with BISP cash grants.

It is recommended that to achieve poverty alleviation, the programme requires restructuring towards long-term and permanent solutions such as replacing cash grants with programmes through which human capital is enhanced like vocational trainings and educational programmes.

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<sup>1</sup> Source: World Development Indicators <http://databank.worldbank.org/data/download/WDI-2013-ebook.pdf>, Local currency equivalent amount corresponds to current exchange rate as on 24th February, 2014.

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# 1. Introduction

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Contemporary interventions to promote growth in an inclusive manner have tended to focus on expanding and strengthening social safety nets. Such public initiatives address the symptoms of poverty, not its sources. The results of such restrictive interventions are reduction of income poverty to varying degrees and some improvement in human development. But across countries, income inequalities have increased, social disparities have widened and injustice remains persistent, while the structural sources of poverty remain intact.<sup>2</sup> It also destroys basic human values of pride, self-respect and hard work.

According to World Development Indicators (WDI) 2013, 60 per cent of the population in Pakistan lives below poverty line corresponding to \$2 or Rs. 210/-<sup>3</sup> per day so social protection as an area of government intervention has achieved enhanced budgetary priority in Pakistan recently with the advent of programs like BISP and EOBI. In addition to government efforts, Pakistan has a lively tradition of private philanthropy – such as demonstrated by organizations such as Pakistan Centre for Philanthropy and Aga Khan Foundation.

There are two main categories of formal safety net programme in Pakistan. The first addresses the employed labour force or those who have retired from the formal labour sector such as Old Age Benefit, Workers Welfare Funds, Pension Funds and etc. The second category includes

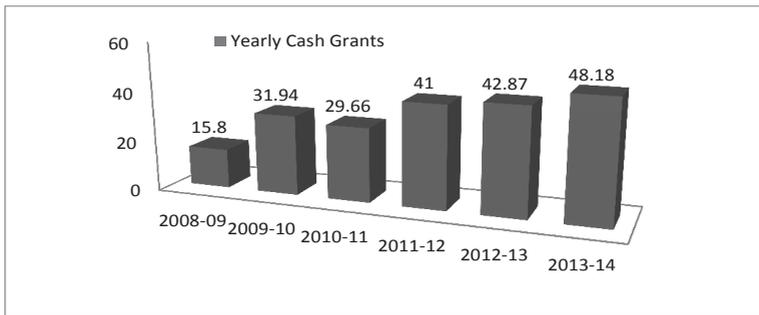
<sup>2</sup> Human Development Report 2013 The Rise of the South: Human Progress in a Diverse World.

<sup>3</sup> Source: World Development Indicators <http://databank.worldbank.org/data/download/WDI-2013-ebook.pdf>, Local currency equivalent amount corresponds to current exchange rate as on 24th February, 2014.

programmes geared towards those outside the labour market and the poor and indigent. The Benazir Income Support Programme (BISP) and the Zakat Programme are the two largest programmes under this category.

BISP was initiated in October 2008 with an initial allocation of Rs. 34 billion/- for the financial year 2008-09<sup>4</sup>. However, yearly cash disbursement was Rs. 15.8 Billion. (Figure 1.1) The allocation for 2013-14 was increased to Rs. 70 billion/- in the budget to provide cash assistance to 5.5 million families. "This project was started for the poverty alleviation and women empowerment among the underprivileged sector of Pakistan". "The objective of this nation-wide programme is to provide Income Support to the poorest families to cushion the negative effects of the food crisis and inflation" – BISP.<sup>5</sup> The enrolled families are paid cash assistance of Rs. 4,500/- per quarter (Rs. 1,500/- per month). There are other benefits provided under graduation/exit strategy like long term interest free returnable financial assistance (called Waseela-e-Haq), vocational & technical training (Waseela-e-Rozgar), and the recently launched health & life insurance coverage.

**Figure 1.1: Yearly Cash Disbursements of BISP<sup>6</sup>**



Generally, the worldwide public opinion has assumed that Conditional Cash Transfer (CCT) programs are successful at reducing inequality and poverty<sup>7</sup>, without thoroughly studying the effects of these programs, including some of the unforeseen outcomes of a system based on CCTs. Safety net interventions in Pakistan have suffered from a conspicuous lack of evidence based policymaking. Numerous evaluations

<sup>4</sup> Fiscal year in Pakistan runs from 1st July to 30th June.

<sup>5</sup> [www.bisp.gov.pk](http://www.bisp.gov.pk)

<sup>6</sup> Economic Survey of Pakistan 2013-14.

<sup>7</sup> Fiszbein & Schady et.al. (2009), Soares, Ribas & Osorio (2010).

of the targeting process of programmes have identified design and implementation weaknesses.

In Phase-I of BISP beneficiaries were identified with the help of parliamentarians (over 400 MNAs and senators). Each politician received 8,000 forms to distribute amongst the poor and vulnerable in their constituency who they believed would be eligible based on pre-established 13 point eligibility criteria. To be eligible, female beneficiaries must possess a valid National Identity Card (NIC) and have a monthly household income of less than PKR 6,000.

Under Phase-II a more concise poverty survey was carried out which revealed that only around 18% of the beneficiaries of Phase-I qualified for financial assistance. Yet cases of misappropriation of funds, irregular purchase of vehicles, wastage of money, award of controversial contracts, overpayments, irregular procurements, illegal appointments, etc., have been witnessed over the years.<sup>8</sup>

The effects of establishing social safety nets tend to differ across country to country and region to region therefore a careful study of these effects is made in order to discern the success of the program.

## Objectives

- To review existing models of CCT such as Benazir Income Support Programme, private charity in Pakistan in terms of their design, beneficiaries, budget and scale in terms of their effectiveness as poverty reduction tool through a household survey in selected communities.
- To estimate the quantum and the direction of private charity targeted for poor households in the sampled area where government run CCT programmes have been implemented.
- To assess the changes in the attitudes of beneficiaries and their dependents towards self-sufficiency or dependency.
- To discuss alternate means of social protection especially by strengthening rule of law by guaranteeing protection of life and property.

<sup>8</sup> <http://www.dawn.com/news/1111531>

<http://nation.com.pk/letters/09-Aug-2009/Corruption-in-BISP>

<http://www.thenews.com.pk/Todays-News-13-16520-USAID-blocks-funds-for-BISP-others>



## 2. Literature Review

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### 2.1 Conditional Cash Transfers

Rawlings and Rubio (2005) studied six countries where a Conditional Cash Transfer (CCT) program was implemented. They found that these programs have mainly two alternate impacts; the impacts on poverty alleviation and welfare are limited but the demand side complement to the supply of health and education increases.

Conditional Cash Transfers (CCTs) can always have positive significant impacts on the social indicators and social life of beneficiary families' if the identifications and targeting of the beneficiaries is correct, (Rawlings, 2006 and Attanasio et al, 2005), even if the amount presented through CCT is very small i.e. 1% of the total income yet it helps in reducing inequalities. (Soares et.al, 2009)

Kapur et al (2008) in their study suggested that direct cash transfers must be targeted to the most poorer districts of a county or where poverty is severe and proposes that the local governments be vested with the authority to distribute transfers, reducing cost of distribution while Barrientos & DeJong argued that if the children of the poor households are targeted i.e., through intergenerational transmission mechanism then these transfers actually reduce the poverty.

If the CCT programs are designed so as to improve opportunities to use assets productively and to insure the non-poor from risks/shocks then

the programs are more efficient and effective (Janvry et al, 2006). Additionally, if CCTs are funded to finance micro-enterprises, it can have long-lasting impacts like increased investments in production, usage of land and microenterprises ultimately leading to increased income generation and better standards of living after a few years (Gertler et al, 2005), even if the prolonged engagement of the program is not possible/feasible i.e. the grants are made once in the lifetime of the beneficiaries. (Mel et al 2012).

