Prime Minister Narendra Modi’s initiatives such as the Jan Dhan Scheme and Swachh Bharat Abhiyan must be followed up by second round intervention to make them beneficial, said Abhijit Banerjee, Ford Foundation International professor of economics, MIT and director, Abdul Latif Jameel Poverty Action Lab. In an interview with Surabhi, he also talks about a need to review the MGNREGA scheme. Excerpts:

Do you think social sector initiatives like Pradhan Mantri Jan-Dhan Yojana and Swachh Bharat Abhiyan will have the desired impact?

These are the right kind of gestures but need to be backed by second round intervention. The PMJDY won’t do anything unless there is some action on financial literacy to help people get used to those accounts. Evidence shows people are not using these accounts and even those who are, use them for very little.

There are reasons for this — largely to do with the way people are used to keeping their money. So at present, the scheme is just a cost imposed on the banking sector and we are yet to see if it has benefits.

On the Swachh Bharat, again the problem isn’t just getting people to clean, but also figuring out what to do with trash. And unless you deal with the back-end, the front-end isn’t going to be the solution — the trash has to go somewhere, you clearly can’t burn it. But I am in favour of behaviour change and I am very grateful to the Prime Minister that he has invited Indians to behave in this way.

What are your views on plans to review MGNREGA?

I think it needs a review. Evidence suggests it is working much better now compared to six or seven years ago. The amount of money that vanishes is much less, but it also means that it has become quite a bureaucratic headache at all levels.
If the panchayat doesn’t have the skill sometimes to upload the muster rolls on time, it becomes a constraint. The result is that it is not what you hope it would be, which is when I need money, I go get work.

This would depend on whether the sarpanch is running a scheme in the village or not. If he is running it, it might be in a different month. And even if all that is in place, the state funds might be empty and so there may not be any money for it, or the money comes in three months sometimes. The whole thing is so complicated that it would be better to have something simpler with less targeting but more assured payments.

How efficient do you think is India’s direct benefit transfer (DBT) programme?

The current system of DBT is just to remove the complicated system of allocating subsidies. I don’t see strong evidence that if you give money to people, they waste it. But there are things that are not a substitute for money. For instance, people buy the wrong health care — they buy acute health care plans, instead of chronic and preventive health care plans.

I don’t think you can remove all government services and just give money to people. But given the efficiency of government services, we should pick our battles and not try to fix all problems. For many other things, it is just enough to ensure that people have a minimum level of earnings.

Do you think boosting manufacturing and creating jobs will help growth prospects?

It is not easy to do all this. Right now I think we are in a bit of a credit and banking crisis. A lot of big firms have been hit very badly and they don’t have enthusiasm for investing. Despite expectations, growth didn’t go up, it went down. I think this will take some work.