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CASH TRANSFER SCHEMES IN DELHI

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Introduction

The central government is planning to give food subsidy in cash to below poverty line (BPL) families in order to check the losses that happen because of pilferage of PDS food-grains. Delhi government has been asked to start the pilot project in one district and a committee is also set up to assess the financial implications. Ministry of Consumer Affairs, Food and Public Distribution has sought a grant of Rs 242 crore from Finance Ministry to run a pilot for the cash transfer scheme in five villages – (i) Lakhimpur Kheri (UP), (ii) Hardoi (UP), (iii) Panchkula (Haryana), (iv) Jhajjar (Haryana) and Central Delhi (Tehelka 2009). The Planning Commission report suggests that Madhya Pradesh, UP, Chhattisgarh, West Bengal, Uttarakhand, TN, Orissa, Gujarat, Karnataka, Kerala and Delhi could be the first states to undertake the cash transfer scheme (TOI, 12 June 2009).

This concept note provides a background for generating wider debate and discussions among the civil society and other stakeholders on cash for food schemes. Some members of civil society have already reacted on the issue whereas the need of the hour is to generate a wider consensus so that concerted efforts can be undertaken to address the issue.

Background

This is not the first assault on PDS in India. Post liberalisation in 1997, the beneficiaries were divided into two groups – APL and BPL – which drastically reduced the quantum of distribution from 20.8 million tons in 1991 to 10.9 million tons in 1999-2000. This time, World Bank has offered to assist the government in ‘re-structuring’ the PDS (Indian Express, 03 September 2009). A part of this assistance is being done by sponsoring a trip of Delhi Government Officials to Brazil to understand the Scheme.

Today, the PDS is said to serve more than 320 million people across India, a number larger than the entire population of the United States. Only Delhi has about 14 lakh BPL ration cards. As per a recent survey by the government for the Mission Convergence Scheme to ensure that welfare schemes benefit people who deserve them, there are 3.99 lakh BPL families in Delhi. Keeping aside these contradictory figures, we can see that on one hand UPA chairperson Sonia Gandhi is piloting the Food Security Bill so strongly and at the same time the Congress government in Delhi is preparing to dismantle PDS. The Centre's Ministry of Consumer Affairs, Food and Public Distribution, the nodal ministry for the PDS, has now proposed scrapping it fully and instead handing out cash to the poor — dubbed the “cash transfer scheme” — so they can buy their food and cooking essentials in the open market. This would automatically make the PDS redundant.

OTHER CASH TRANSFER SCHEMES

Swarnajayanti Gram Swarajgar: Self-employment through a mix of subsidy and bank credit.

NREGS: Wages deposited in bank/post office according to employment days. **Indira Awas:** Rs 35,000 given in cash instalments to build a house.

Janani Suraksha: Cash to mother on discharge from hospital post-delivery.

Rashtriya Swasthya Bima: Cashless smart card helps migrant labour avail healthcare anywhere in the country.

Balika Samridhi: Bank deposits as incentive for schooling of girls. Gets funds at 18 years if unmarried.

All this is being done allegedly on the recommendations of the Wadhwa Committee and the Parikh Committee. The Supreme Court of India had appointed Justice D P Wadhwa Committee in 2006 to check the functioning of PDS. The report says there is an “unholy nexus between transporters, fair price shop owners and officials of the Department of Food and Civil Supply.” The Committee in its report had estimated that 30-40% of the PDS supplies of Delhi are siphoned off. A study conducted in 2007 revealed that over a three-year period alone Rs 31,586 crore worth of wheat and rice meant for the poor were siphoned off and sold in the open market illegally. In July 2008, for instance, it was reported that over 10 lakh tonnes of food grains, that could have fed one crore hungry people for one year, were damaged in FCI godowns. The damages were incurred, despite the FCI spending Rs 242 crore to prevent such losses.

The Kirit Parikh committee, which submitted its report on February 3, 2010 also suggested that in the interests of better targeting and curbing leaks in the system government should use smart-cards to transfer cash subsidies for kerosene. According to a survey by the National Council of Applied Economic Research, over 50 per cent of the 173.8 million litres of kerosene meant for the PDS is diverted to the black market in Delhi. The state's annual subsidy bill on kerosene is Rs 313 crore.