While CCTs have positive impacts on household demand for credit and remittances, i.e. with reduction in liquidity constraints through grants, the households increase their demand for loans as they then expect high returns from investment (Chen et al. 2009). Gertler (2005) and Son (2008) came across a similar finding that if the grants are paid under certain conditions and the conditions on which the transfers are provided are actually monitored from time to time (and the grants are handed over to the female heads of a family), the outcome is far better than traditional CCT programs.

As far as the impacts of government spending on charitable contributions is concerned, it was found that if government transfers cash to poor it will certainly crowd out the private charitable donations but if the spending is on subsidising social services/utilities then the demand for private charity increases (Schiff, 1985). Moreover, if the grants through CCT is large (i.e. 15%- 20% of households average annual expenditures), it is more likely to crowd out private charity (mostly food charity), and non-govt. organisation's cash/food charities to the beneficiaries. Otherwise CCT may have no or little effect on private charities (Nielson & Olinto, 2007).

Crowding out of private transfers is higher in relatively richer beneficiaries of grants as compared to poorer households but only for some initial months. After a few months the crowding out of private transfers starts fading even in those relatively richer households (Evans et al, 2013).

Kabeer et al. (2012) in their study found that CCT leads to increased consumption, investment and school attendance but it also increases leisure in some areas, yet evidence does not support increased inflationary pressures while Behrman et al (2005) found that there is a significant increase in the labour force participation of boys in the area

where CCT grants are provided.

A report published by the World Bank (2013), related to impacts of conditional cash transfers on households in Philippines, and stated that the transfers do not necessarily promote the culture of dependency among its beneficiaries.

## **2.2 Cash Transfers in Pakistan**

In a study related to integration of gender in social protection in Pakistan related to BISP and Zakat Programme, Khan & Qutub (2010) argued that in order to make it more generic, the mechanism presently under consideration must be revised making it less technical and convenient for the beneficiaries. Moreover, the Zakat Programme needs better targeting of the poor and needs to have better impact. In contrast, Shirazi (1996) argued that the targeting of the Zakat and Ushr Programme is correct but the coverage is not statistically large enough to come-up with a significant change in the society.

Chaudhry & Parajuli (2006) and Hassan, A. (2010), evaluating the impacts of Punjab Female School Stipend Programme (FSSP), found that the female in the stipend districts have progressive trends in education and they are more likely to complete education till their matriculation.

In analysing the effects of Child Support Programme in Pakistan, Raza (2009) found that CCT has resulted in immense improvement in attendance and enrolment in schools further she stated that such cash transfers result in multiple effects from increased consumption to investment.

The beneficiaries and non-beneficiaries of the Zakat fund were accounted in a study by Toor & Nasar (2004). They found no significant changes in the living standards of both at large mainly because of the delays in disbursements and difficulty of access procedures. Moreover, the "Guzara" allowance creates dependency among its beneficiaries while same are the results of a study by Arif & Bilquees (2007) and they also argued that if the non-interest based credit from Bait-ul-Maal is provided it can pull poor out of poverty.

Bari et al (2005) in their study regarding social protection framework in Pakistan argued that the social security Programmes in Pakistan are policies on targeted schemes rather than creating and generating em-

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ployment opportunities. Moreover, they concluded that the pressure revolves around the private sector for the provision of social protection to the needy.

There is always a demand for a non-market based social protection system which is sought informally through private and non-government sectors, meaning that the provision of government based social security Programmes do not crowd out private charities in Pakistan and there is an ever increasing demand of government based social protection Programmes (Sayeed, 2004).

Summing up the empirical findings, CCTs tend to have a set of impacts; in general CCT needs to be more targeted to reduce poverty and crowding out of private charities is possible if the grants are sufficiently higher. CCTs lead to increased productivity and entrepreneurship and it has been observed that overall, a society receiving cash grants sees an increase in consumption, schooling, dependency to a certain extent and leisure.

## 3. Methodology

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This section will describe the methodology of the study on CCTs Programmes.

### 3.1 Desk Review

A number of studies have been conducted to evaluate the CCT programmes in terms of their effects on poverty, outlined above. In order to understand the situation and carry out few projections regarding reduction in poverty, increase in entrepreneurial activity and growth dynamics of employment and self-finance, desk review of publically available data was carried out. In this context, the desk review includes but is not limited to:

- i. Relevant laws, policies, regulations
- ii. Research studies and assessments conducted on CCT programmes

The desk review also helped in finalizing the assessment methodology and identifying assessment indicators which were included in various tools in developing further data collection.

Given the difficulties in coming up with primary data for beneficiaries (and to save time), it was decided that survey firms are better positioned in terms of data collection since they have prior experience of carrying out this kind of work.

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## **3.2 Survey**

A survey was carried out using a sample of 1,000 beneficiaries of BISP. Two samples of 500 beneficiaries each were selected from two different districts of population – one from Matta district of Malakand Division and other from Mirpur and Neelam Valley districts of Azad Jammu & Kashmir. A door to door survey was conducted to draw the sample. The survey was focused on collecting information regarding disbursements, procedural problems, and needs fulfilment. Plus, it examined the impact on the household standard of living. It evaluated these systems in both diversified environments of AJK and Malakand.

## **3.3 Training Field Team and Data Collection**

The data was collected through a team of 12 members. In each town, 6 members were engaged in collecting information from the beneficiaries. The teams were supervised by a Field Supervisor. The survey team and field supervisor were trained in a one day training workshop organized by PRIME. The team was given orientation of the study objectives and data collection instruments. The data collected was properly edited and entered in data entry software especially developed for this study.

## 4. Site Selection

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### 4.1 Azad Jammu & Kashmir

Azad Jammu and Kashmir situated in the northeast of Pakistan is estimated to be between longitude of 730-750 and latitude of 330-360, covering area of 5134 Miles adjoining with Indian border towards east, Punjab to the south and KPK to the west along northern areas of Pakistan to its north with total population comprising of 3.596 million. Azad Jammu Kashmir is significantly located between hilly ranges and is known for its mountainous exquisiteness consisting of valleys and full of natural appeal with elegant rivers and twisting streams. Azad Jammu and Kashmir is allocated into three administrative divisions of Mirpur, Poonch and Muzaffarabad which is further divided into 10 districts and 32 sub districts, the home grown government compromises of 11 municipal groups and two municipal corporation and 201 union councils.

Azad Jammu and Kashmir (AJK) is known for it is warm welcoming and tourism, a common feature which prominently can be viewed by an outsider is their simplicity and their own traditional way of living style which is mixture of three different regions Jammu, Kashmir and Ladakh.

Economic activities are generally carried out with the limited resources available there and mostly people living there are dependent upon livestock, forestry and agriculture. The land which can be cultivated is

only 13 percent out of the total area and the rest of the area is mostly rain-fed in which cultivation is not possible which effects in low yield that adversely distresses the household income. AJK is still considered to be a tribal area with the influence of feudal characteristics. They are reliant on their land as it is the main source of their income and is a representation of power.

Government system of AJK consists of parliamentary method. The president is the constitutional head of the state while the prime minister supported by the councils of ministers is chief executive. Legislative assembly encompasses 41 directly and 8 indirectly elected members and 5 females. Institutions have also been established such as high court and Supreme Court.

