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**CASH TRANSFERS**

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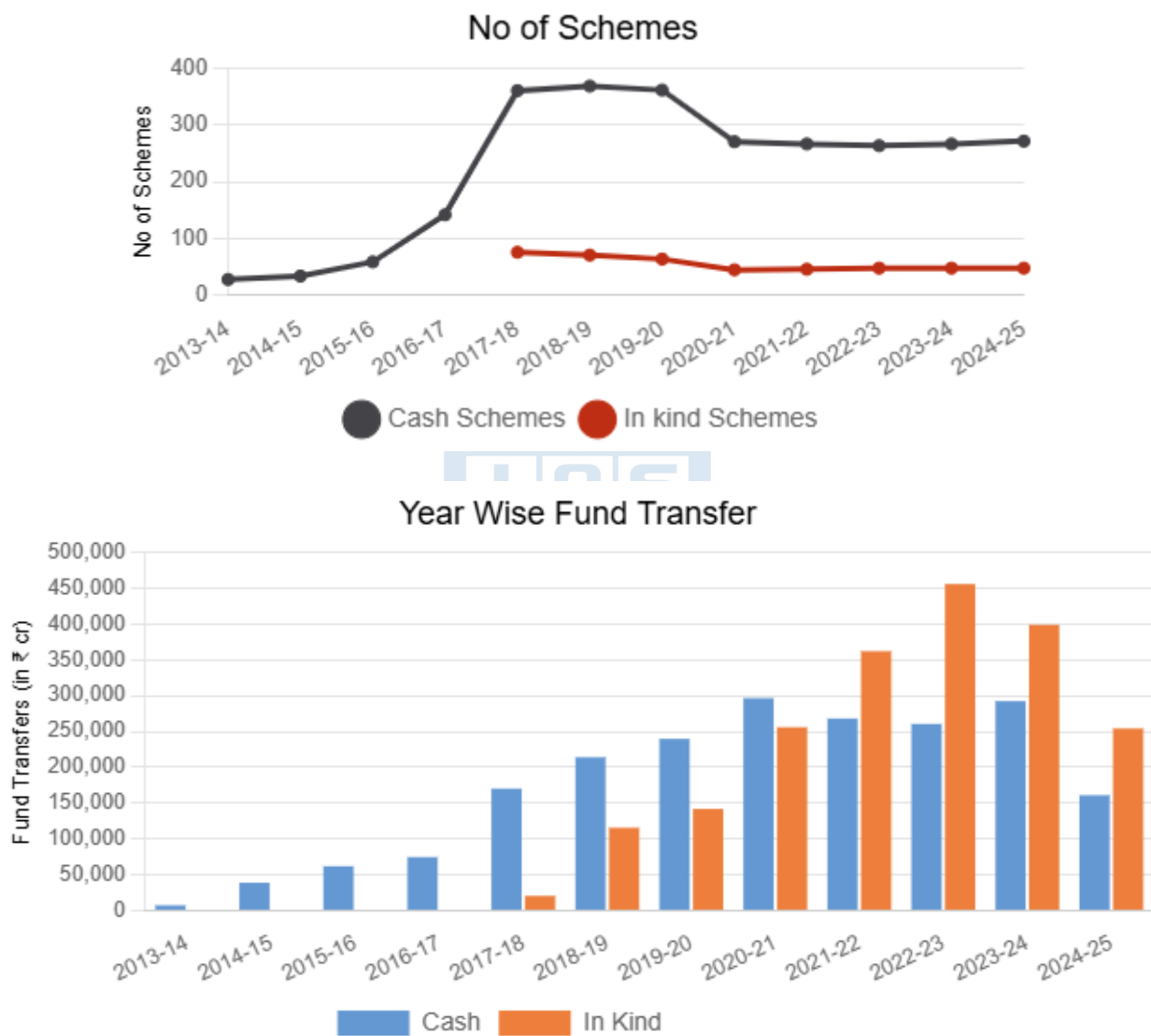
## CASH TRANSFERS

### Context

- Cash transfers have become a popular tool for political parties in India, often touted as a solution to various socio-economic issues.
  - ♦ However, there is growing concern that these schemes are more about electoral gains than addressing the root causes of problems like poverty, unemployment, and agrarian distress.

### Cash Transfer Schemes in India

- Cash transfer schemes aim to provide direct financial assistance to the underprivileged, ensuring that benefits reach the intended recipients without intermediaries.
- As of the financial year 2024-25, the cumulative amount transferred through DBT stands at 40,91,115 crore, covering 320 schemes across 54 ministries.



### Significance of Cash Transfer Schemes in India

- **Stimulating Local Economies:** By increasing the purchasing power of the poor, cash transfers can stimulate local economies, especially during economic downturns.
  - ♦ Beneficiaries are likely to spend the money on essential goods and services, thereby boosting demand and supporting local businesses.

- **Ease of Implementation:** With the expansion of financial inclusion, these schemes are straightforward to implement, providing direct, tangible benefits to voters.
- **Empowerment and Inclusion:** Programs like the **Mahila Samman Yojna in Delhi** have shown that cash transfers can enhance women's economic participation and overall empowerment.
- **Fungibility and Unconditionality:** Beneficiaries prefer cash transfers because they are flexible and can be used for any purpose.
- **Bypassing Bureaucracy:** These schemes often bypass bureaucratic inefficiencies and local middlemen, ensuring that the benefits reach the intended recipients.
- **Evidence of Positive Outcomes:** Studies have shown that recipients of cash transfers often spend the money on nutrition, education, and healthcare, leading to improved overall well-being.
  - ◆ For example, evidence from various developing countries indicates that cash assistance programs have led to better health and educational outcomes.