Based on the findings of these committees, Delhi Government is initiating a pilot project to launch its ‘Cash for Food’ programme in the Capital. As part of the scheme, the government is to open bank accounts for ration card holders from families both below and above the poverty line. The idea is to deposit the difference between market price of grains and controlled prices in the accounts of card

holders electronically. According to an official, the cash amount to be deposited in a beneficiary's bank account would be calculated on the basis of subsidy given. According to the cash proposal, if a BPL family of four members is entitled to 25 Kg of rice/wheat per month and the difference between the price of per Kg wheat in the open market and in PDS is Rs 5 then every month the government will deposit Rs 500 in the bank account of that family. According to officials of Food and Supplies Department, "the thought behind this scheme is to make the system more transparent and ensure subsidies reach the poor, for whom PDS was designed.

Global Experiences

Globally, the history of change from poverty programmes to demand-driven conditional cash transfer is traced to Mexico's financial crisis in 1994. It was widely felt that the political perception of well-being could be achieved by replacing most of the existing subsidy schemes, which were only feeding leakages, with the introduction of direct cash transfer, which had a reasonable success. Other countries that have used the transfer route include Brazil, Bangladesh, Russia and South Africa. (Nayar and Pillai 2009)

Recent studies of conditional cash transfer (CCT) programmes in over 70 countries by the World Bank and UNDP has revealed that provided there is social infrastructure support and transparency, the cash or coupon (lately smart card) delivery mode can be more cost-effective. Unlike the current scenario where 85 per cent of allocated funds are being eaten up by the administrative machinery or corruption, CCT delivery cost averages 6-12 per cent. That's a huge potential saving considering India is among a dozen countries spending over 2 per cent of its GDP on social security and subsidy schemes. Now The World Bank is also sponsoring a trip of Delhi Government Officials to Brazil to understand the Scheme.

The proponents of the scheme in the government point at Brazil, where a cash transfer programme has reportedly worked well by cutting down social infrastructure and setting aside 4 per cent of GDP for cash transfers to the poor. Biraj Patnaik, a member of the Supreme Court Commission on Right to Food, reveals that India's situation is different from Brazil's. Brazil is a hugely urbanised society, unlike parts of rural India which are not highly monetised economies. Cash transfers are efficient when the supply side is up and working. In India, our supply side has been allowed to wither away or has never existed, as in health and education. Direct cash transfers could work in old age pension, unorganised sector's labour benefits, or maternity benefits, but never as a substitute for food. Besides, unlike Brazil, India's society suffers from extreme gender inequities and caste oppression. Conditional cash transfers will only deepen the inequities and lead to a much higher level of leakages.

About Study conducted by SEWA Delhi

SEWA Delhi has come out in favour of the cash transfer scheme introduced by the government. SEWA Delhi has conducted a study titled – "*Do Poor People in Delhi want to change from PDS to*

Cash Transfers?” in August 2009 in three areas – Raghbir Nagar in West Delhi and Rajiv Nagar and Sundar Nagari in East Delhi – which had concentration of SEWA members. The study proposes:

“...that Delhi Government run the cash benefit system as a pilot in a few selected areas of Delhi to experiment whether a shift over from a commodities-based benefit system to a cash-based one would increase the well being of poor or not. This would not only enable the Government itself to test what would be required to make such a system work, but would also be able to physically demonstrate to the card-holders how such a cash based system would work.”

There are certain flaws in the study. The methodology undertaken and the sample size selected do not allow generalising the matter for entire city. Only 150 women respondents (60 from BPL, 60 from APL and 30 from Antyodaya Category) were consulted to arrive at such conclusion and that too based on tools like FGD and Questionnaire.

Secondly, what answer would you expect from people if you were to ask them do you want cash or food? On the other hand the study also mentions that several women (respondents) did not even understand the concept.