AJK has high literacy rate due to immense focus on education and large amount of budget is allocated for the investment of education and as a result literacy rate is developed than the usual national rate of Pakistan. Hardworking and being persistent is one of their traits and are famous for hand work such as handicraft and making shawls. AJK is considered to have its links to international labours.

Two areas of AJK were assessed during the survey: Mirpur (Chanba, Gorka, Sangkot, Malakabad, Nangi, Banpur, Morra Dholo, Jorrwa Kula, Khanpur, New city sector [A, B, F]) and Neelam Valley (Kundal shahi, Att muqam, Neelam, Kiran, Batta).

## **4.2 Malakand**

Malakand is positioned in the deepest stretches of the swat region which is estimated to have an area about 952 sq. kilometres with a population comprising of 4.5 lakhs as per population consensus of 1998. The majority of the area is Pashtun dominated and covers 40% of the North West province known as Khyber Pakhtunkhwa. Malakand is encircled by high mountains having characteristic of hard landscape and strategically it has a great significance as it functions as a gate pass to Swat, Dir, Chitral and Bajaur for trade route purposes as well traveling.

People of Malakand are dependent on agriculture land and with their own mutual support they have made an irrigation system to benefit and produce crops even though it is not sufficient for them because of inadequate rainfall so they have installed tube wells and apply other

mechanisms as an artificial irrigation. The biggest market of Malakand is Batkhela bazar which comes across by passing through Sakhakot board that is at the south of Malakand. The geographical location of Malakand is mountainous and filled with rich mineral resources. Rice is the main crop of Malakand along that millet, maize and sugar cane are grown in abundant, Malakand being a rich and fertile soil has a lot of potential and capacity for growing vegetables and fruits which are later brought to the market for selling and that is how an individual earns his income due to lack of economic opportunity at hand, industrially Malakand still need time to grow as no factories have yet been established or is in process.

There are strong norms and values rooted in the people of Malakand which have been part of their culture for ages and is moving on as a tradition. Malakand division still constitute many of its decisions in a Jirga system where tribe elders act as judges who give out an opinion or decisions regarding different matters.

Education system in Malakand had been stalled for several period of time as a result of militancy and there was a factor of unrest in the area even after the military operation launched by the state against the militants, the backlash of it not only resulted in the migration of people, it also caused reluctances for the locals to send their children to schools and the schools were required to be reconstructed that were destroyed in attacks of extremist activities. Malakand with slow and steady progress has now been able to launch a better health care system and is succeeding in creating more civil hospital and dispensaries throughout Malakand.

Three union counsels: Arkot, Kharerai and Perkaly with different sub-divisions were assessed in Tehsil Matta of Malakand area.

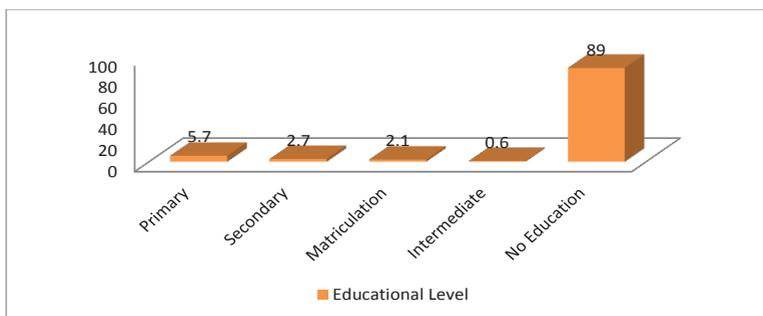
## 5. Survey Results

### 5.1 BISP Beneficiaries' Profile

The respondents of both the regions were asked several questions to assess their living standards, earning and living profiles so as to assess whether BISP cash grants are given in accordance with BISP stated goals and aims and what are the salient features and characteristics of the beneficiary families which make financial transfers under BISP successful or otherwise.

#### 5.1.1 Education

**Figure 5.1: Educational Level of Respondents**



94.7% of the women (beneficiaries) have primary or no education at all which is in fact also due to cultural restrictions and attitudes prev-

alent in Malakand and Mirpur. The cultural hindrances, attitudes and limited opportunities also lead to a very low employment rate among women of the areas.

### 5.1.2 Employment Status and Working Hours

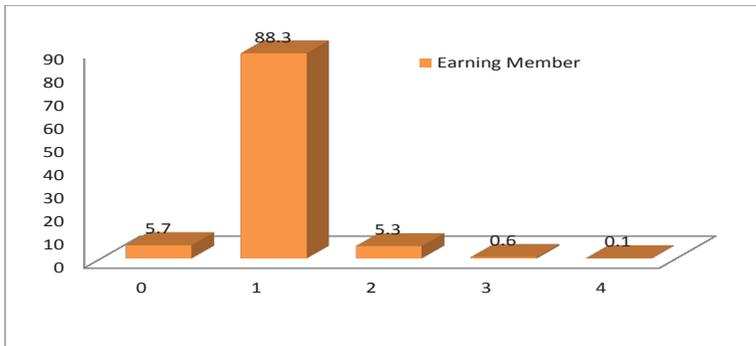
Only 2.9 % of the beneficiaries (women) are employed as supporting staff members in schools or hospitals. Due to lack of education and societal customs women in Malakand and Mirpur are less likely to be employed. 97.1% of the respondents do not work and the rest of them are either employed as helping staff in hospitals and schools or working from home for 2-8 hours a day.

**Figure 5.2: Employment Status**



### 5.1.3 Earning Member

Typical beneficiary family has a single bread-earner for up-to 10 number of dependents, i.e. 88% of the families have only one earning member which is mostly the husband or son of the women beneficiary.

**Figure 5.3: No. of Earning Members**

81% of the respondent families comprise of 5-12 number of dependents on the family monthly earnings. These numbers are tabulated as follows:

**Table 5.1 : No of Dependents**

No. of Dependents	Percent
1-4	13.5
5-8	57.2
9-12	23.9
13-16	4.2
17-20	1

High dependency on a single or two earning member also explains why poverty is prevalent to this extent in majority of the families. The increase in number of dependents also decreases the tendency of the monthly income of the family to meet the expenditure needs.

### 5.1.4 Monthly Expenditure

**Table 5.2: Monthly Income and Expenditure of Respondents**

		Monthly Expenditure					Total
		below Rs. 10000	Rs 10,000-15,000	Rs 16,000-20,000	Rs.21,000-25,000	Rs. 26,000 above	
<b>Monthly Income</b>	below or equal to Rs 10,000	60	703	91	13	0	867
	above Rs 10,000- Rs15,000	0	50	114	13	1	178
	Rs.16,000- Rs.20,000	0	0	0	3	3	6
	Rs 21,000- Rs.25,000	0	0	0	0	1	1
	<b>Total</b>	60	753	205	29	5	1052

82% of the families (867/1052) have their monthly income below Rs.10,000/- while 71% of the respondent families have monthly expenditure around Rs.10,000/---15,000/- which means 2/3rd of the beneficiary families can meet their expenditure with the amount of almost Rs.5000/- (per month) on average as cash assistance. Only 10.4% respondent families can hardly make up their expenditure needs with their monthly incomes on average.

### 5.1.5 Assets Ownership

A profile of the asset ownership of the surveyed households is as follows:

**Table 5.3: A profile of Asset Ownership**

Means of Transport	Land	House	Livestock
2.90%	4.20%	58%	14%

58% of the respondents own a two-three room house but most of them are among the earthquake victims of Mirpur. Government compensated earthquake victims of Mirpur by constructing new houses for them.

14% of the families own livestock which they use to earn livelihood, 2.9% own any mean of transportation which is either a bicycle or a motorcycle. 4.2% own land using it for cultivation and farming.