### Key Schemes Under DBT

- **Direct Benefit Transfer (DBT) Program** is a flagship initiative with the objective to transfer subsidies and financial benefits directly into the bank accounts of beneficiaries, thereby reducing leakages and ensuring transparency.
  - ◆ It covers various schemes like scholarships, subsidies, wages, pensions, and cash in lieu of food grains.
- **Public Financial Management System (PFMS):** It is a financial management platform that supports the implementation of DBT.
  - ◆ It integrates with core banking solutions and state treasuries to track fund flow and ensure effective monitoring and accountability.
- **PAHAL (Pratyaksh Hanstantrit Labh):** It is one of the largest DBT schemes, targeting over 29 crore beneficiaries. It aims to eliminate ghost beneficiaries and ensure that subsidies reach the intended recipients.
- **Pradhan Mantri Kisan Samman Nidhi 2019 (PM-KISAN):** It provides income support to farmers, with 6,000 per year transferred in three equal installments to the bank accounts of eligible farmers.
- **Pradhan Mantri Jan Dhan Yojana (PMJDY):** Aimed at financial inclusion, this scheme ensures that every household has access to banking facilities, enabling direct transfers.
- **National Social Assistance Programme (NSAP):** It provides pensions to the elderly, widows, and disabled individuals who are unable to participate in economic activities.
  - ◆ It includes schemes like Indira Gandhi National Old Age Pension Scheme (IGNOAPS), National Widow Pension Scheme (IGNWPS), and National Disability Pension Scheme (IGNDPS).
- **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** and **Pradhan Mantri Matru Vandana Yojana (PMMVY)** have provisions related to cash incentives to beneficiaries..
- **Conditional Cash Transfer (CCT) Schemes:** These provide cash to poor households on the condition that they fulfill specific criteria, such as ensuring children's school attendance or participating in health check-ups.
  - ◆ These schemes aim to incentivize positive behaviors that contribute to human capital development.

### State-Level Initiatives

- **Maharashtra's 'Mukhyamantri Majhi Ladki Bahin Yojana'** provides 1,500 per month to eligible women, while **Jharkhand's 'Mukhyamantri Maiya Samman Yojana'** offers 1,000 per month.
  - ◆ These schemes are part of a broader trend where states are increasingly using cash transfers as a tool for political mobilization and welfare.
- States like **Telangana and Odisha** adopted cash transfers to address agrarian distress, a model later expanded by the central government through the **PM-KISAN scheme in 2019**.

### Concerns Related To Cash Transfers

- **Economic Burden:** There are concerns about the strain on state finances. Large-scale cash transfer schemes can strain state finances, potentially leading to higher deficits and reduced spending on essential public services.
  - ◆ However, evidence suggests that well-managed cash transfer programs do not necessarily lead to fiscal instability. For example, Delhi's budget remained in surplus despite significant investments in cash transfer schemes.
- **Multi-Dimensional Problems:** Issues such as poverty and agrarian distress are influenced by various factors, including lack of education, inadequate healthcare, and outdated farming techniques.
- **Short-Term Gains:** These schemes often serve as quick fixes rather than sustainable solutions, focusing on short-term electoral gains rather than long-term development.
  - ◆ Cash transfers provide immediate relief but fail to address the structural issues underlying crises like poverty and unemployment.
- **Political Tool:** Political parties have increasingly used cash transfers as a strategy to secure electoral success.
  - ◆ For instance, incumbent governments in Maharashtra and Jharkhand successfully utilized cash transfer schemes targeted at women voters, contributing significantly to their re-election.

### Key Recommendations

- **Supplementary, Not Substitutive:** Experts like Amartya Sen emphasize that cash transfers should supplement, not replace, existing subsidies like food.
  - ◆ It ensures that vulnerable populations, especially children and girls, continue to receive necessary nutritional support.
- **Empowerment and Skills Development:** Cash transfers alone are not sufficient for poverty alleviation.
  - ◆ They must be accompanied by efforts to empower the poor through skill development and creating sustainable livelihood options.
- **Addressing Distributional Effects:** It's crucial to consider how cash transfers are distributed within families.
  - ◆ Direct access to food tends to favor children and girls, addressing social biases.
  - ◆ Ensuring that cash transfers are used for nutritional purposes and fairly distributed within families is essential.
- **Building Economic Institutions:** For cash transfers to be effective, especially for farmers, there must be strong economic institutions like **Self-Help Group Federations or Farmer Producer Organizations**. These institutions help the poor compete on better terms in the market.

### Conclusion and Way Forward

- While cash transfers can supplement and expand social safety nets, they cannot substitute for greater state investment in reforms. To achieve sustainable development, it is crucial to integrate cash transfers into broader strategies aimed at strengthening social safety nets and addressing systemic issues.
- It requires prioritizing investments in critical sectors and designing interventions that go beyond electoral gains.
- The sustainability of these cash transfer programs depends on careful fiscal planning and prioritization. There is a need for balancing cash transfers with other essential expenditures, such as healthcare and infrastructure.

Source: IE



### Mains Practice Question

To what extent do cash transfer programs in India constitute social welfare initiatives? Examine and to what degree do they primarily serve as a tool for politicians to garner short-term electoral support, potentially undermining long-term economic and social development?