Another significant concern about the study is based on the kind of questions asked to the respondents. To understand it let us see Table 19 of the study, which is given as follows:

Table 19: Reasons for preferring Cash

Sl. No	Reasons for liking cash	Total
1.	Not getting complete and quality ration from ration shop	32.2%
2.	Too much rush and long queue	17.7%
3.	Shop remains closed, ration finished before time	15.5%
4.	Nobody is there to collect ration on time, Need not to go again and again to ration shop thus we will save time	12%
5.	Have no other income source/Need cash for other urgent needs	5.5%
6.	We will utilize cash according to our needs	5.5%
7.	Can't Say	2.2%
8.	Total	100%

Source: <http://www.sewabharat.org/Delhi%20cash%20transfers%20english.pdf>

A close observation of these questions would reveal that first three questions focus on reason to dislike existing PDS which do not have any relation with Cash transfer. Hence it can be said that 65.4% respondents have opined against the existing PDS and not in favour of Cash transfer. Q5 and Q6 further reinforce the fact which goes against cash transfer. People have clearly said that cash will be used for purposes other than food purposes in the home, which has been largely argued by experts

also. Finally, the study also says “An important point to note is that those opposing cash transfers mostly opposed it very strongly”, which is self explaining.

To conclude, it can be said that there are not only methodological issues involved in the study but their interpretations are also not logically derived.

Preconditions for success in Cash Transfer Schemes:

It is very important to analyse the grounds before introducing any scheme or plan. There may be many preconditions for introducing the scheme; three of them are very basic for success in Conditional Cash Transfers.

- **Targeting:** It is essential to clarify how to improve the effectiveness of reaching the actual poor through any programme, whether it is a CCT or not. The experience in India with identifying the poor correctly has been abysmal, in both rural and urban areas. In all the three Censuses of the rural population (conducted by the states based on a design provided by the Ministry of Rural Development) in the last two decades (1992, 1997 and 2002) there is evidence of large scale exclusion and inclusion errors. Those who are poor are not included among the beneficiaries while at the same time a large proportion of those who are beneficiaries happen to be non-poor.
- **Introduction of a Biometric Identification System:** A successful CCT system would require the introduction of a biometric identification system in which every adult gets their biometrics registered in a database and this is used to identify the recipients of cash. The beginnings have already been made in this regard by a creation of Unique Identification System (UDI) for the entire population, which is likely to be in place in the next three years. It is a Herculean task to generate a sound and perfect and inclusive database for a country like India.
- **Universal availability of the Banks:** CCT system for poor beneficiaries in a country presupposes that bank or post office accounts are almost universally available for the un-banked population of the country. Given that the un-banked population of the country accounts for over half the nation’s population it is critical that corresponding banking surveys expand rapidly before a functional CCT system can be put in place. without a system of bank correspondents (as discussed in the Raghuraman Rajan Committee report on Financial Services to the Planning Commission, 2008), a system of CCTs is unlikely to be successful.

While cash transfers are the principal component of the social safety net in industrialized market economies, they play a far more limited role in developing economies. Very few developing country governments allocate more than 1% of their gross domestic product (GDP) to cash based social assistance programmes. India being a developing country needs to actualize and analyze this reality before replicating CCTs.

Disadvantages of Cash Transfers:

As mentioned above the Government is all set with a devise to dismantle the PDS and working in the line of introducing 'Cash for Food Program'. The reason stated by government is the inefficiency and corruption in the PDS due to which this machinery has failed to achieve its objective. But the Government need to probe and examine the pros and cons of the scheme. The experts and the activists who have been associated and keenly observing the advancement have raised concerns over the scheme and found and brought up certain flaws and questions over the proposed scheme which are listed below:

- One of the most significant problems with the PDS currently is that of targeting errors. Data from the 61st round of the National Sample Survey, or NSS, show that only 44% of the households in the poorest quintile have BPL cards, while 17% of the households in the richest quintile do so. Only 39% of the BPL families have received BPL cards so far in country. The rest 61% identified BPL families are still waiting for the cards.
- The poor women and children are the victim of malnourishment and hunger. If the subsidized food scheme is closed down then the poor women and children will be the most affected. There is nothing inherent in cash transfers that would solve this. Yet, the efficacy of the programme is dependent on targeting beneficiaries correctly. One can imagine all the current problems involved with the setting of a poverty line and identifying BPL households to remain even if we shift to cash transfers.
- Will the cash transfer scheme address the issue of malnutrition? There is no doubt that the PDS has failed to bring about a credible reduction in malnutrition – today, nearly half of India's children are malnourished, making the country the world's worst offender of malnutrition. The proposed scheme does not include the concept of 'Balanced Diet'.
- By making a shift towards cash transfers, the government would lose an important instrument of ensuring price stability. Food coupons or cash transfers typically have a fixed monetary value and do not protect the poor from price shocks, especially the kind of food inflation that the country has been witnessing in the recent past. In the absence of a price stabilization scheme such as the PDS, prices will be entirely left to the vicissitudes of the market – making it susceptible to speculation, and so on. Therefore, instead of reducing the vulnerability of poorer households to food price spikes, it would in fact make them more vulnerable.
- Transfers or coupons assume that food is available in every corner of the country to reach those seeking it. This is unrealistic: Most Indian states are food-deficit, and there is need for a centralized system, which ensures that food from surplus states is transferred to deficit ones.
- If cash transfers were to replace the PDS, the government would not need to procure grain, implying that there will be no price support to farmers. In fact, it's an expanded PDS that can

actually translate into an opportunity to revitalize Indian agriculture with greater public investment.

- The money is supposed to be transferred through banks. The following Tehelka story depicts how woolly brained the idea is in a country where most people live in poorly connected isolated villages. Compounding the misery, rural banks have been shutting down at an alarming rate in recent decades.
- Previously the state took the responsibility of providing food and other necessities through a network of ration shops. Now the state washes its hands off as soon as the money is transferred.
- An important question is still unanswered that who will control this money and for what use? At present, women go to the fair price shop to collect the food grain and kerosene oil but once this scheme is implemented, the slum women have fear that the money might be used for purposes other than ration and kerosene oil.
- Further in our patriarchal society, women have control over any food that comes into the house, whereas, typically, it is the men who decide how cash is spent. There's a good chance men won't utilize the cash for food or other amenities. The proposed system spells bad news for gender equality.
- The poor are mostly indebted. Cash in hand in many cases go towards paying off the pressing debt rather than medium or long run consumption planning. There are other immediate holes for cash in the form of farm expenses, ceremonies, medical expenses, addiction. This is one reason why 'development-displaced' people are supposed to get compensated through land for land deals, not through cash.
- Ironically, the plan panel, while recommending that Food Corporation of India sell grain to private shops from where the poor can buy, admitted that it would be difficult to do so in many parts of rural India simply because private shops do not exist in the first place.
- Cash transfers are a relatively recent innovation in many developing countries: for decades, the majority of the aid and social security programs have been in kind. The consequence is that there are only a few officers who possess the training and capacities to design and run cash schemes, since the majority of them have only experience of transportation and disbursement of food.
- Since cash transfers crucially rely on the capacity of local markets to satisfy an increased demand for essential goods, they carry the intrinsic risk that if the food market suddenly fails (due to disaster, war, economic crisis, poor harvest etc.), the people will be left with useless money they can't spend, and nothing to eat.

- Critics have pointed to the dual problems that cash-for-food schemes cause — leaving the poor vulnerable to fluctuations in market rates of food items and vagaries of supply in open market — the reason why PDS was begun originally.
- While there may be a case for cash transfers as an income-support programme, the idea does not hold ground as a substitute for subsidized food. All of this is not to argue in favour of the PDS status quo—this system, as it stands now, is inefficient and suffers from leakages. The reforms needed, though, involve universalizing coverage and procurement, increasing transparency and accountability, removing private dealers and using technology to the extent possible.

What to do?

Given the kind of political, economic, social and cultural systems we have in our country, schemes like conditional cash transfer instead of PDS goes against the basic objective of providing subsidized food to the marginalised and vulnerable section of the society. The need of the hour is to strengthen the PDS rather than dismantling it. At this juncture it is very important to:

- *understand* the macro as well as micro implications of CCT,
- *spread* and *disseminate* these implications among the masses
- *frame* an argument against the proposed scheme based on the empirical findings
- *undertake* advocacy and lobbying efforts demanding abolition of cash for food scheme