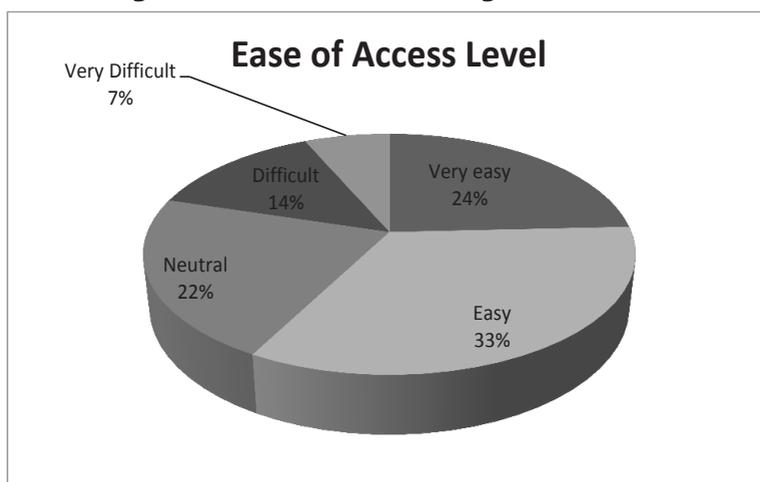
## 5.2 BISP Programme Evaluation

The success of any project depends on its structure and implementation strategies. In the following chapter BISP is evaluated regarding its structure, disbursement procedures, efficiency, accessibility and difficulties surveyed beneficiaries have to face while collecting cash grants.

### 5.2.1 BISP Accessibility

As depicted in the following table, almost 58% of the respondents found it easy to access BISP cash grants.

**Figure 5.4: Ease in Accessing Cash Grants**



Although respondents have to spend their time and money to get BISP cash grants, some of them even face technical issues related to card or BISP staff problems, yet they don't consider the opportunity cost of time which could be otherwise used in any productive work.

### 5.2.2 Regularity in Receiving the Payments

According to the survey, 61.2% of the respondents regularly receive BISP cash grant, i.e. after every 3 months an amount of PKR 3600/- (PKR 1200 per month) but almost 40% of the respondents do not receive cash

grants regularly. They receive cash grants after 2 or 3 intervals without any prior notice. It remains uncertain to them when they will receive their next instalment.

**Table 5.4: Regularity in Receiving Cash Grants**

Regularity	Percent
Yes	61.2
No	38.8

And as per respondents, in the month of July 37.5% people didn't receive their last tranche of cash grants. This was truer for Azad Jammu & Kashmir area due to many reasons (which will be discussed later).

**Table 5.5: If Beneficiaries received any Payment in the Last Three Months**

		Payment Received in Last 3 Months		
		Yes	No	Total
Area	Malakand	470	70	540
	AJK	187	325	512
	Total	657	395	1052

### 5.2.3 Mode of Receiving

BISP disbursement procedure is carried out using different modes of payments: Pakistan Post, Mobile payments and BISP Debit card. BISP debit card mechanism had been implemented in majority of districts by June 2013, replacing Pakistan Post. The debit card system is slated to replace Smart card and mobile phone payments in the near future, meaning that all the beneficiaries will be receiving their payments through debit cards. There is no smart card or mobile phone payment in Malakand and AJK, only debit card and Pakistan Post.

**Table 5.6: Mode of Receiving Disbursements**

		Mode of Receiving				Total
		Mobile Payment	Pakistan Post	UBL Smart Card	No Payment Received yet	
Area	Malakand	0	5	522	13	540
	AJK	0	212	32	268	512
Total		0	217	554	281	1052

In Matta division of Malakand, Debit card is used as a mode of disbursement. In Mirpur division, payments are made using Pakistan Post, a few areas in Mirpur receive their payments via debit card.

Yet people in both the areas face difficulties in accessing the cash grants. 16.3% of the respondents face technical problems like invalid user pin of debit card, dysfunctional ATMs or machines not responding, etc. 14.9% face staff non corporation or unavailability at their offices, while distance is a major problem since they have to travel to distant places to get the cash grants. These findings are summarized in the figure below.

### 5.3 Difficulties in Accessing Cash Grants

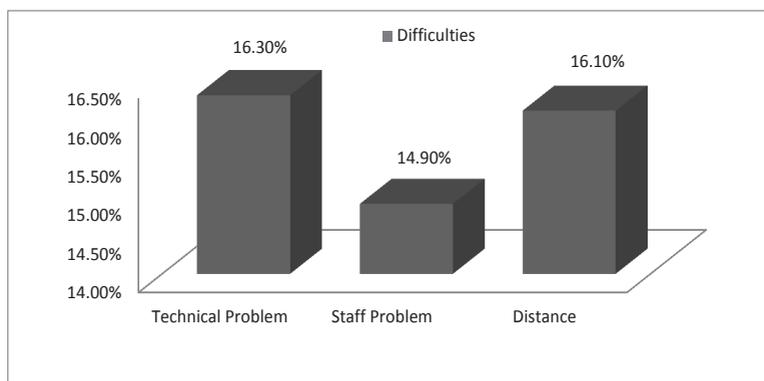
**Figure 5.5: Difficulties in Receiving Cash Grants**

Table 6.7 below shows that the incidence of facing technical problems is more pronounced in Malakand and the mode of payment used in that

area is the debit card. 22% respondents of the Matta division face technical difficulties in accessing cash grants. In Mirpur and Neelam Valley the incidence of facing technical issues in receiving BISP cash grants is relatively low at 9.8%, which means that the technical problem is associated more with debit card.

**Table 5.7: Technical Problems in receiving Cash Grants**

		Difficulty in access: Technical Problem		Total
		Yes	No	
Area	Malakand	121	419	540
	AJK	50	462	512
Total		171	881	1052

As depicted in the following table, a number of beneficiaries do not even receive their cash grants due to technical problems either in processing debit cards or missing of respondents' details at post office. 78% of the technical problem is associated with the debit card.

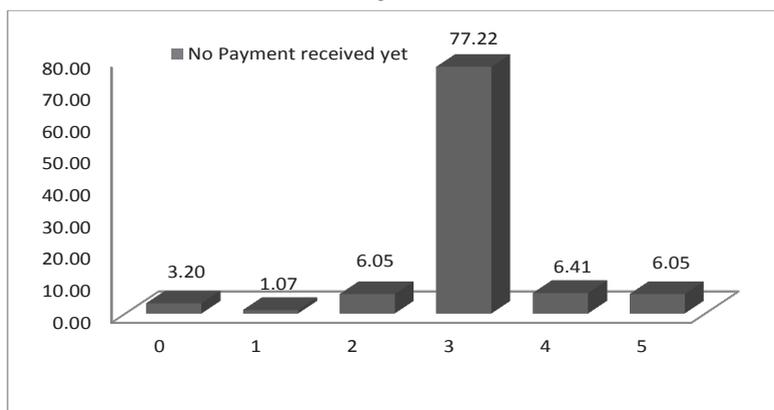
**Table 5.8: How Technical Problems are related to Mode of receiving Grants**

		Mode of Receiving				Total
		Mobile Payment	Pakistan Post	UBL Smart Card	No Payment Received yet	
Difficulty in access: Technical Problem	Yes	0	35	114	22	171
	No	0	182	440	259	881
Total		0	217	554	281	1052

According to the survey 26.7% of the respondents have yet to receive disbursement out of which 77% didn't receive any cash grant even after lapse of 3 years. The reasons of not getting payments are unavailability or non-cooperation of PO and BISP staff, being an eligible beneficiary but debit card has not been issued, card's pin is not valid, etc.

