



# Direct Cash Transfer

# Presentation

By

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# Scheme of Presentation

- Background
- Overview
- Intended benefits
- Strategy for implementation
- SWOT analysis
- Merits and Demerits
- Issues and Challenges
- Key learnings
- Recommendations and suggestions

# Background

- It is a mechanism to transfer funds directly to their individual bank accounts.
- This scheme was launched by the government of India on 1<sup>st</sup> Jan'2013, in 43 identified districts of the country ,as a pilot project.
- The main object of the scheme is to minimize tiers involved in fund flow, thereby reducing delay in payment, ensuring accurate targeting of the beneficiary and curbing pilferage and duplication.
- The funds will flow through RTGS and NEFT.

# Overview

- One market price for subsidized goods to replace dual price system under current scheme
- Direct transfer of cash to beneficiary instead of providing him the benefit through subsidized distribution system
- Approximately 3 to 4 % of GDP goes into subsidies
- Positive international experience in Mexico, Brazil & Bangladesh
- Good support from international monetary agencies

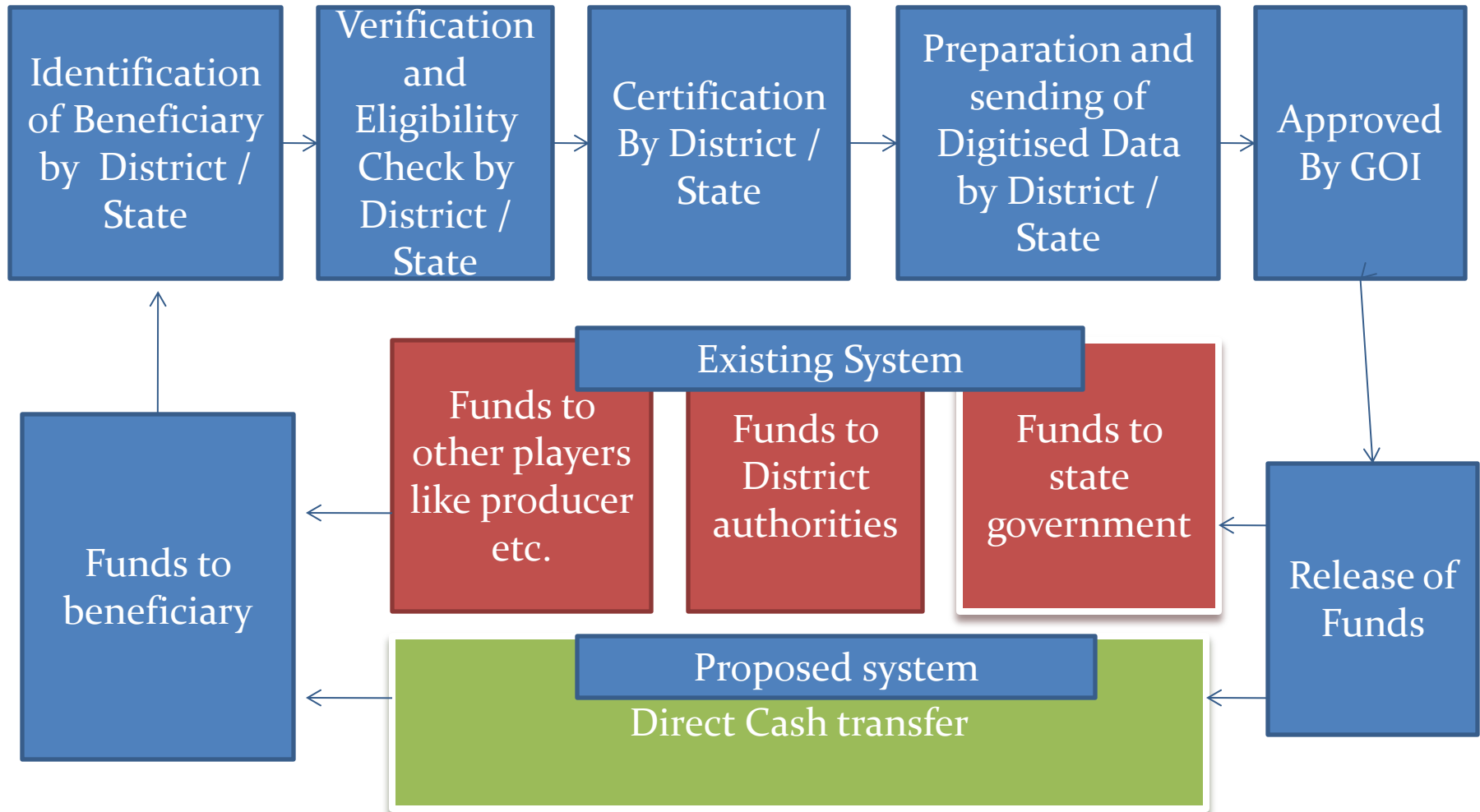
# Intended Benefits

- Reaching to Actual beneficiaries
- Aims to reduce leakage in distribution system.
- Create a more transparent system.
- Reduce administrative cost.
- The move will incentivize market and boost growth.

## Intended Benefits (Cont....)

- Provide definite choice to beneficiary, therefore enhancing economic growth.
- Will boost financial inclusion
- Efficient and Better targeting of beneficiary.
- Discourage hoarding and black marketing

# Strategy for Implementation





# SWOT Analysis

## Strengths:

- Largest cash transfer scheme in the World
- Control on corruption
- Reduced administrative cost
- More effective target orientation

## Weaknesses:

- Absence of robust Core banking network
- Incomplete AADHAR data
- Difficulties in identifying and verifying target population
- Poor infrastructure

# SWOT Analysis

## Opportunities:

- Expansion of financial inclusion in rural area
- It can save lots of resources
- Boost economic growth and employment generation
- Role for Participatory democracy

## Threats:

- Lack of strong political will, both at the centre and state level
- Limited control to ensure that subsidy is being used for intended purpose