### 5.3.1 No Payment Received

**Figure 5.6: Percentage of People with No Payment received as yet**



52.34% respondents of Mirpur and Neelum Valley districts did not receive any payment ever since they were declared eligible for receiving financial assistance. This implies that Money Orders (MO's) through Pakistan post either do not reach their respected post offices or the officers in the post offices somehow hinder cash grants from reaching the beneficiaries. During the survey, respondents showed their concerns regarding BISP officers and their attitude towards beneficiaries.

28.9% respondents of Mirpur/Neelum Valley face problems regarding attitude, inefficiency and incorporation of the staff of Post offices and BISP office in Mirpur.

**Table 5.9: Staff problems in Receiving Cash Grants**

		Difficulty in access: Staff Problem		Total
		Yes	No	
Area	Malakand	9	531	540
	AJK	148	364	512
Total		157	895	1052

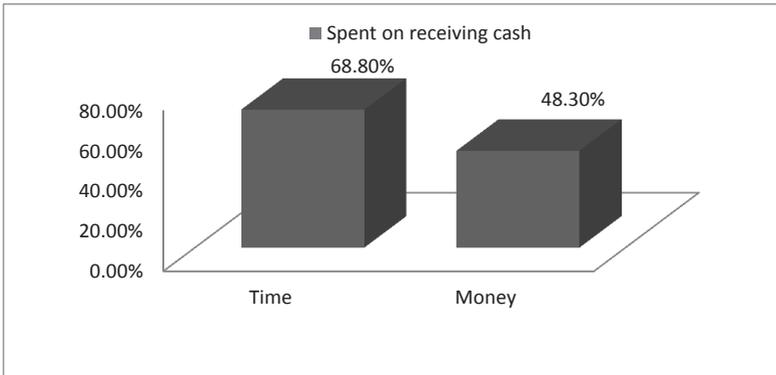
The above table also shows that the staff problems are more in AJK area where the highly used mode of disbursement is MOs through Pakistan

Post offices which relates the two. While in case of debit card use, beneficiaries have relatively less interaction with the staff.

### 5.3.2 Spending to get Cash

According to the survey, 68.8% of the beneficiaries have to trade off their precious time to receive cash grants, sometimes spending 2-3 days waiting for the cash grant to reach their due offices/ATMs.

**Figure 5.7: Spending made in Receiving Cash Grants**



95% of the respondents in Malakand have to spend hours and days waiting in long queues, spending nights in school or nearby buildings due to the fact that ATMs are not available in their regions or the cash has not reached the respected offices.

**Table 5.10: Time Spent in Receiving Cash Grants**

Area		Time		Total
		Yes	No	
Area	Malakand	515	25	540
	AJK	209	303	512
Total		724	328	1052

48.3% people spend money to get the cash grants. Beneficiaries have to give money either to a person who can operate debit card for them or either to the officers at the post office to process their cash grants.

**Table 5.11: Time Spent in Receiving Cash Grants**

		Money		Total
		Yes	No	
Area	Malakand	460	80	540
	AJK	48	464	512
Total		508	544	1052

The incidence of spending money to get cash is more frequent in Malakand. 85% respondents there have to spend some money to get their cash grant while 9.3% beneficiaries in AJK spend money to receive cash grants. The major reason for this is that already 52.3% respondents of AJK are not receiving cash grant as yet.

### 5.3.3 Money vs Mode of Payment

Spending money to receive cash grant is more common when payment method is debit card. The major reasons behind it is that most of the beneficiaries cannot operate their cards themselves and they have to pay some amount to the ones who operate on their behalf.

**Table 5.12: How Money Spending is related to Mode of receiving Grants**

		Money		Total
		Yes	No	
Mode of Receiving	Mobile Payment	0	0	0
	Pakistan Post	15	202	217
	UBL Smart Card	484	70	554
	No Payment Received yet	9	272	281
Total		508	544	1052

## 5.4 BISP Effects

In the following chapter we will discuss the effects of BISP on spending habits of beneficiaries, how cash helps them in fulfilling their needs and what are the differential impacts of Programme on living standard of beneficiaries before and after registering to BISP.

### 5.4.1 Gap in Income and Expenditure

The main objective of disbursing BISP cash grants was to remove the gap between income and expenditure of the household or to ameliorate their loss in terms of purchasing power due to inflation. According to the survey, 98.1% of the families were unable to fulfil their needs or compensate the gap that exists in their income and expenditure before they received BISP cash grants.

**Table 5.13: Gap in Income and Expenditure**

Before BISP	Percent	After BISP	Percent
<b>No Gap</b>	1.9	No Gap	5.2
<b>Yes</b>	98.1	No Change	92.9
		Not Applicable	1.9

Despite financial assistance, only 5.2% families successfully entered the circle of those who were able to fulfil the needs along with the help of BISP cash grants. The ratio is too small to consider and it seems that assistance under BISP failed to keep the purchasing power intact despite the fact that 59.2% of the respondents are receiving cash under BISP since 2-3 years, and 18.2% families are receiving payments under BISP since 4-5 years.

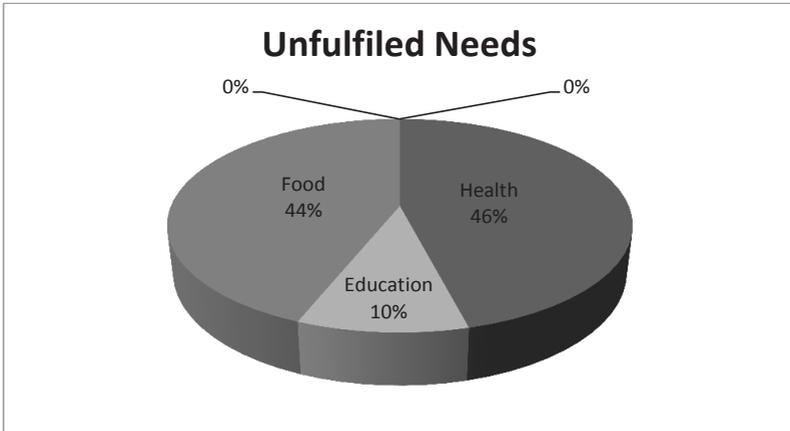
**Table 5.14: Years with BISP**

Years with BISP	Percent
<b>0-1</b>	21.8
<b>3-Feb</b>	59.2
<b>5-Apr</b>	18.2

5.2% people were able to meet their income-expenditure gap, if the amount of 1200/month can bring 5.2% beneficiaries to the sustainability level then increasing the amount might bring in many others.

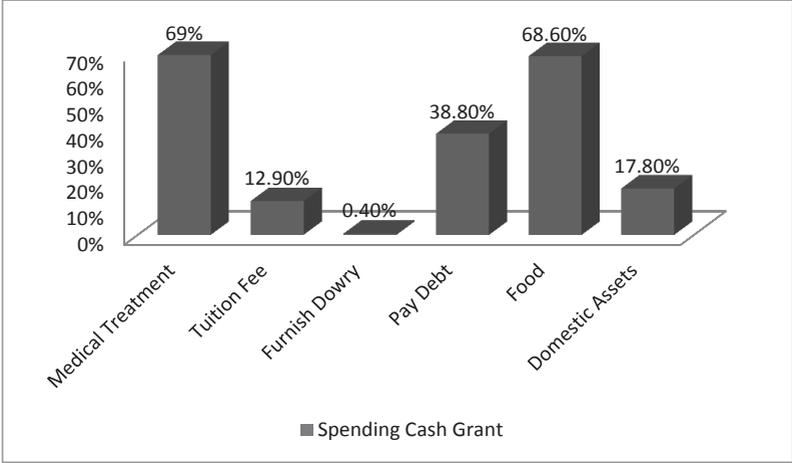
#### 5.4.2 Unfulfilled Needs

**Figure 5.8: Unfulfilled Needs**



According to the survey, almost 85% of the families were unable to fulfil their basic needs of food and health with their monthly income before BISP cash grants and have to look for alternate means to fulfil their basic requirements. Further, up to 70% of the cash grant is spent on basic necessities such as food (68.6%) and health (69%). 38.8% on average is spent on paying back the debt mostly taken to fulfil food and health needs either by some relatives or indebted to the retailer of their area. This is depicted in the following figure:

**Figure 5.9: How Cash Grants are Spend**



**5.4.3 Managing shortfall in Income**

According to the results of the survey, BISP cash grants are unable to make up the difference between income and expenditure in most cases. Thus, people have to rely on the same alternative means after BISP cash grants as before. Loan is the most accessible alternate available to the respondent families. Almost 70% of the dependent families manage the shortfall in their income by taking loan, as depicted in the following table.

**Table 5.15: Managing Shortfall in the Income**

	Before BISP	After BISP	Change
<b>Loan</b>	69.20%	65.30%	-3.90%
<b>Financial Assistance</b>	14.40%	13.40%	-1.00%
<b>Overtime</b>	7.20%	6.70%	-0.50%
<b>Additional Job</b>	13.90%	13.10%	-0.80%

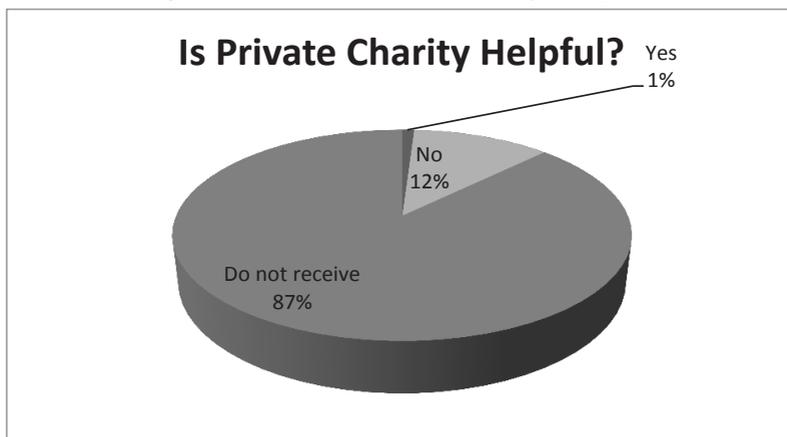
Only 1% beneficiaries stopped receiving financial assistance over time. 0.5% left doing overtime work and 0.8% quitted their additional jobs

which mean that overall BISP brought no significant changes in income profiles of the beneficiaries.

## 5.5 Private Charity

The study finds no displacement of private charity due to distribution of cash grant in the sampled. During the survey, the respondents were asked a question if private charity they receive from different sources was helpful in meeting their monthly expenditure besides their monthly income?

**Figure 5.10: Is Private Charity Helpful?**



The results of the survey show that most of the respondents i.e. 87.4% do not receive any private charity. Probable reasons might be that NGOs and other social agencies don't approach them and that their relatives themselves hardly manage their monthly expenditure (thus they are left with little to give away as charity). 12.6% respondents do receive private charities from different institutes and relatives out of which only 13.2% respondents find private charity helpful in meeting their needs.

**Table 5.16: If BISP has crowd-out Private Charity**

		Managing shortfall before BISP: Financial Assistance			Total
		Yes	No	Not Applicable	
Managing shortfall after BISP: Financial Assistance	Yes	134	7	0	141
	No	18	873	0	891
	Not Applicable	0	0	20	20
Total		152	880	20	1052

Apparently, there is no trade off of private charity with disbursement of cash grants through BISP in sample areas. 12.6% respondents received financial assistance (private charity) before becoming eligible for BISP’s financial assistance and continued to receive private charities despite receiving cash through BISP. Only 18 respondents (1.7%) stopped receiving financial assistance once they started receiving BISP cash grant. 0.6% respondents started receiving financial assistances along with BISP cash grants who were initially not getting any aid before registering to BISP.

**Table 5.17: If Private Charity helps in Meeting Expenditure**

		Income-Expenditure gap Before BISP		Total
		No Gap	Yes	
Is Private Charity Helpful?	Yes	1	9	10
	No	0	122	122
	Do not receive	19	900	919
Total		20	1031	1051

People of both areas do not receive private charities to meet their expenses on top of their income and those who do receive charity do not find them to be sufficient enough to help them meeting their monthly expenditure.

## 5.6 Savings

As evident from the financial profiles of the respondents, 99% of the respondents do not have enough income to save and their monthly income hardly satisfies their basic needs. 0.5% of the beneficiaries save through 'committees' (an informal way of pooling financial resources as saving) while 0.38% have their own bank accounts.

**Table 5.18: Savings**

		No Savings	Committee system	Bank Account	Total
Area	Malakand	535	2	2	539
	AJK	506	4	2	512
Total		1041	6	4	1051

## 5.7 Attitude/Decision Making

BISP cash grants are handed over to female of the beneficiary families and 87% of the women (beneficiary) directly or indirectly decide to use cash grants themselves.

**Table 5.19: Decision to use Cash Grants**

		Decision to use Cash Grant						Total
		Self	Jointly with Husband/Father/Son	Husband	Father	Son	Do not know	
Area	Malakand	410	74	39	1	1	15	540
	AJK	397	34	12	0	0	69	512
Total		807	108	51	1	1	84	1052

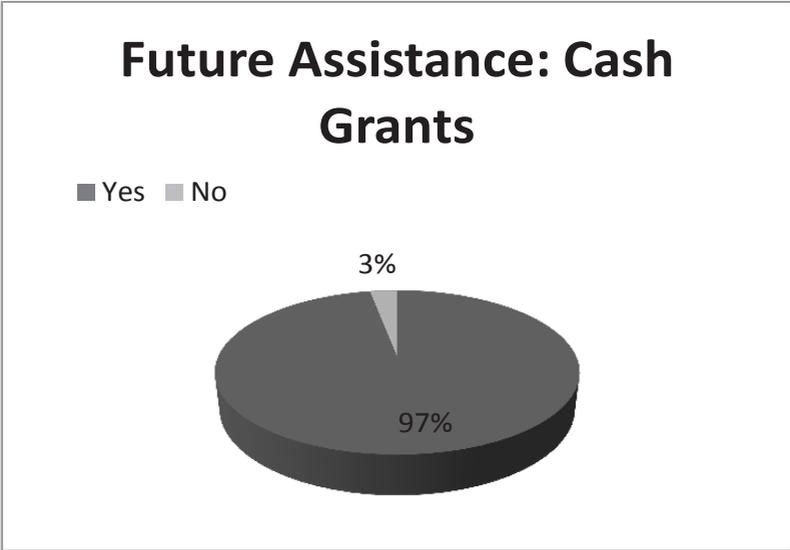
76.7% of the females decide themselves how and where to spend the cash grants, 10.2% decide jointly with their husband, father or son. Al-

though, the sample areas are considered to be male-dominant societies yet survey findings show that females are taking decisions to use cash grants themselves. An important implication, as far as use of cash is concerned, is that financial assistance can lead to rearrangement of traditional power structures within a household.