- Lack of proper Social Audit
- Lack of awareness

# Merits & Demerits

## Merits

- Elimination of middle man.
- Reduction in Distribution System Leakages
- Lower administrative cost
- Expansion of choices for the targeted poor segment
- One market price for commodity replacing the dual prices, under current system which will control black marketing, hoarding.
- Poverty alleviation.

## Demerits

- Price volatility
- Impact on inflation on account of market based pricing.
- Ensuring right use of subsidy and designing a mechanism to monitor this will be a challenge.
- Execution requires high political willingness and close coordination between centre and state government.

# Issues

- Criterion for fixing cash component
  - Per person/family / Actual consumption
- Other policy reforms like GST may be necessary for success of cash transfer scheme.
- A system of fair & transparent social audit may be advisable so that it actually targets poverty and enhances human development.
- Cash transfer should not be seen as a replacement of state's role as a welfare state.
- Well defined Exit Mechanism to negotiate changing number of Beneficiaries.

# Challenges

- Ensuring proper delivery system and Banking infrastructure including Community Service Centres(CSC).
- Correct identification of target beneficiaries.
- How to create perfect market system .
- Design of a system that can serve this huge population.
- Coordination between state and centre governments

# Key Learnings

- Saving of Government money and time.
- Elimination of fictitious beneficiaries.
- Credibility of Government agencies.
- A major step forward towards Good
- Governance.

# Recommendations & Suggestions

- Robust and transparent mechanism to identify target population.
- Effective regulatory mechanism to create condition for perfect market condition.
- More focus on financial inclusion.
- 100% coverage of AADHAR cards and providing more credibility to AADHAR database.

# Recommendations & Suggestions (Cont.....)

- A system of social audit may be advisable so that it actually targets poverty and enhances human development.
- Capacity building of stakeholders.
- IEC campaign for the stakeholders.
- Full proof banking system.
- Infrastructure improvement .





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# Questions

# Please

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*Thank you*