### 5.8 Dependency

Dependency is first and foremost creation of cash transfers which is also evident from the survey results. 97.1% of the respondents said that they want to receive cash grants in future. While 2.9% wanted education/food vouchers (in place of cash grants

**Figure 5.11: Cash Grants as Future Assistance**



**Table 5.20: Dependency on Cash Grants**

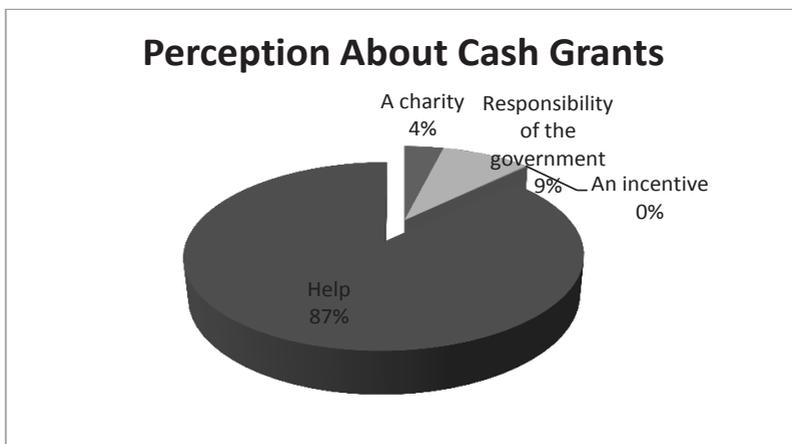
		Years with BISP							Total
		0	1	2	3	4	5	6	
Future Assistance: Cash Grants	Yes	10	213	240	361	44	145	9	1022
	No	0	6	13	9	1	1	0	30
Total		10	219	253	370	45	146	9	1052

35.3% people who have been receiving BISP cash grant since 3 years still want to receive cash grants in future. 20.2% respondents are receiving cash grants since last year and 22.8% for last 2 years. They also want to receive cash grants in the future. It implies that dependency ratio increases with the increase in number of years with BISP.

## 5.9 Perception about Cash Grant

People were asked about how they perceive the cash grants by the government? 87% of the people perceive cash grants as a help by the government in covering their financial needs on top of their incomes. 3.8% perceive it as a charity from the government, 8.7% respondents think that it is the responsibility and duty of the government to provide them with the facility of cash grants while 0.2% think it is as an incentive for them.

**Figure 5.12: Perception About Cash Grants**



It means the beneficiaries do not perceive their self-respect and dignity at stake. They do not take it as a responsibility or duty of government but they consider it as a help. Even if they consider it as a help it is a discouraging fact that the cash grant are unable to motivate people for work.

## 6. Conclusion

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**B**enazir Income Support Programme, a social safety net Programme, was initiated in 2008. BISP was intended to compensate economically vulnerable families for the erosion in their purchasing power due to persistently high inflation by providing them with cash money using Proxy Means Test to determine eligible beneficiaries.

Effects of any social net Programme differ across countries and difference in Programme designs results in varying impacts of the Programme on the people. BISP in its Programme design and effects on financial and living standards of the people is evaluated in this study.

The results show that most of the families have a single bread earner for up-to 10 number of dependents. The female beneficiaries are mostly uneducated and jobless with low monthly family incomes and high monthly expenditure. The respondents own typical low profile assets. Most of them manage shortfall in their income by taking loans.

Although the Programme has been launched 6 years ago yet it still lacks efficiency in its disbursement methods and procedures. Despite being declared eligible since 3-4 years, many respondents have yet to receive financial assistance. People have to spend their money and time to get the cash grants, which indirectly points to inefficiency of the BISP operations.

Aside from temporary relief, BISP has had no significant impact in improving living standards of the beneficiaries. People usually spend the cash grants in fulfilling their medical and food needs, and in paying off the debts they had taken. Only 5.2% of the beneficiaries were able to fulfil their expenditure needs with cash grants on top of their income.

Despite financial assistance, they continued exhausting alternative means of income as before receiving BISP cash grants.

The study finds no displacement of private charity due to distribution of cash grant in the sampled. Those respondents who received private charities from different sources continue to receive it even after registering with BISP and even then they do not find private charities helpful in meeting their needs on top of their incomes while most of the respondents do not receive any private charities.

An important implication, as far as use of cash is concerned, is that 87% of the women (beneficiary) directly or indirectly decide to use cash grants themselves which means financial assistance can lead to rearrangement of traditional power structures within a household. However, dependency is first and foremost creation of cash transfers which is also evident that 97.1% of the respondents want to receive cash grants in future and it increases with increase in the number of years with BISP.

Most of the respondents assume the cash grants as a help from the government which means the beneficiaries do not perceive their self-respect and dignity at stake.

According to BISP official documents, "this project was started for the poverty alleviation and women empowerment among the underprivileged sector of Pakistan". Although the programme helped the women in achieving greater economic empowerment in their household conditional on cash grants they receive, yet the objective of alleviating poverty is far from accomplishment. Indeed the increase in the purchasing power helped in meeting necessities for very few families. There are inefficiencies and irregularities in disbursement procedures. The amount of cash grant is insufficient to fulfil expenditure needs of the beneficiary families and has no impact on their living standards rather it has created a very high dependency of the beneficiary families on the cash grants.

Government envisages increasing the number of beneficiaries 2.2 times the existing number of beneficiaries. The current budget on the Programme is Rs. 97,150 Million this year which means increasing the Programme 2.2 times will cost Rs. 641,190 Million in next three years, which will be fiscally unsustainable.

## 7. Recommendations

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In the long run, poverty cannot be eradicated by cash transfers, conditional or unconditional. The Government may take short-term measures till the implementation of long-term poverty reduction strategies so that the allocated budget can be utilized in the best possible manner which are:

- The current amount of cash grant per beneficiary is able to bring only 5.2% of the beneficiaries to reach the sustainability level even after 3-4 years with BISP. There are no certain criteria or basis for deciding the amount of the grant. The amount of cash grant may be increased to a level so that it may increase purchasing power of the beneficiaries. A corresponding decrease in the number of beneficiaries may be made to keep the overall allocation under control.
- The process of replacing Money Orders (MOs) through post offices by Debit cards must be speeded up in the areas where disbursement through MOs is still practiced so that the issues related to delayed deliveries of tranche and staff problems can be over-come.
- Moreover, BISP regional offices must ensure presence of a Facilitation Officer near ATMs so that the beneficiaries do not have to pay an extra sum to someone providing money withdrawal services to them and it will help saving their time.

- There is a need to make certain that the cash grants are reaching the beneficiaries at regular intervals. Irregularity in receiving cash grants creates uncertainty among the beneficiaries and their problems increase even more when they are unable to pay back their local retailers the credit they have taken in hope of BISP cash grants.
- 69% of the amounts of cash grants are spent on meeting health and food needs of their families. A possible alternative to cash grants may be food and medical vouchers which can somehow cater the impact of inflation on their incomes.

Achieving the basic objectives of this Programme, “poverty alleviation and women empowerment among the underprivileged sector of Pakistan”, requires rethinking.

Government may find out long term and permanent solutions to bring people out of poverty elsewhere. A poverty census and data base collection is already done under this Programme and it may now consider replacing cash grants with Programmes through which human capital is enhanced like vocational trainings and educational Programmes (Programmes like *waseela-e-rozgar* and *waseela-e-sehat*) because there is no end to dependency on cash grants Programme and investment in human capital is probably the best anti-poverty measurement. External loans and increasing cash grant budget every year will increase local and international dependency only. These cash grants must be phased out as soon as possible.

In the case of restructuring, the women beneficiaries of cash grants may be deprived of the *conditional* power of cash grants but we need to rethink. Real strength and economic power to women can only be provided by training and educating them so that their empowerment may not be conditional with cash grants only. Education and training provides them with tools to achieve greater degree of freedom for themselves and their families.

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## 9. Survey Questionnaire

PRIME is a public policy think tank based in Islamabad. It is conducting a survey on BISP to find its impacts on poverty reduction. The survey will collect information regarding disbursements, procedural problems, and needs fulfilment and to examine the impact on the household standard of living. This survey is intended for the direct beneficiaries/recipients of BISP cash grant and other programs.

1. Name

2. Age

1	15-19	2	20-24	3	25-29
4	30-39	5	40-49	6	50 and above

3. Marital Status

1	Married	2	Divorced	3	Wid- owed
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4. Education/Qualification

1	Primary	2	Secondary		
3	Matriculation	4	Intermediate		
5	Bachelors	6	Masters	7	No Ed- ucation

5. Do you have any physical disability?

1 Yes 2 No

6 Employed

1 Yes 2 No

6A If yes, what is the number of working hours?

If No, then skip question number 6A & 7.

7.

What is your profession?

1 Teacher 2 Maid 3 Home based  
worker

4 Factory Worker 5 Support Staff 6  
Self-employed (Independent)

8. Who is the male bread earner of your family?

9. What is his profession?

10. No. of Earning Members

11. No. of Dependents

12. Income of Household

1 Below or Equal to Rs.10,000 2 Above  
Rs.10,000-Rs.15,000 3 Rs.16,000-Rs.20,000

4 Rs.21,000-Rs. 25,000 5 Rs. 25,000 above

13. Expenditure of Household

1 Below Rs. 10000 2 Rs. 10,000-15,000  
3 Rs.16,000-20,000

4 Rs. 21,000-25,000 5 Rs. 26,000 and above

14. Do you own any vehicle?

1 Yes: {Please Specify}: 2 No

15. Do you own any house?

1 Yes: {Please Specify}: 2 No

16. Do you own any land?

1 Yes: {Please Specify}: 2 No

17. Do you own any livestock?

1 Yes: {Please Specify}: 2 No

18. In which BISP program you are enrolled in? (other than cash grants)

1 Waseela-e-Haq 2 Waseela-e-Rozgar

3 Waseela-e-Sehat 4 Waseela-e-Taleem

18A If you selected 1 or 2, please answer 18A and 18B otherwise jump to 18C

Did you get loan after successful training under the program (Waseela-e-Rozgar)?

1 Yes (How much?): 2 No

3 Didn't apply

18B How did you benefit from the program? (Waseela-e-Haq/Waseela-e-Rozgar)

1 Started your own business 2 Invested in running business

3 Started providing services

(Such as plumber, electrician) 4 Did nothing

5 Used loan/money somewhere else {Give Details}: \_\_\_\_\_

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18C How did you benefit from the program? (Waseela-e-Sehat/Waseela-e-Taleem)

19. Before BISP were you able to fulfill your household consumption/needs with your income?

1 Yes 2 No

If yes then go to question number 20

19A If No, which need remained unfulfilled?

1 Health 2 Education

3 Food 4 Others

19B How you used to manage shortfall in income before BISP?

1 Loan 2 Financial Assistance

3 Overtime work 4 Additional Job

19C How you used to manage shortfall in income after BISP?

1 Loan 2 Financial Assistance

3 Overtime work 4 Additional Job 5 No

more shortfall

20. How many hours you used to work before BISP?

21. No. of years you are receiving BISP cash grant?

22. How are you spending the cash grant?

1 Medical Treatment 2 Tuition Fee 3

Furnish Dowry

4 Pay Debt 5 Food 6 Domestic As-

sets

7 Have not used it yet 8 Don't Know 9

Other: .....

23. Does private charity help you in meeting your needs?

1 Yes 2 No 3 Don't Receive

24. How do you maintain your savings?

- 1 No Savings      2 Committee system  
(Pooled Savings)      3 Bank Account

25. How easy is to receive the BISP grant?

[1:Very easy – 5: Very Difficult]

- 1      2      3      4      5

26. What kind of difficulties do you face in accessing the grant?  
Please select up to two

1 Technological Issues      2 Staff lack of cooperation

3 Too much distant      4 Any other: {Please  
Specify}: \_\_\_\_\_

27. Time/Money spent to receive cash grant

1 Days \_\_\_\_\_ 2 Money (Amount):  
\_\_\_\_\_

3 Not at all      4 Don't Know

28. Do you regularly receive the cash grant?

1 Yes      2 No

29. Mode of receiving the cash grant

1 Mobile Payment      2 Pakistan Post

3 UBL Smart Card      4 No Payment Received  
yet

30. Payment received in last three months

1 Yes: (Amount): 2 No

31. Who makes the decision to use the cash grant?

Please select any one:

- 1 Self    2 Jointly with Husband/Father/Son  
 3 Husband    4 Father    5 Son  
 6 Don't Know    7 Any other (Please Specify):

32. What form of financial assistance do you want in future?

Please select any two:

- 1 Cash Grants    2 Health Voucher  
 3 Education voucher    4 Food stamps    5

Loan

33. How do you perceive the cash grant?

Please select any one:

- 1 A charity    2 Responsibility of the govern-  
 ment  
 3 An incentive    4 Help  
 5 Other (Please Specify):

34. How do you think BISP grant helped you in coming out of poverty?

Thank you!

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## About the author



**Fizza Behzad** is a Research Analyst at Policy Research Institute of Market Economy (PRIME).

As a Policy Economist, Fizza holds deep interests in public spending, government size, budget deficits and social protection schemes. She is well conversant with E-views, SPSS and econometrics techniques. She has authored studies including 'Size of the government and economic growth in Pakistan', 'How intimately budget and current account deficits are related?' and 'A Critical Analysis of Benazir Income Support Programme'.

Fizza did MPhil in Economics from National University of Science and Technology, Islamabad and MSc in Economics from Quaid-i-Azam University, Islamabad.

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## Policy Research Institute of Market Economy (PRIME)

*Government may take short-term measures to achieve poverty alleviation but poverty cannot be eradicated by cash transfers, conditional or unconditional. The long-term and permanent solutions are required through which human capital is enhanced like vocational trainings and educational programmes so that the allocated budget can be utilized in the best possible manner.*

## SUCCUMBING TO THE TEMPORAL

*PML-N Economic Agenda*

*3rd Tracking Report (April-June 2014)*

This report is the result of a project, "PML-N Economic Agenda: Tracking Report" which aims at initiating and informing policy dialogue and public debate on the implementation of the economic agenda of PML-N central government that sworn into the power at federal level in Pakistan in May 2013.

## State Coercion and the Fledgling Enterprises in Sharaqpur Bazaar

By simplifying regulations, decreasing corruption, debottlenecking procedures, lowering tax rates and making it easier for them to own their business premises, a lot more businesses can be brought into the formal sector, than coercion, penalties, punitive taxes, heavy fines and demolition of buildings with earth moving machinery can collectively bring because no amount of coercion can outsmart the acumen and ambition of an entrepreneur.

## Export Development Fund

"Export Development Fund: A Critical Analysis and Roadmap for Restructuring", highlights various factors which have led to misallocation and misappropriation of funds instead of boosting exports. It is authored by Sara Javed.

*All PRIME publications are available at our website:  
<http://www.primeinstitute.org>*

## Forth coming

TRADE LIBERALISATION AND ECONOMIC GROWTH:  
A CASE STUDY OF SOME SELECTED SAARC MEMBER  
COUNTRIES

By Khalid Mahmood